Citizens Bank

ANNUAL REPORT 2018/2019

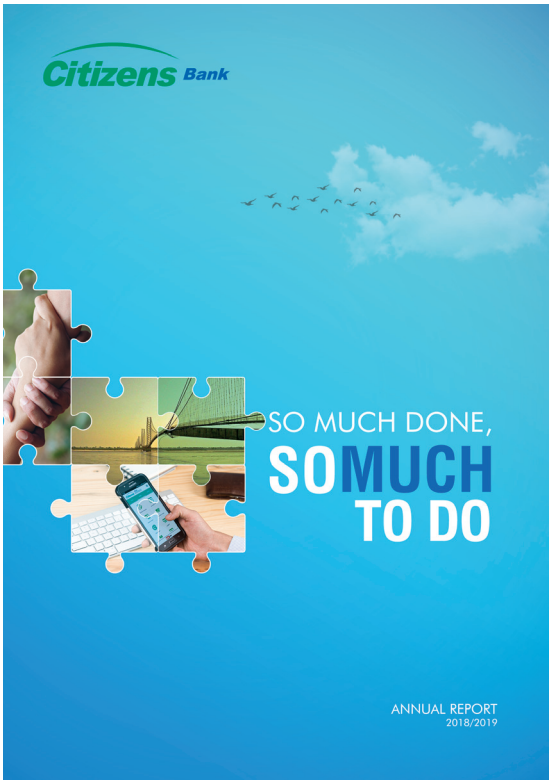


SO MUCH DONE, SOMUCH TO DO

ANNUAL REPORT
2018/2019

Citizens Bank

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With the value of being a trustworthy financial partner for the eternal progress of individuals and institutions, Citizens Bank International Limited has always meted out excellent and reliable financial services to all its customers. A reality made possible by the use of enhanced technology, effective systems, skilled manpower and most importantly, the support of ones who believed in the Bank. And now, it is time to realize and fulfill the dreams. Dreams that are bigger in life and that instill energy in all of us. The Bank knows that it has a lot to do. A lot in terms of financial growth, network growth and human growth, that can pave a way to help it to be recognized as one of the best banks in the Nepalese financial industry. The Bank will make this possible in all means. With an immense energy and enthusiasm built upon, the Bank shall always endure to widen its expanse of network and continue to disseminate the finest and the best of the best services to all its valued citizens, at all times.

Citizens Bank

ABOUT THE REPORT

The Bank is proud to present an Integrated Annual Report for the second consecutive year, prepared in accordance with International Integrated Reporting Framework of 2013, issued by the International Integrated Reporting Council (IIRC).

The aim of our integrated reporting is to present our performance against the key capitals we manage, in order to enable our stakeholders, including investors to make a fair assessment of our efforts for the recently concluded financial year. The report presents key aspects of our value creation process which are the different forms of capital that provides the input, business domains and the value creating activities that result outputs, outcomes and impacts and create the required sustainable value for our stakeholders. The Bank takes a long term outlook of its business actions for the betterment of its investors, customers, employees, suppliers and also the economy, society and the environment.

This report is primarily for providers of financial capital and will be of interest to other stakeholders as it summarizes information on all material issues impacting our performance.

SCOPE AND BOUNDARY

Our integrated report covers the period from July 17, 2018 to July 16, 2019 and reflects operations carried out by the Bank within the geographical boundaries of Nepal during the year.

In presenting our operation and financial performance, we have extracted financial information from the Audited Financial Statements for the financial year ended 2019 with relevant comparative information. The financial statements consistently comply with the requirements of:

- Nepal Accounting Standards (NAS) and Nepal Financial Reporting Standards (NFRS)
- Nepal Rastra Bank Act, 2002 and the rules, regulations and directives issued by the central bank.
- Bank and Financial Institutions Act (BAFIA), 2017
- Companies Act, 2006
- Securities Act, 2006
- Income Tax Act, 2002
- And other applicable laws and regulations

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.

HOW WE CREATE VALUE

Our philosophy is to give the best in what we do and retain the trust along with loyalty of the people. As a financier, we provide the capital required by the customers in pursuance of their lifestyles, to the entrepreneurs for the investment in key industries. As an employer we have the commitment in developing careers, creating the opportunities for knowledge enhancement, development of capacity and competency of the employees. We have uplifted the less privileged through our corporate philanthropy and corporate social responsibility initiatives. Our financial strength reflected from our strong capital base supported with the sound corporate governance whereas risk management frameworks guarantees the investment returns to our depositors and safeguards their investments even in challenging times for the industry.

In creating value to our stakeholders we adopt a unique business model for enhancing six capitals measures which we manage and co-ordinate business operation to its well defined corporate strategy over the short, medium and long term. In managing risk and potential negative outcomes, we adhere to effective governance and risk management frameworks that encompass high level risk management techniques along with a strong control environment supported by sound corporate policy, procedures and practices, and continuous assurance and review, best suited for the finance industry. We remain a socially responsible enterprise that is receptive to the needs of society and protective of the environment.

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 17, 2018 to July 16, 2019.

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.

STATEMENT BY THE MANAGEMENT

The Management acknowledges its responsibility to ensure the integrity of this Integrated Report, which in the Management's opinion addresses all material issues and presents fairly the integrated performance of Citizens Bank International Limited.

GANESH RAJ POKHAREL
Cheif Executive Officer

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ABOUT THE BANK

1

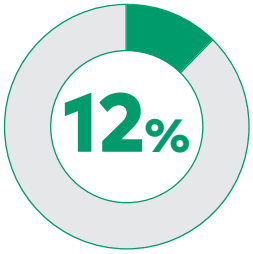
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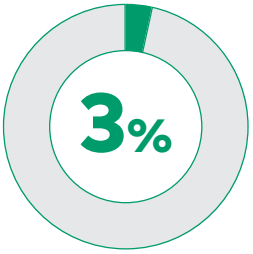
CITIZENS BANK AT A GLANCE

FINANCIAL HIGHLIGHTS

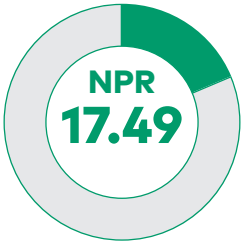
CASH DIVIDEND



BONUS SHARE



EARNINGS PER SHARE



Market Price per Share NPR 224

ROE 11.71%

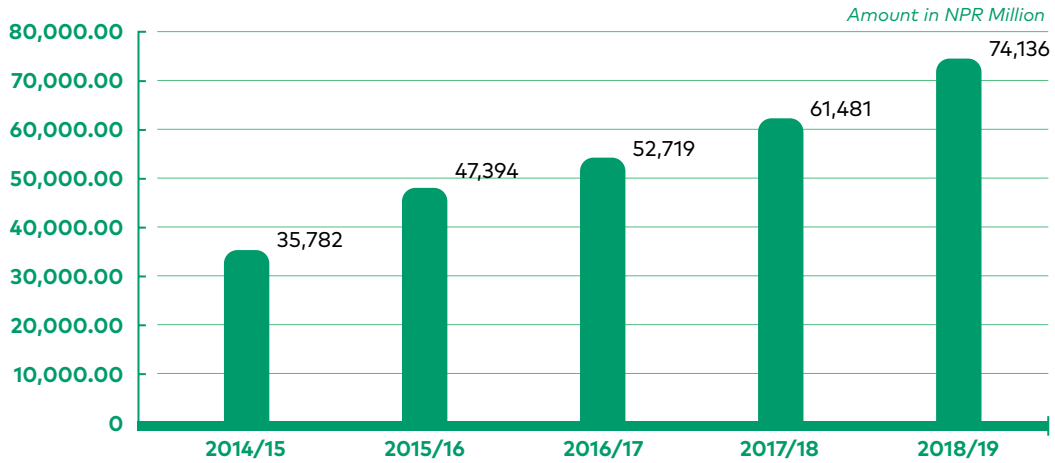
PROFIT AFTER TAX
NPR 1,463,218,780

PROFIT BEFORE TAX
NPR 2,177,613,836

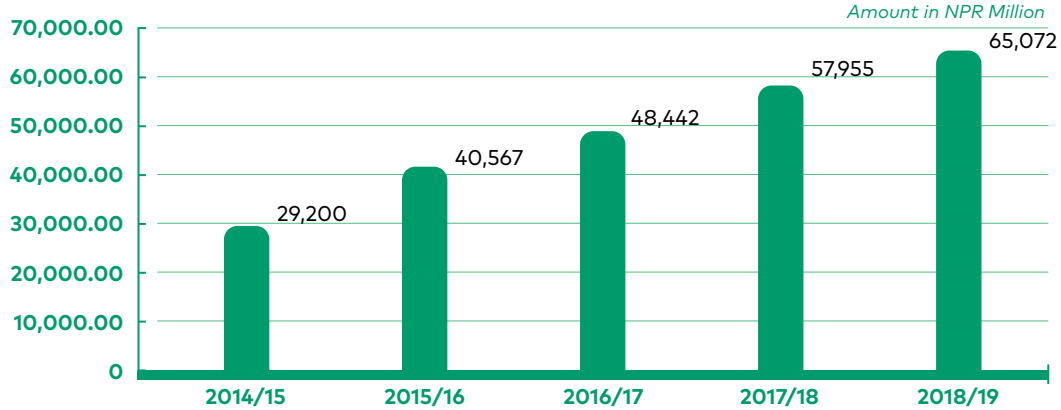
OPERATING INCOME
NPR 3,497,429,914

TOTAL ASSETS
NPR 90,121,363,554

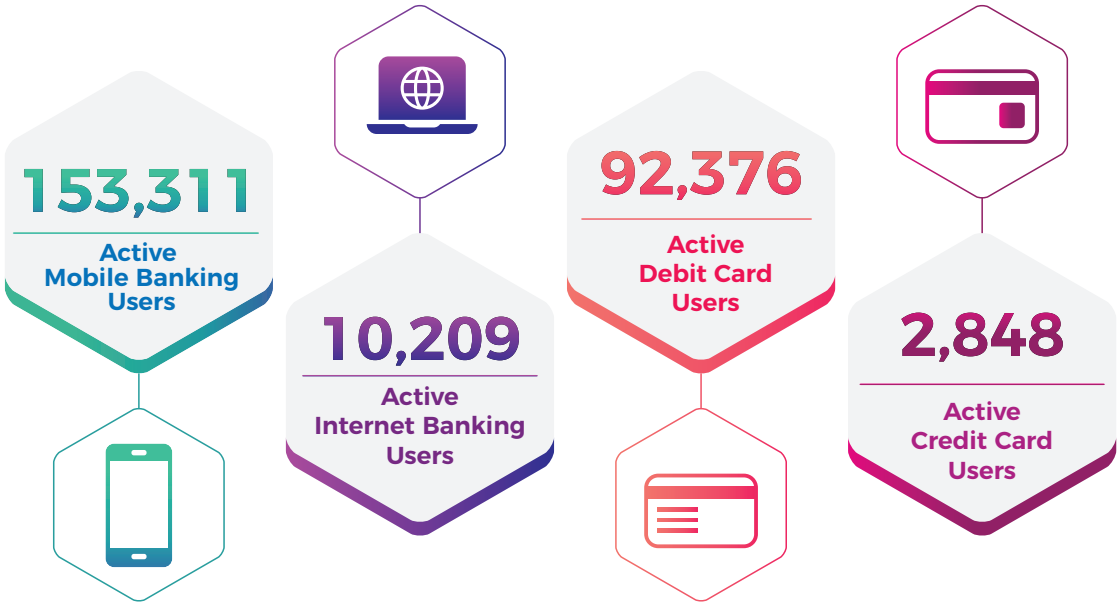
DEPOSIT



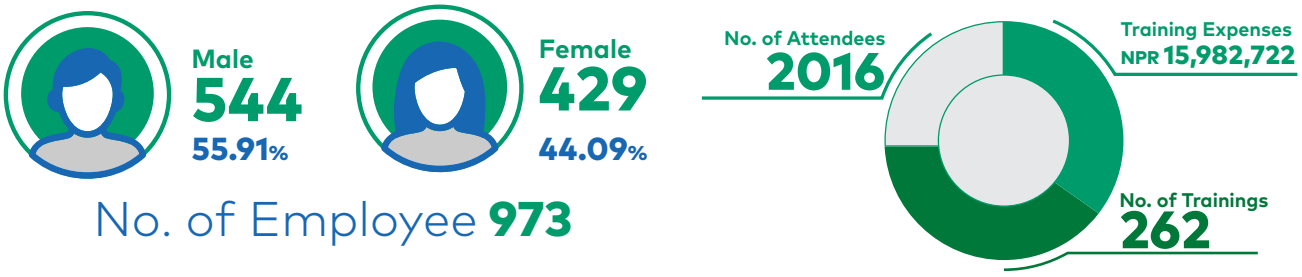
LOAN



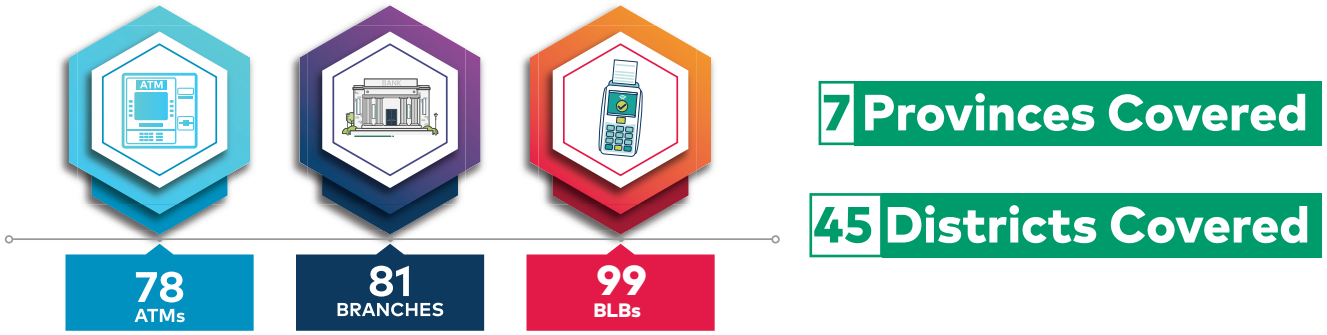
ELECTRONIC BANKING USERS



EMPLOYEE STRENGTH, TRAINING AND DEVELOPMENTS



CITIZENS BANK'S REACH



41 Remittance Partners — **BANK AFFILIATIONS** — **26** Correspondent Banks

KEY RATIOS AND OTHER INFORMATION

PROFITABILITY/ DIVIDENDS/ PERFORMANCE AND LIQUIDITY RATIOS

	GROUP			BANK		
PARTICULARS	FY 2018/19	FY 2017/18	CHANGE %	FY 2018/19	FY 2017/18	CHANGE %
Net Interest Income Ratio (%)	3.22	3.09	0.13	3.20	3.10	0.10
Profit before Tax (NPR)	2,219,666,714	1,679,255,249	32.18	2,177,613,836	1,706,865,093	27.58
PE Ratio (times)	-	-	-	12.81	15.36	(16.60)
Capital Adequacy Ratio (%)				14.37	13.84	0.53
Return on Capital Employed (%)	12.02	10.99	1.03	11.71	11.20	0.51
Debt Equity Ratio (times)				0.16	0.34	(52.94)

BUSINESS RATIOS/ INFORMATION

	GROUP			BANK		
PARTICULARS	FY 2018/19	FY 2017/18	CHANGE %	FY 2018/19	FY 2017/18	CHANGE %
Statutory Liquidity Ratio (%)				20.62	17.89	2.73
Net Interest Income as % of working funds (%)	3.00	2.87	0.13	2.98	2.86	0.12
Return on Average Assets (%)	1.79	1.67	0.12	1.74	1.72	0.02
Cost to Operating Income Ratio (%)	43.10	42.39	0.71	43.90	41.48	2.42
Net Asset Value per Share (NPR)	150.48	137.49	9.45	149.26	137.00	8.95
Profit per Employee (NPR)	1,574,875	1,431,984	9.98	1,503,822	1,462,208	2.85
CRR (%)				4.16	6.34	(2.18)
Dividend Cover Ratio (times)	-	-	-	1.16	2.94	(60.54)
Non Performing Loan to Total Loan (%)	-	-	-	1.13	1.48	(0.35)

DETAIL OF CREDIT CONCENTRATION

PRODUCT WISE

PRODUCT	AMOUNT IN NPR MILLION	PERCENTAGE
Term Loan	14,608	22.45%
Overdraft	9,984	15.34%
Trust Receipt Loan/ Import Loan	2,229	3.42%
Demand & Other Working Capital Loan	8,963	13.77%
Home Loan	4,978	7.65%
Real Estate Loan	5,596	8.60%
Margin Loan	2,782	4.27%
Hire Purchase Loan	6,051	9.30%
Deprived Sector Loan	3,475	5.34%
Bills Purchased	111	0.17%
Others	6,295	9.69%
TOTAL	**65,072**	**100.00%**

SECTOR/ INDUSTRY WISE

SECTOR/ INDUSTRY	AMOUNT IN NPR MILLION	PERCENTAGE
Agricultural & Forest Related	2,244	3.45%
Fishery	60	0.09%
Mining	709	1.09%
Agriculture, Forestry & Beverage Production Related	3,196	4.90%
Non Food Production Related	6,903	10.60%
Construction	3,349	5.15%
Power, Gas, Water	4,586	7.05%
Metal Products, Machinery & Electronic Equipment & Assemblage	229	0.35%

Transport, Communication and Public Utilities	1,924	2.96%
Wholesaler & Retailer	10,640	16.35%
Finance, Insurance & Real Estate	4,422	6.80%
Hotel or Restaurant	1,142	1.76%
Other Services	3,767	5.79%
Consumption Loans	5,179	7.96%
Local Government	-	-
Others	16,723	25.70%
TOTAL	**65,072**	**100.00%**

DISCLOSURE OF NON PERFORMING ASSETS

MOVEMENT IN NON PERFORMING ASSETS

Amount in NPR

PARTICULARS	PREVIOUS YEAR	CURRENT YEAR	CHANGE %
Rescheduled/ Restructured	-	-	-
Sub Standard	56,122,763	84,497,708	50.56
Doubtful	28,891,191	87,456,011	202.71
Loss	775,529,486	561,117,551	(27.65)
TOTAL	**860,543,440**	**733,071,270**	**(14.81)**

SECTOR WISE BREAK UP OF NON PERFORMING ASSETS

Amount in NPR

SECTOR/INDUSTRY	SUB-STANDARD	DOUBTFUL	BAD	TOTAL
Agricultural and Forest Related	19,362,076	1,328,893	2,192,076	22,883,045
Fishery Related	-	-	-	-
Mining Related	-	-	-	-
Agriculture, Forestry & Bevarage Production Related	20,502,860	7,172,989	6,231,549	33,907,399
Non-food Production Related	4,900,000	-	156,459	5,056,459
Construction	508,611	-	8,952,528	9,461,139
Power, Gas and Water	-	-	1,907,412	1,907,412
Metal Products, Machinary & Electronic Equipment & Assemblage	-	-	-	-
Transport, Communication and Public Utilities	4,030,290	-	3,997,260	8,027,551
Wholesaler & Retailer	5,500,000	2,500,000	81,396,416	89,396,416
Finance, Insurance and Real Estate	-	11,390	80,992,274	81,003,664
Hotel or Restaurant	-	-	-	-
Other Service	-	-	75,751,010	75,751,010
Consumption Loans	6,903,114	44,130,936	42,628,216	93,662,266
Local Government	-	-	-	-
Others	22,790,756	32,311,803	256,912,349	312,014,909
TOTAL	**84,497,708**	**87,456,011**	**561,117,551**	**733,071,270**

MOVEMENT OF PROVISION MADE AGAINST NON PERFORMING ASSETS

Amount in NPR

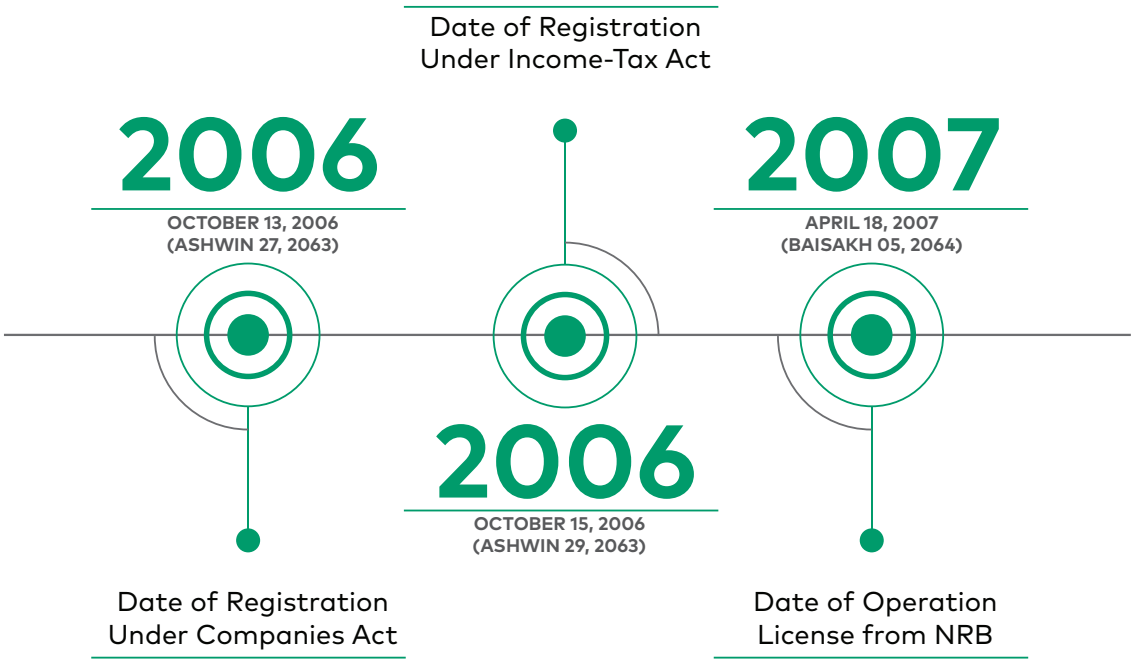
PARTICULARS	PREVIOUS YEAR	CURRENT YEAR	ADDITIONAL PROVISION IN CURRENT YEAR	CHANGE %
Pass Loan	543,416,051	618,342,565	74,926,514	13.79
Watchlist	100,322,950	64,538,109	(35,784,841)	(35.67)
Rescheduled/ Restructured	-	-	-	-
Sub Standard	13,520,864	19,540,618	6,019,754	44.52
Doubtful	14,258,096	43,215,576	28,957,480	203.09
Loss	774,403,934	560,367,551	(214,036,383)	(27.64)
Additional	-	-	-	-
TOTAL	**1,445,921,895**	**1,306,004,418**	**(139,917,477)**	**(9.68)**

BANK'S PROFILE

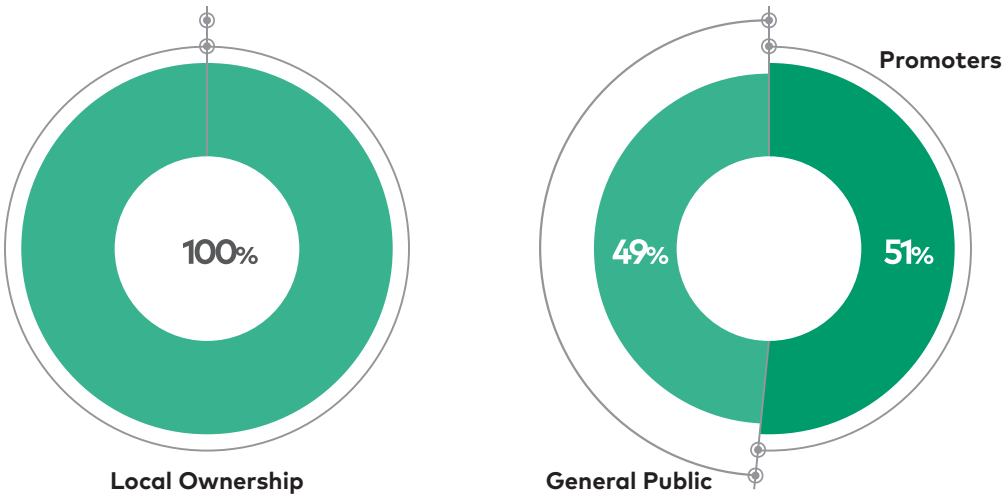
Established on April 20, 2007 (Baisakh 07, 2064) as a 20th Commercial bank of the nation, "Citizens Bank International Limited", has its corporate office at the heart of the financial sector of the country, Narayanhiti Path, Kathmandu. It is promoted by eminent personalities, business and industrial 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 Chief Executive Officer. The Bank has employed 973 staffs including 954 permanent staffs and 19 staffs on a contract basis working with various Departments and Branches across the country

The Bank's milestone dates are as follows:



The shareholding pattern of the Bank is as follows:



OWNERSHIP STRUCTURE

Foreign ownership: NIL || Local ownership: 100%

Local Ownership:
General Public: 49.00% || Promoters: 51.00%

VISION, MISSION & OBJECTIVES

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 AND 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.

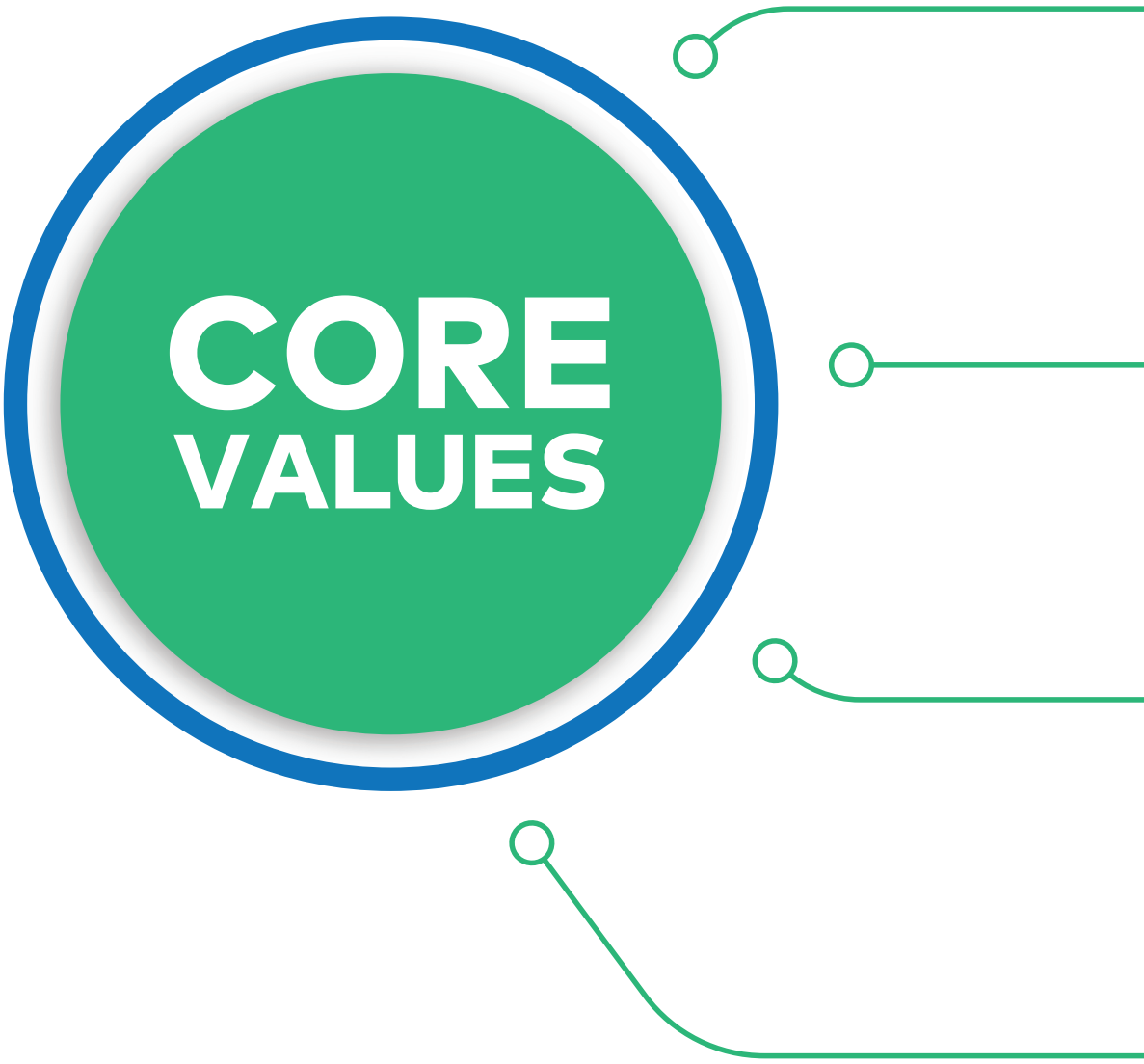
The dedication, enthusiasm, commitment and collaborative spirit of the BOD members, promoters, and management team have already been reflected in the financial results of the Bank.

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

- 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



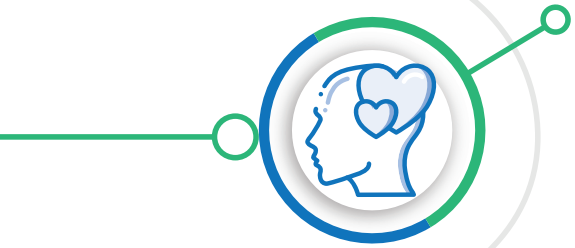
DOING THE RIGHT THING

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



LEADING 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



VALUE CUSTOMER FIRST

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



RETURN 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

CITIZENS BANK'S JOURNEY

2006/07

- Incorporation and commencement of operation
- Introduction of SMEs Lending

2007/08

- Branches set up inside and outside valley
- Initiated ABBS facilities and Internet Banking
- Agreement pact signed for remittance service
- Introduced SCT Debit Card facility

2008/09

- Issuance of Initial Public Offerings
- Enlistment of shares in NEPSE
- Started paying out dividend for the first time

2009/10

- Lead first consortium financing
- Profit after tax increased by 102.02%
- Mr. Rajan Singh Bhandari, then CEO, awarded with Manager of the year, 2009 by Management Association of Nepal (MAN)

2010/11

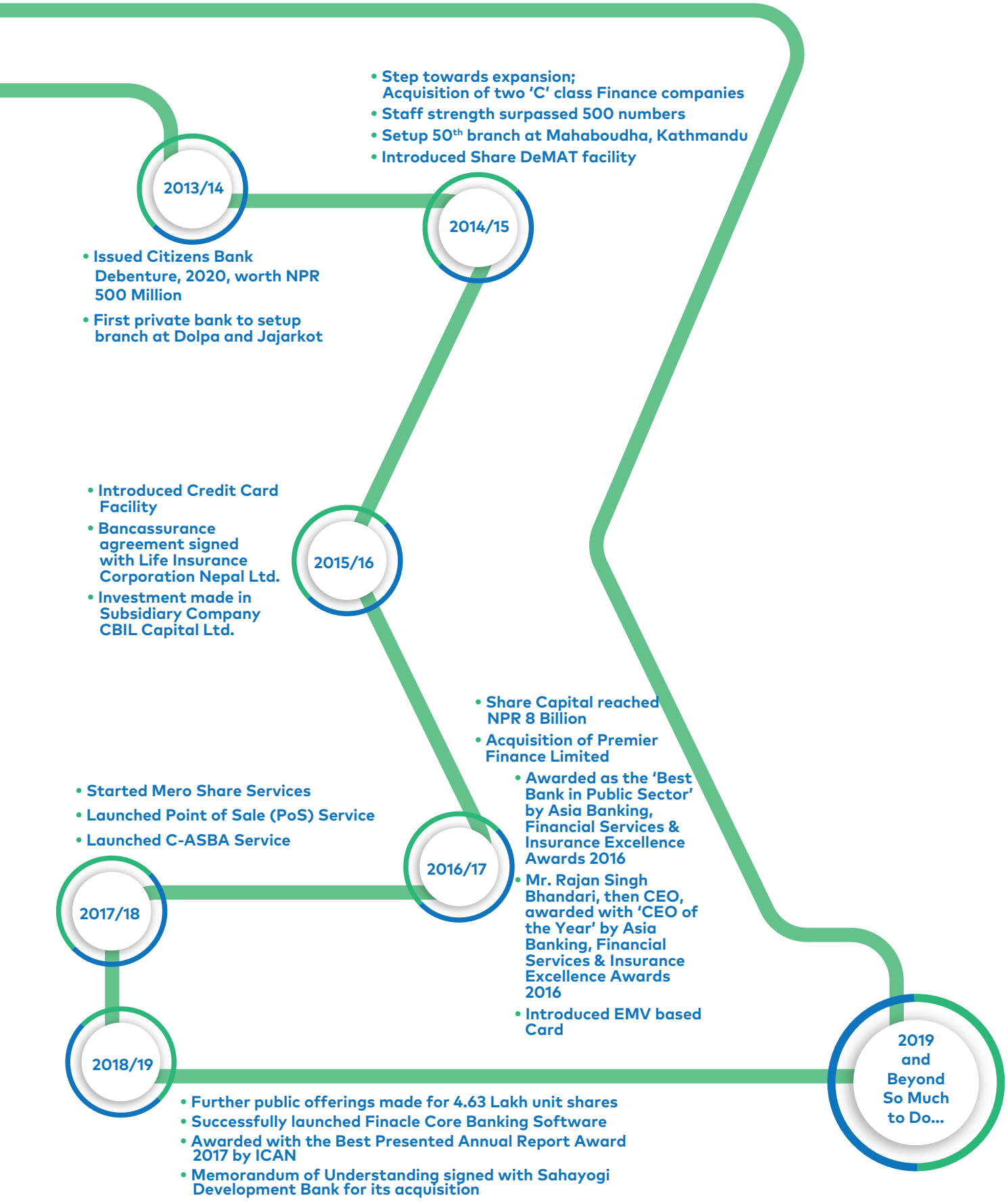
- Introduced Margin Lending facilities for loan against shares
- Launched Citizens Remit
- First private bank to setup branch at Simikot, Humla

2011/12

- Agreement pact signed for remittance service
- Introduced Visa Debit Card facility
- Stared Branchless Banking operation

2012/13

- Launched VISA Dollar Debit Card
- Total Deposit of the Bank reached over NPR 20 Billion
- Assingned rating of [ICRANP] LBBB to Citizens Bank Debenture, 2020, worth NPR 500 Million, by ICRA Nepal


2013/14
• Issued Citizens Bank Debenture, 2020, worth NPR 500 Million
• First private bank to setup branch at Dolpa and Jajarkot
2014/15
• Step towards expansion; Acquisition of two 'C' class Finance companies
• Staff strength surpassed 500 numbers
• Setup 50th branch at Mahaboudha, Kathmandu
• Introduced Share DeMAT facility
2015/16
• Introduced Credit Card Facility
• Bancassurance agreement signed with Life Insurance Corporation Nepal Ltd.
• Investment made in Subsidiary Company CBIL Capital Ltd.
2016/17
• Share Capital reached NPR 8 Billion
• Acquisition of Premier Finance Limited
• Awarded as the 'Best Bank in Public Sector' by Asia Banking, Financial Services & Insurance Excellence Awards 2016
• Mr. Rajan Singh Bhandari, then CEO, awarded with 'CEO of the Year' by Asia Banking, Financial Services & Insurance Excellence Awards 2016
• Introduced EMV based Card
2017/18
• Started Mero Share Services
• Launched Point of Sale (PoS) Service
• Launched C-ASBA Service
2018/19
• Further public offerings made for 4.63 Lakh unit shares
• Successfully launched Finacle Core Banking Software
• Awarded with the Best Presented Annual Report Award 2017 by ICAN
• Memorandum of Understanding signed with Sahayogi Development Bank for its acquisition
2019 and Beyond So Much to Do...

FINANCIAL HIGHLIGHTS OF FY 2018/19

PARTICULAR	INDICATORS	2018/19	2017/18	CHANGE (%)
OPERATING RESULTS				
Net Fee and Commission Income	NPR Million	501.18	509.05	(1.55)
Net Interest Income	NPR Million	2,688.46	2,222.07	20.99
Other Operating Income	NPR Million	307.79	301.77	1.99
Profit before taxation (PBT)	NPR Million	2,177.61	1,706.87	27.58
Profit after taxation (PBT)	NPR Million	1,463.22	1,234.10	18.57
FINANCIAL POSITION				
Loans and Advances to Customer	NPR Million	62,911.97	55,601.77	13.15
Loans and Advances to B/FIs	NPR Million	1,581.90	1,420.65	11.35
Deposits from Customers	NPR Million	70,509.08	60,696.03	16.17
Due to Bank and Financial Institutions	NPR Million	3,926.66	3,335.29	17.73
Total Equity	NPR Million	12,494.63	11,013.91	13.44
SHARE INFORMATION				
Market price per share	NPR	224	236	(5.08)
Earning per share (EPS)	NPR	17.49	15.37	13.79
Book net worth per share	NPR	149.26	137.10	8.95
Earnings Yield	Percent	6.70	6.51	2.92
Dividend Yield	Percent	7.81	2.23	250.22
Dividend Payout Ratio	Percent	0.86	0.34	152.94
Dividend (Including bonus) on Share Capital	Percent	15.00	5.26	185.17
Cash Dividend on Share Capital	Percent	12.00	1.64	631.71
Total Assets to Shareholder's Fund	Times	7.21	7.07	1.98
Shareholder's Fund to Total Liability including Contingent Liability	Percent	15.34	12.03	27.51
STATUTORY RATIOS				
Adequacy of Capital Fund on Risk Weighted Assets	Percent	14.37	13.84	3.83
Core Capital	Percent	13.46	12.76	5.49
Supplementary Capital	Percent	0.91	1.08	(15.74)
Price Earning Ratio	Times	12.81	15.36	(16.60)
CCD Ratio as per NRB Directives	Percent	76.79	77.87	(1.39)
OTHER RATIOS				
Return on Assets (ROA)	Percent	1.62	1.72	(5.81)
Return on Equity (ROE)	Percent	11.71	11.22	4.37
Cost to Operating Ratio	Percent	43.90	41.48	5.83
Non-Performing Loan/ Total Loans (As per NRB Directive)	Percent	1.13	1.48	(23.65)
Weighted Average Interest Rate Spread (As per NRB Directive)	Percent	3.15	3.84	(17.97)

NON FINANCIAL HIGHLIGHTS OF FY 2018/19

PARTICULAR	INDICATORS	2018/19	2017/18
INTELLECTUAL CAPITAL			
Credit Rating	ICRA Rating	[ICRANP] LBBB+	[ICRANP] LBBB+
MANUFACTURED CAPITAL			
Total Branches	Number	81	78
No. of ATMs	Number	78	70
Investment in Property, Plant and Equipment	NPR Million	326.77	537.62
HUMAN CAPITAL			
Total No. of employees	Number	973	844
Employees Hired	Number	272	268
Training Programs carried out	Number	264	154
Investment in Training and Development Programs	NPR Million	15.98	15.49
Staff Remuneration and Benefits	NPR Million	900.24	784.06
Net Profit per Staff	NPR Million	1.50	1.46
Per Employee Staff Cost	NPR Million	0.92	0.93
SOCIAL AND RELATIONSHIP CAPITAL			
CSR Expense	NPR Million	7.22	12.13
Staff Volunteered hours	Hours	Over 1,000	Over 800
NATURAL CAPITAL			
Environmental Projects	Number	1	1
Invested in Environmental Projects	NPR Million	0.60	1.02

PARTNERSHIP FOR THE GOALS

Overview

Citizens Bank International Limited 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 Bank and Financial Institution Act, 2017. The principal activities of the Bank is to provide all commercial retail 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 started its journey from April 20, 2007 as a 20th commercial bank of the nation. The Bank acquired two "C" class financial institutions, Nepal Housing and Merchant Finance Limited and People's Finance Limited during the Fiscal Year 2014/15 and started consolidated Banking transaction from May 8, 2015. Similarly, the Bank has acquired "Premier Finance Limited" and started the consolidated transaction from July 17, 2016.

MULTIPLYING BY ADDING

ESTABLISHMENT:
The Bank started its journey from April 20, 2007 as "A" Class Commercial Bank.

ACQUISITION:
The Bank acquired two 'C class financial institutions" Nepal Housing and Merchant Finance Limited and People's Finance Limited" during FY 2014/15. The Bank started consolidated banking transaction from May 8, 2015.

ASSOCIATES:
The Bank holds 8.52% of share capital of Nepal Electronic Payment Systems Limited (NEPS) and 1.97% of share capital of Nepal Clearing House Limited (NCHL) as on date.

INVESTMENT IN SUBSIDIARY:
The Bank made an equity investment in "CBIL Capital Limited"on March 13, 2016 and holds controlling interest of 58.60% as on date.

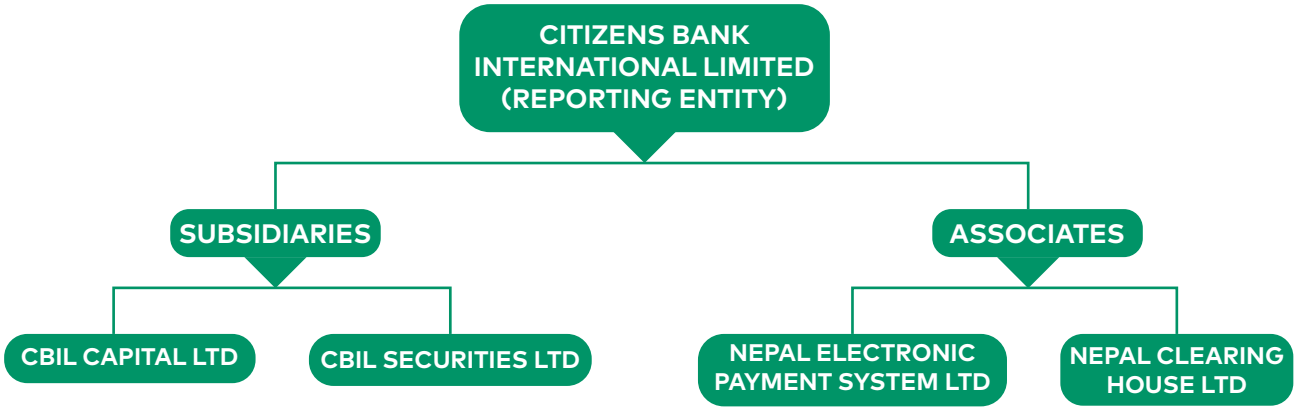
ACQUISITION:
The Bank acquired "Premier Finance Limited" and started consolidated transaction from July 17, 2016.

INVESTMENT IN SUBSIDIARY:
The Bank made an equity investment in CBIL Securities Limited on July 5, 2019 and holds 100% controlling interest.

FURTHER ACQUISITION:
The Bank has signed Memorandum of Understanding (MOU) on July 8, 2019 for acquisition of "Sahayogi Vikash Bank Limited", 'B Class Financial Institution'.

GLANCE OF RELATED PARTIES

GROUP STRUCTURE



TRANSACTION WITH GROUP COMPANIES

SUBSIDIARIES

A) CBIL Capital Limited

CBIL Capital Limited was incorporated on January 30, 2006 and its principal activities 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 Services (CDS) and administration and record keeping of securities of client. The Bank made an equity investment in CBIL Capital Limited on March 13, 2016 and as on date; the Bank holds 58.60% controlling interest in CBIL Capital Limited.

Activities/ Transaction with Subsidiary

- The Bank has entered into a Management Service Agreement (MSA) with Subsidiary for providing management services and provisions led in MSA are in line with arms-length principle.

- An agreement has been made between the Bank and the Subsidiary Company to provide the following facilities to the subsidiary company by the Bank for a monthly fee of NPR 600,000.

  - Bank has the right to appoint the Chief Executive Officer of CBIL Capital Ltd.
  - Bank provides technical assistance required for computer hardware, software and network maintenance.
  - Internal Audit team of the Bank will handle all audit work of its subsidiary and will submit quarterly report to its audit committee.
  - Bank has also mutually agreed to provide legal consultancy and vehicle facility to the subsidiary company.
  - Bank provides investment management services through the Bank's branch network.

- Bank has rented its building located in Dillibazar, Kathmandu to Subsidiary Company for a monthly rent of NPR 110,000 with 10% increment in every 2 years.

- CBIL Capital holds deposit accounts with the Bank which has a balance of NPR 103,591,509 as on July 16, 2019.

B) CBIL Securities Limited

CBIL Capital Limited was incorporated on June 30, 2019 and its principal activities are to provide brokerage services related to securities, margin trading, investment in securities, consultancy to its client and other related services. Citizens Bank made an equity investment in CBIL Capital Limited on July 5, 2019 and as on date Bank hold 100% controlling interest in CBIL Securities Limited.

Activities/ Transaction with Subsidiary

- Bank has nominated its Assistant Chief Executive Officer as the chairman and 3 senior level staffs as the directors of the subsidiary company.

- Bank has rented out its building located in Kupondole, Lalitpur to subsidiary company for a monthly rent of NPR 60,000 with 10% increment in every 2 years.

- CBIL Securities Limited holds deposit accounts with the Bank which has a balance of NPR 50,132,312 as on July 16, 2019.

ASSOCIATES

A) Nepal Electronic Payment System Limited (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.

Mr. Sanjeeb Kumar Shrestha, executive management team member of the Bank is also the Board Member in NEPS. As on date Bank holds 8.52% of total capital of NEPS.

The Bank has entered in agreement with NEPS for availing services related to debit cards and credit cards, for which, the Bank makes the payment at an arm's length price.

B) Nepal Clearing House Limited (NCHL)

NCHL is public limited company established on December 23, 2008 under 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), private card switch operator.

Ms. Umang Sharma, executive management team member of Bank is also the Board Member in NCHL. As on date Bank holds 1.97% of total capital of NEPS.

The Bank has entered in agreement with NCHL for availing services related to Electronic Cheque Clearing (ECC) and Interbank Payment System (IPS), for which, Bank makes the payment at an arm's length price.

KEY MANAGEMENT PERSONNEL (KMP)

The Key Management Personnel (KMP) 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.

Please refer Note No 5.7 of Financial Statements in Pg 248 for detail of Related Parties.

PRODUCT AND SERVICES

DEPOSIT SCHEMES

A. SAVING DEPOSITS

1. Citizens Savings Account
2. Citizens Rastra Sewak Savings Accounts
3. Citizens Bidharthi Bachat Khata
4. Citizens Mahila Bachat Khata
5. Citizens Muna Bachat Khata (Only for Minors)
6. Citizens Matribhumi Bachat Khata
7. Citizens Senior Citizens Savings Account
8. Citizens Special Savings Account
9. Citizens Super Savings Account
10. Citizens Sharedhani Bachat Khata
11. Citizens Special Super Savings Account
12. Citizens Mofashal Bachat Khata
13. Citizens Enterprise Fund Account
14. Citizens G2P Savings Khata
15. Citizens Branchless Bachat Khata
16. Citizens Ghar Dailo Savings Account
17. Citizens Dasak Savings Account
18. Citizens Golden Savings Account
19. Mero Citizens Bachat Khata
20. Citizens Bisesh Bachat Khata
21. Citizens Saral Bachat Khata
22. Citizens Recurring Deposit (NPR)
23. Citizens Savings Account (FCY)

B. CALL DEPOSITS

1. Citizens Call Deposit Account (NPR)
2. Citizens Call Deposit Account (FCY)

C. FIXED DEPOSITS

1. Citizens Fixed Deposit (NPR) Individual
2. Citizens Fixed Deposit (NPR) Institutional

DESCRIPTION OF SOME OF DEPOSIT PRODUCTS ARE BELOW:

1. Citizens Matribhumi Bachat Khata

With the purpose of providing deposit facilities to the Nepalese citizens residing in foreign countries, the Bank has especially designed deposit product named as Citizens Matribhumi Bachat Khata. This product can also be enjoyed by those who are in the process of going abroad for foreign employment subject to presentation of a valid visa.

Features of the product:

- Online Account Opening Facility
- Better exchange rate while remitting money through Citizens Remit.
- Free Internet Banking (First year only)
- Interest is calculated on Daily balance and credited quarterly
- No restriction on the amount of withdrawals

2. Citizens Bidharthi Bachat Khata

The saving habit of students helps them to reduce their financial burden in their higher study. Therefore, the Bank offers this special saving scheme for Nepalese students with minimum age of 18 years and maximum age of 50 years having a valid student's identity card to encourage students for saving habits to meet their financial needs in future.

Features of the product:

- Zero minimum balance.
- Interest calculation on daily basis and payment at each quarter end.
- 50% discount on Internet Banking Facility.
- 25% discount on Travelers Cheque issuance.
- 25% discount on Draft issuance.
- Free Statements upon request.
- No fees on inward remittances.
- Facility of Citizens NPR Debit Card –Valid in Nepal as well as in India.

3. Citizens Golden Savings

The Bank offers Citizens Golden Savings product for the people of all age group to attract the deposits of customers for good rate of interest. Minimum balance of NPR 500 is to be maintained by the customers at the time of opening the account.

Features of the product:

- Quarterly interest payment
- Free ABBS facility
- Free Internet Banking (For first year only)
- Free Mobile Banking Facility (For first year only)
- Free DEMAT account (For first year only)
- Issuance of VISA debit card
- 50% discount on Locker Fees

4. Citizens Sharedhani Bachat Khata

The Bank offers Citizens Sharedhani Bachat Khata for its shareholders with attractive saving schemes which can be opened with a minimum balance of NPR 100 only.

Features of the product:

- 25% discount on Locker Fees.
- Direct Dividend Credit Facility.
- 50% discount on Internet Banking.
- Interest calculated on daily balance and credited quarterly.
- Facility of Citizens NPR Debit Card –Valid in Nepal as well as in India
- Free statements and cheque book upon request
- No charges on inward remittances (domestic as well as international)

5. Citizens Mahila Bachat Khata

The Bank offers "Citizens Mahila Bachat Khata" for Nepalese woman with age above 16 years, minimum balance of NPR 500. The deposit account aims to empower women encouraging them to save and spend wisely to strengthen their economy.

Features of the product:
• 50% discount on Locker Fee.
• Free Internet Banking (First year only).
• Interest is calculated on Daily balance and credited quarterly.
• Facility of Citizens NPR Debit Card –Valid in Nepal as well as in India.

6. Citizens Muna Bachat Khata

With children learning to save and manage money whereas parents have a place to save for a child they care about, the Bank has designed Citizen Muna Bachat Khata for the minors (below age of 18 years) facilitated by their guardians to save for the child's future.

Features of the product:
• Zero minimum balance
• Premium rate in Fixed Deposit Scheme
• Free Internet banking (First year only)
• Interest is calculated on Daily balance and credited quarterly
• Facility of Citizens NPR Debit Card –Valid in Nepal as well as in India

7. Citizens Senior Citizens Savings

The Bank has offered Citizens Senior Citizens Savings account for the senior citizens. This scheme is applicable for individuals of age group equal to or above 55 years.

Features of the product:
• Zero minimum balance.
• Free Internet Banking.
• 50% discount on locker facilities.
• Privilege Banking facilities.

8. Citizens Recurring Deposit

With the intention of encouraging people having minimum regular income, to save and earn; the Bank has offered Citizen Recurring Deposit product where the customers can deposit a fixed amount equal to NPR 500 or above every month into their deposit account and can get attractive interest rate. The product is favorable for people of any age group.

Features of the product:
• Zero minimum balance.
• Loan facility up to 90% of the deposit amount.
• Interest is calculated on daily balances.
• Free Internet Banking (First year only).

9. Citizens Rastra Sewak Savings Account

The Bank launched Citizen Rastra Sewak Savings Account for the Nepalese citizens of all age groups primarily for the officials of Nepal Government, Private Sector, Semi Government Bodies and Government owned Corporations / Associations / Enterprises and their immediate family members.

Features of the product:
• Zero minimum balance
• Free ABBS
• Account for employees of private as well as government offices
• Free Internet Banking (First year only)
• Free Statements upon request
• Facility of Citizens NPR Debit Card –Valid in Nepal as well as in India
• Interest Calculation on Daily Balance, payable quarterly at each Nepali Calendar quarter end.

10. Citizens Saral Bachat Khata

The Bank has launched 'Citizens Saral Bachat Khata', a new savings deposit product, in view of the recently launched Government campaign with slogan "Kholaun Bank Khata Abhiyan, 2076"as per Nepal Rastra Bank circular dated April 10, 2019 for opening bank accounts of all individual Nepali citizens. The main aim of the account is to establish banking habits of unbanked population focused mainly towards people of rural areas and encouraging them for saving habits.

Features of the product:

- Minimum balance of NPR 100 will be offered by the Bank.
- Interest is calculated on daily balance, payable quarterly at each Nepali Calendar quarterly end.
- Any Branch Banking Service (ABBS).
- Issuance of Visa Debit Card.
- Free Mobile Banking Facility (First year only).
- Free De-Mat Account.
- Free C-ASBA service.
- Internet banking facility.
- Activation of 3-D secure for e-com transaction.
- Issuance of Cheque book.
- Other services provided by the Bank.

11. Citizens Bishesh Bachat Khata

The Bank has launched deposit product Citizens Bishesh Bachat Khata which provides the customers with the facility of medical insurance and accidental death benefit. With this deposit product, customers can obtain the facility of medical insurance in case of hospitalization of more than 24 hours amounting upto the maximum limit of NPR 100,000 and accidental death benefit upto the maximum limit of NPR 700,000.

Features of the product:

- Minimum balance to open account will be NPR 100.
- Interest calculated on daily balance, payable quarterly at each Nepali Calendar quarter end.
- Free 'Any Branch Banking Service' (ABBS).
- Free Issuance of Visa Debit Card (First year only).
- Free Mobile Banking Facility (First year only).
- Free De-Mat Account (First year only).
- Free Internet banking facility (First year only).
- Free activation of 3-D secure for e-com transaction.
- 50% discount on annual Locker Fees.
- 50% discount on balance certificate issuance charge.
- 50% discount on draft and swift issuance commission.
- Issuance of Cheque book.





Additional Facilities

This deposit product also facilitates the customer with the professional loan to the maximum limit of NPR 1,500,000 for the maximum period of 5 years. The customers are provided with this loan facility as per the Bank's approved product paper.

12. Citizens Branchless Bachat Khata

While the people living in rural areas are excluded from availing from banking services, the Bank has launched Citizen Branchless Bachat Khata with the aim of catering the financial needs of those people. The services are provided by an appointed agent of the Bank which helps the Bank to evade the cost and hassle of opening branches in such remote areas.

13. Citizens Call Deposit Account

Call deposit account is a blend of current and savings account features with interest in addition. The Bank offers especially designed call deposit account to manage the idle surplus fund of customers. The scheme includes wide array of benefits of earning interest as well as facility of unlimited deposits. The rate of interest is negotiable (subject to NRB Directive).

LOAN SCHEMES

A. CONSUMER LOANS

1. Citizens Home Loan
2. Citizens Mortgage Loan
3. Citizens Auto Loan
4. Citizens Education Loan
5. Citizens Margin Lending
6. Citizens Bina Dhito Karja
7. Citizens Equipment Loan
8. Citizens Fast Track Loan
9. Citizens One Zone One Product
10. Citizens Agriculture and Enterprise Loan
11. Subsidized Loans
    a) Citizens Commercial Agriculture and Livestock Loan
    b) Citizens Educated Youth Self Employed Loan
    c) Citizens Foreign Employment Returnee Project Loan
    d) Citizens Women Entrepreneurship Loan
    e) Citizens Dalit Community Entrepreneurship Development Loan
    f) Citizens Higher and Technological or Vocational Education Loan
    g) Citizens Earthquake Victim Residence Construction Loan
    h) Citizens Technical Education loan
12. Citizens Credit Card

B. CITIZENS SME LOAN

C. CORPORATE LOANS

D. OTHER LOANS

1. Loan against Government Bond
2. Loan against Citizens Fixed Deposit Receipt and Promissory Note
3. Loan against first class Bank Guarantee
4. NPR Loan Against FCY Fixed Deposit Receipt




NEPAL RS-1
3,511
156,271
58,310
97,961
87,541

BELOW IS THE DESCRIPTION OF LOAN PRODUCTS OF THE BANK:

A. CONSUMER LOANS

1. Citizens Home Loan

The Bank offers financing facilities to finance a purchase of a plot of land and/or readymade building, apartment, construction, repairs, renovation, additions and alteration to the house/flat.

Features of the product:

- Terminating loan payable in Equal Monthly Installment.
- Loan size maximum up to NPR 15 Million.
- Repayment period of maximum 25 years.
- Loan portion up to 70% of fair market value of the collateral security.
- Refinancing Facility.

2. Citizens Mortgage Loan

The Bank offers loan facility to cater the needs of individual to meet their personal financial obligations through Mortgage Loans.

Features of the product:

- 1 Year Revolving Overdraft or Terminating loan payable in Equal Monthly Installment.
- Loan size maximum up to NPR 5 Million.
- Repayment period of maximum 15 years.
- Loan portion up to 50% of fair market value of the collateral security.

3. Citizens Auto Loan

Auto loan is a vehicle financing scheme for purchasing new or used private and commercial vehicles to salaried or self-employed Nepalese citizen or owners of the business. The loan is provided against registration of vehicle in the bank's name.

Features of the product:

- Loan size up to NPR 10 Million for private vehicles and NPR 7 Million for commercial vehicles.
- Loan tenure is up to 6 years for private vehicles and up to 5 years for commercial vehicles.
- Terminating loan payable in Equal Monthly Installment.

4. Citizens Education Loan

Bank has brought education loan, which aims to finance meritorious students who choose to pursue a higher education (Professional or technical) in Nepal and abroad. The loan is extended to students/professionals desiring to pursue higher studies such as Graduation, Post-Graduation, Specialization and Vocational/Technical courses in the country or abroad.

Features of the product:

- Terminating loan payable in Equal Monthly Installment.
- Loan size maximum up to NPR 5 Million
- Repayment period of maximum 15 years including moratorium period of 4 years or education period whichever is earlier.
- Loan portion up to 100% of the cost of education.

5. Citizens Margin Lending

Margin lending is financing individuals or companies against ordinary equity shares. The bank offers the financing scheme against the shares of selected companies which are listed in the Nepal Stock Exchange (NEPSE).

Features of the product:

- Demand Loan and Overdraft nature of loan up to 1 year.
- Loan portion up to 65% of the 180 days average price or previous day's closing price whichever is lower of the shares pledged.

6. Citizens Bina Dhito Karja

Citizens Bina Dhito Karja helps to get loan without any collateral. This loan is offered to meet the financial obligation/s to salaried individuals and professionals. The loan is advanced to meet various requirements of the Borrower such as travel expenses, medical expenses, social expenses, purchase of medical equipment and appliances for professional use, home appliances, etc.




Citizens

Features of the product:
• Revolving or Non-revolving nature of loan
• Revolving up to NPR 0.50 Million and Loan size maximum up to NPR 1.50 Million including revolving.
• Repayment period of maximum 5 years.

7. Citizens Equipment Loan

Equipment loan is a equipment/machine financing scheme for purchasing new or used equipments for Nepalese citizen or infrastructure / construction companies. The loan is provided against registration and/or hypothecation of equipment in the bank's name.

Features of the product:
• Loan size up to NPR 10 Million
• Loan tenure is up to 5 years.
• Terminating loan payable in Equal Monthly Installment.
• LC Facility available for direct import of equipments.

8. Citizens Fast Track Loan

The Bank has offered Citizens fast track loan designed to uplift the living standards of the under-privileged families by providing them financial support at the time of their need. The purpose of this loan is to meet financial requirement of the borrower, both individuals, and business units, for agriculture/business/personal use.

Features of the product:
• Can be offered as term loan or overdraft loan.
• Loan size maximum up to NPR 2 Million
• Repayment period of maximum 10 years in equal monthly installment for term loan.
• 1-year revolving facility for overdraft loan.
• Loan portion up to 60% of the derived value of collateral security.

9. Citizens One Zone One Product

The bank has especially designed product to meet the financial requirement of the people involved in agriculture and/or agricultural business, for their economic upliftment. The objective of this product is also to bring those who are deprived from formal banking sector within reach of our bank and reduce the dependency of farmers with the middlemen and are designed in such a way, that the product promotes use of local resources, local skill and local people's involvement to carry out the business.

Features of the product:
• Can be offered as term loan or overdraft loan.
• Loan size maximum up to NPR 2.50 Million.
• Repayment period of maximum 10 years in equal monthly installment for term loan.
• 1-year revolving facility for overdraft loan.
• Loan portion up to 60% of the derived value of collateral security.

10. Citizens Agriculture & Enterprise Loan

The Bank has offered Citizens Agriculture & Enterprise Loan to meet financial requirement of industry/individuals involved in production of agriculture goods and manufacturing activities of different goods and services.

Features of the product:
• Available in terminating loan payable in EMI.
• Loan size maximum up to NPR 1.50 Million
• Repayment period of maximum 10 years.
• Available at Base Rate plus 2% premium.

11. Subsidized Loans

The Bank has introduced the scheme of subsidized loan up to 5 years tenor for providing various concessional loans to unemployed educated youths, returnee migrant works, women entrepreneurs, Dalits, earthquake victims and other targeted groups, for the motive of their economic upliftment. Details of various subsidized loans are as follows:
a) Citizens Commercial Agriculture and Livestock Loan (Up to NPR 1 Million)
b) Citizens Educated Youth Self Employed Loan (Up to NPR 0.70 Million)
c) Citizens Foreign Employment Returnee Project Loan (Up to NPR 1 Million)
d) Citizens Women Entrepreneurship Loan (up to NPR 1.50 Million)
e) Citizens Dalit Community Entrepreneurship Development Loan (up to NPR 1 Million)
f) Citizens Higher and Technological or Vocational Education Loan (Up to NPR 0.50 Million)

g) Citizens Earthquake Victim Residence Construction Loan(Up to NPR 0.30 Million)
h) Citizens Technical Education loan(Up to NPR 0.20 Million)

12. Citizens Credit Card

Credit Card is provided to the individuals having regular source of income to make payment of product/services at merchant locations via Point of Sale and cash withdrawal at ATM.

Features of the product:

- Up to NPR 0.25 Million
- US Dollar Credit Card available against lien over equivalent USD in account.

B. CITIZENS SME LOAN

SME loan are meant for small and medium enterprises to help them meet the financial requirements. This loan is provided to finance working capital and/or capital expenditure requirement as well as non-funded facilities such as letters of credit and guarantees for small businesses including retailers, wholesalers, cottage and small-scale manufacturing and processing units, exporters, importers, contractors, educational institutions, self-employed professionals, medical /health facilities, etc. The loans to business up to NPR 50 Million are categorized as SME Loans.

Facilities provided under SMEs Loan:

Funded Facilities

a. Term Loan
b. Overdraft/Working Capital Loan
c. Working Capital Term Loan
d. Trust Receipt Loan
e. Export Credit

Non-Funded Facilities

a. Letter of Credit
b. Bank Guarantee

C. CORPORATE LOANS

Business Loans in excess of NPR 50 Million are categorized as Corporate Loans whereas loans to large corporate under consortium arrangement are categorized as Consortium Loans.

Facilities provided under Corporate Loans:

Funded Facilities

a) Term Loan
b) Overdraft
c) Working Capital Loan
d) Trust Receipt Loan
e) Export Finance
f) Bridge Gap Loan

Non-Funded Facilities

a) Letter of Credit (LC)
b) Bank Guarantee (BG)

OTHER SERVICES

A. Funded Facilities

1. Overdraft
2. Working Capital Loan
3. Trust Receipt Loan
4. Export Finance
5. Bid Bond
6. Performance Bond
7. Loan Against Government Bond
8. Loan Against Citizens Fixed Deposit Receipt and Promissory Notes
9. NPR Loan Against FCY Fixed Deposit Receipt
10. Consortium Financing
11. Deprived Sector Loan
12. Citizens Mortgage Loan (Personal Overdraft)
13. Term Loan

B. Non-Funded Facilities

1. Letter of Credit (LC)
2. Bank Guarantee (BG)

C. Online Services

1. Mero Share Services
2. DE-MAT Services
3. ASBA Services
4. Connect IPS
5. Mobile Banking
6. Internet Banking
7. Online Account Opening Facility

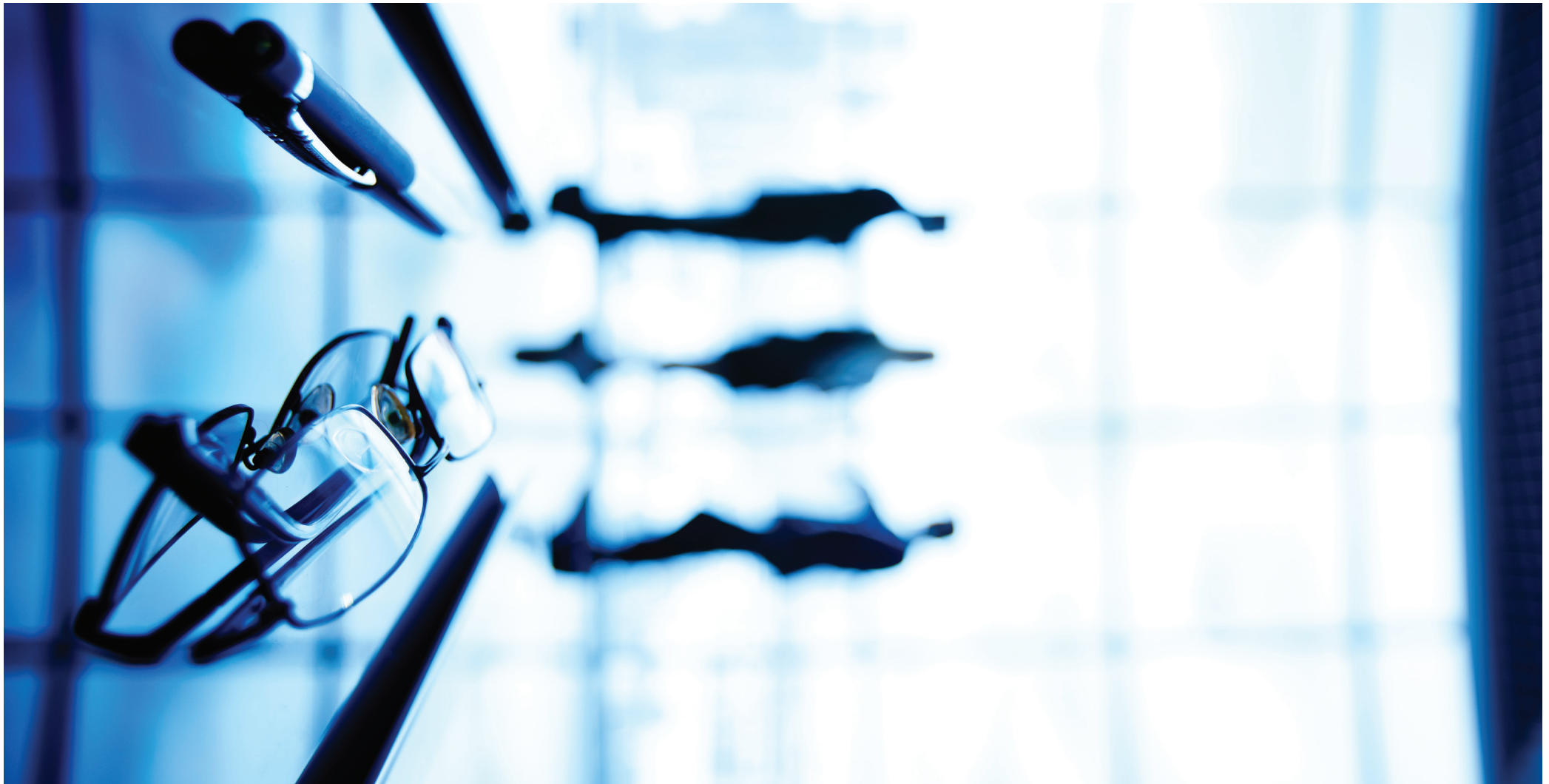
D. Other Facilities

1. Locker Facility
2. Utility Payment
3. Pay Bill Facility
4. Privilege Banking
5. Branchless Banking Services
6. Remittance Services
7. VISA Cards
8. Market Maker Services




delete
enter
return
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command
option

CORPORATE GOVERNANCE



2

CORPORATE GOVERNANCE

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BOARD OF DIRECTORS



MR. BAL KRISHNA PRASAI
Director

MR. PAVITRA KUMAR KARKI
Director

MR. PRAKASH CHANDRA MAINALI
Public Director

DR. SHANKAR PRASAD SHARMA
Chairman



MR. BIJAYA DHOJ KARKI
Public Director

MR. AVANINDRA KUMAR SHRESTHA
Professional Director

DR. CHANDA KARKI
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 to 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 Masters Degree in Business Administration from De La Salle University, Philippines and Master's Degree in Science from Tribhuwan University, Nepal.

MEMBERSHIP OF BOARD LEVEL COMMITTEE

Human Resource Compensation Committee	Coordinator
Budget Committee	Coordinator
CEO Selection Committee	Coordinator
Merger & Acquisition Committee	Member



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. His vast experience in numerous ventures have garnered a good risk management acumen in his speciality.

MEMBERSHIP OF BOARD LEVEL COMMITTEE

Risk Management Committee	Coordinator
Anti Money Laundering Committee	Member
Land & Building Management Committee	Member
Merger & Acuqisition Committee	Member
CEO Selection 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
Human Resource Compensation Committee	Member
Land & Building Management Committee	Coordinator
Merger & Acquisition Committee	Coordinator
CEO Selection 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. Mr. Karki possesses excellent risk management capabilities and is an effective strategist.

MEMBERSHIP OF BOARD LEVEL COMMITTEE

Risk Management Committee	Member
Audit Committee	Member
Anti Money Laundering Committee	Member
Merger & Acquisition Committee	Member
CEO Selection 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
Public 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
Risk Management Committee	Coordinator
Budget Committee	Member
Land & Building Management Committee	Member
CEO Selection Committee	Member

CHAIRMAN'S MESSAGE



"We shall build and expand on prospering innovations to multiply our efforts in providing best in-class experience of banking services to our valued customers."

DR. SHANKAR PRASAD SHARMA
Chairman

DR. SHANKAR PRASAD SHARMA
Chairman

Dear Stakeholders,

On behalf of the Board of Directors, it is my honor and privilege to present to you the Annual Report of Citizens Bank International Limited for the financial year ending July 16, 2019 (Ashadh 31, 2076), together with relevant financial statements reflecting the Bank's results and achievements over the past year. With its glorious 12 years of operations since its inception in April 2007, I am pleased to inform that Citizens Bank International Limited once again, has ended the congenial year of 2018/19 with very strong and exceptional performance through the collective effort by the entire Bank's team.

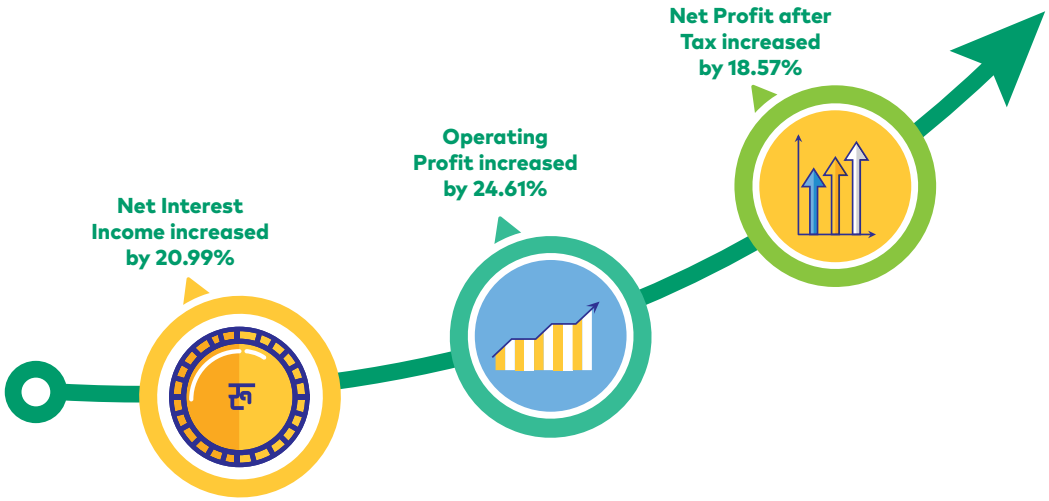
Now, I would like to put forward outline of the Bank's major highlights and achievements during the year (July 17, 2018 – July 16, 2019). We practically have been implying various business practices to achieve our strategic objectives and we are even focused towards the future aiming to achieve our strategic goal.

FINANCIAL PERFORMANCE

The year culminated with the Bank's total net interest income significantly increasing by 20.99% to NPR 2,688 Million and non-interest income increasing by 6.06% to NPR 954 Million. The operating expenses increased by 22.06% whereby the operating profit of the Bank increased by 24.61% to NPR 2,100 Million. This resulted in a net profit, after tax milestone, worth of NPR 1,463 Million which is attainment of 18.57% of growth, as compared to the previous fiscal year.

NPR IN MILLION

	FY 2017/18	FY 2018/19	INCREASE
Net Interest Income	2,222	2,688	20.99%
Non – Interest Income	900	954	6.06%
Operating Profit	1,686	2,100	24.61%
Net profit	1,234	1,463	18.57%

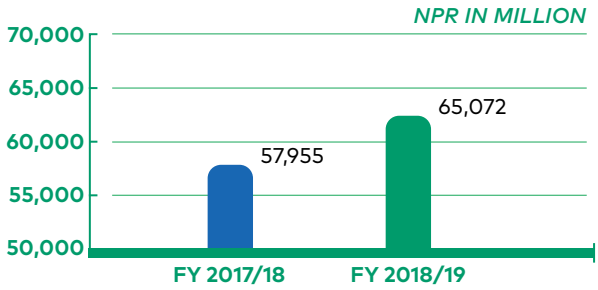


Further, I would like to heartedly announce that the valued funds of our shareholders have reached NPR 12,495 Million in comparison to NPR 11,014 Million in the previous year. The total assets size of the Bank has reached 90,121 Million as compared to NPR 77,710 Million which depicts an inured growth of 15.97%. Our lending portfolio reached to NPR 65,072 Billion, increased by 12.28% as compared to previous fiscal year, while core underlying funding from deposits increased by 20.58% to NPR 74,136 Million. The capital adequacy ratio stood comfortably at 14.37%.

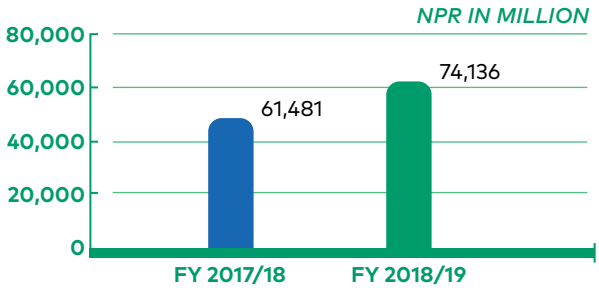
NPR IN MILLION

	FY 2017/18	FY 2018/19	INCREASE
Shareholders fund	11,014	12,495	13.44%
Total Assets	77,710	90,121	15.97%

TOTAL LOANS AND ADVANCE



TOTAL DEPOSITS



Our major contributor for the given outcomes has been our consistency with our vision to be the leading bank known for its service excellence. We have vehemently emphasized on metamorphosis strategy, one that has seen the Bank continue to enhance, develop and incorporate new systems, platforms and services focused on enhancing customer experience and satisfaction across all touch points. With each new enigma of initiatives carried out by the Bank, Citizens Bank has been able to attain the highest standards of customer excellence.

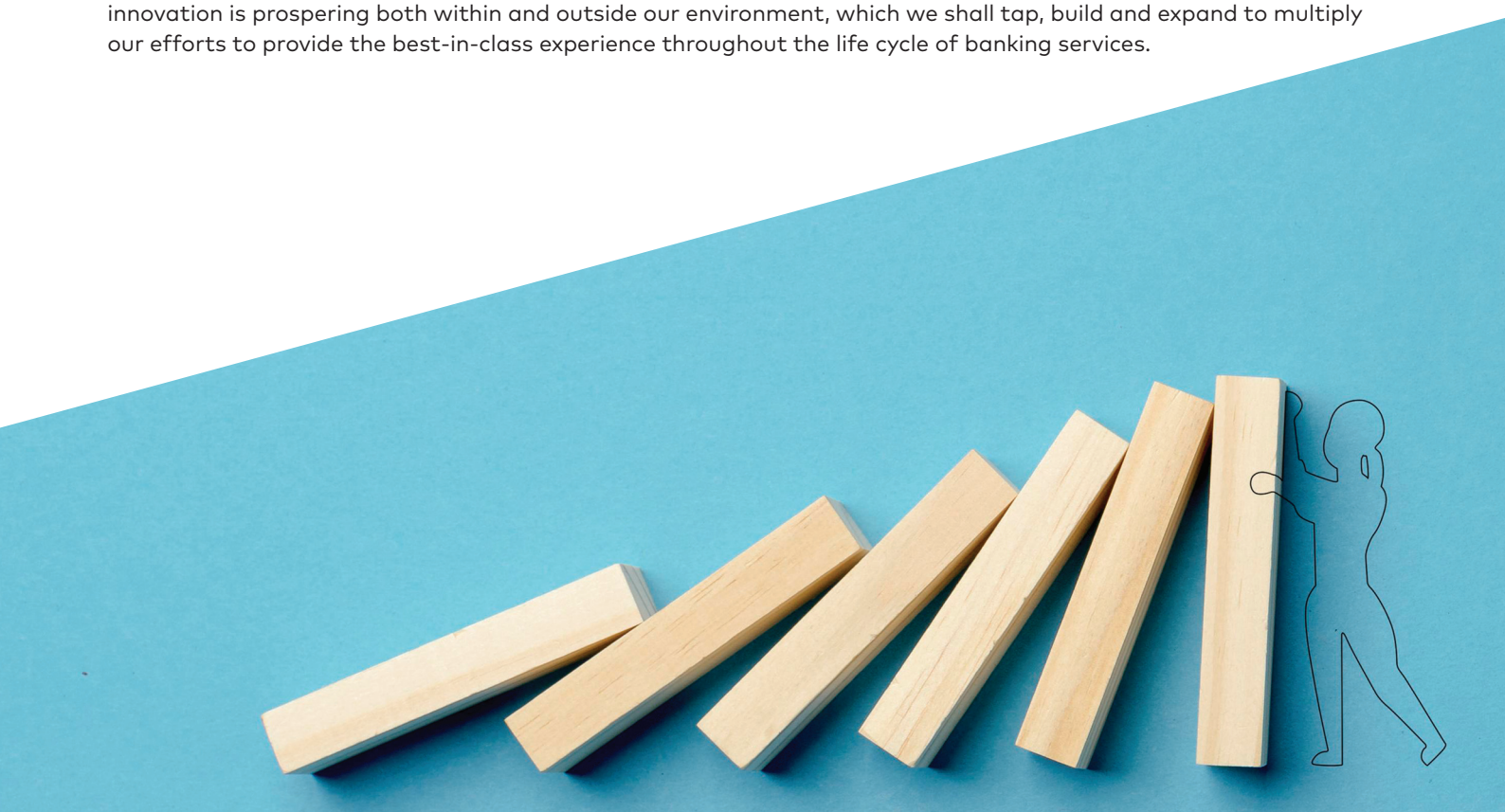
CONTRIBUTION TO NATIONAL INCOME

The Bank during the period has contributed in increasing the revenue as well as promoting the economy of the nation through contributions in raising the living standards of the deprived sector and creating employment opportunities. The Bank has supported financial inclusion to the people of remote areas and improving the financial access of them.

The Bank has disbursed a total of NPR 3.5 Billion credit facilities to the deprived sector during the period which is more than the regulatory requirement under direct deprived sector lending by NPR 450 Million. Along with that, the Bank has generated direct employment opportunities for 272 individuals to support their better living standards. The Bank has made a total contribution of NPR 1.24 Billion to the government during the period through the payment of various taxes. The Bank has contributed in enhancing the financial access to the individuals in remote areas by setting up branches, branchless banking facilities and other banking services.

OUR FOCUS

In the course of our dissemination of financial services, we supported our partners in the public and private sectors, financing energy, infrastructure and large projects as well as boosting small and medium enterprises. We embarked on our journey in transforming our branch networks and revamping their business models to provide the best of the services to our valued customers. In addition, as we are moving ahead to the digital world, our digital channels have garnered wide acceptance from our clients which have encouraged us to invest more. We are confident that innovation is prospering both within and outside our environment, which we shall tap, build and expand to multiply our efforts to provide the best-in-class experience throughout the life cycle of banking services.



With a strong holding of financial position, dynamic risk management frameworks in place and sturdy corporate governance practices, the Bank is and will always strive to remain on the course of attaining long term profitability and growth in a consistent and sustainable way. This has not been possible without the concerted efforts of our best management team and the trust and credence bestowed upon us, by our valued stakeholders. So, we shall endeavor to uplift the strengths of our team in the best ways and also perjured the faith and blessings of our stakeholders upon us.

MOVING FORWARD

The Bank focuses on the concept of 'Multiplying by Adding' and signed Memorandum of understanding on July 8, 2019 for acquisition of Sahayogi Bikash Bank Limited, 'B Class Financial Institution' and expansion of banking service throughout the country.

Lastly, we expect the FY 2019/20 and coming years to be yet another eventful and blissful year for us as we continue in our efforts to reaffirm the Bank's healthy growth assets quality and elevation of the customer banking experience across all touch points and platforms.

GRATEFUL THANKS

In line with it, I hereby wish to express, on behalf of the Board of Directors, my gratitude and appreciation to my respected Board members for providing their valuable strategic decisions to the Bank. I wish to extend my deepest thanks to our shareholders for bestowing upon us their perdurable faith and confidence, which provides us with immense strength to advance progressively. I would also like to accord my gratitude to our valued clients and customers for their loyalty and trust. Lastly, I could not end without a word of thanks to the executive management of the Bank and all of our employees for their hard work and dedication towards achieving a strong 2018/19 performance. The Board of Directors stands truly indebted to the commitment and professionalism of all our staff.

DR. SHANKAR PRASAD SHARMA
Chairman



MANAGEMENT TEAM



SUMIT BABU KHATRI
Chief Credit Officer

GANESH RAJ POKHAREL
Chief Executive Officer

PARAS KUMAR KAFLE
Chief Operating Officer

RAJENDRA LAL SHRESTHA
Chief Risk Officer



BODH RAJ DEVKOTA
Deputy Chief Executive Officer

RAMDHAN SHRESTHA
Assistant Chief Executive Officer,
Internal Audit Department

SANJEEB KUMAR SHRESTHA
Chief Information
Technology Officer

UMANG SHARMA
Chief Administrative Officer

PRAMESH RAJ KAYASTHA
Chief Finance Officer

MANAGEMENT TEAM PROFILE



MR. GANESH RAJ POKHAREL
Chief Executive Officer

Mr. Pokharel, a professional banker with more than 26 years of experience, is one of the founders and the Chief Executive Officer of Citizens Bank International Ltd. Prior to his appointment as the 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 Chief Executive Officer from April 1, 2019.

POSITIONS HELD DURING THE YEAR

Human Resource Compensation Committee	Member
Budget Committee	Member
Merger & Acquisition Committee	Member Secretary
Executive Committee	Chairman
Assets Liabilities Management Committee	Chairman
IT Steering Committee	Chairman



MR. BODH RAJ DEVKOTA
Deputy Chief Executive Officer

Mr. Devkota has 23 years of banking experience. He holds Masters in Philosophy (Management) from Kathmandu University and MBA (Finance) from Tribhuvan University. He started his banking career from Nepal Bank Limited as a Deputy Manager. He served Nepal Bank Ltd from December 1994 to March 2007. Prior to joining the Bank, he was head of Relationship Management Division (Corporate and IME Business). He was appointed as Deputy Chief Executive Officer of the Bank on April 14, 2019. He has been serving to Citizens Bank International Limited since its inception.

POSITIONS HELD DURING THE YEAR

Executive Committee	Member
Assets Liabilities Management Committee	Member
IT Steering Committee	Member
Recruitment Committee	Coordinator



MR. RAMDHAN SHRESTHA
Assistant Chief Executive Officer, Internal Audit Department

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

Audit Committee	Member Secretary



MR. SUMIT BABU KHATRI
Chief Credit Officer

Mr. Khatri, an MBA has 20 years of banking experience. He has over 16 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 five years.

POSITIONS HELD DURING THE YEAR

Executive Committee	Member
Assets Liabilities Management Committee	Member



MR. PARAS KUMAR KAFLE
Chief Operating Officer

Mr. Kafle, an MBS from Tribhuvan University has over 19 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

Executive Committee	Member
Risk Management Committee	Member
Assets Liabilities Management Committee	Member
Operational Risk Management Committee	Member



MR. RAJENDRA LAL SHRESTHA
Chief Risk Officer

Mr. Shrestha, an MBA from SIBM, Pune has 20 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

Risk Management Committee	Member Secretary
Anti Money Laundering Committee	Member
Operational Risk Management Committee	Chairman
Executive Committee	Member



MS. UMANG SHARMA
Chief Administrative Officer

Ms. Sharma, an MBA from Kathmandu University has 18 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
Land & Building Management Committee	Member Secretary
Executive Committee	Member
IT Steering Committee	Member
Recruitment Committee	Member
Purchase Committee	Coordinator



MR. SANJEEB KUMAR SHRESTHA
Chief Information Technology Officer

Mr. Shrestha, Master in Computer Engineering from Ukraine has over 21 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

HEAD OF DEPARTMENTS

NAME OF HEAD	POSITION	DEPARTMENT
Ravi Kumar Rauniyar	Executive Officer	Risk Management
Suman Mulepati	Head	Corporate Banking Unit
Narayan Raj Adhikari	Head	Credit Risk- Consortium Infrastructure/ Corporate/ SME
Amit Khanal	Head	Consumer Banking Unit/ SME
Roman Pradhanang	Head	IT Department
Roshan Malla	Head	Consortium/ Infrastructure Banking Unit
Roshan Manandhar	Head	Retail Banking
Smita Pant	Executive Administration Officer	Administration Department
Tulasi Raj Rijal	Head	SME Unit
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
Paras Bikram Thapa	Head	Deposit Marketing
Seema Basyal	Head	AML/ CFT
Rinku Ghimire	Head	Credit Card
Kedar Adhikari	Head	Legal Department
Dikendra Ram Kashajoo	Head	General Service Department
Bishnu Man Shrestha	Head	Remittance Department
Neetika Ghimire	Head	Corporate Communication Department
Udaya Raj Keshari	Incharge	Card Department
Ranjeeta Khadka	Incharge	Bancassurance
Neetu Badagami	Incharge	Demat/ ASBA
Sujata Subedi	Incharge	Branchless Banking Unit
Subi Maharjan	Incharge	E-Banking Unit

CEO'S MESSAGE



> "We shall focus on creating a more inclusive and sustainable future that gives everyone an opportunity to prosper."

GANESH RAJ POKHAREL
Chief Executive Officer

GANESH RAJ POKHAREL
Chief Executive Officer

Dear Shareholders, Clients and Partners,

Taking responsibility as the Chief Executive Officer of the Bank as on April 01, 2019 (Chaitra 18, 2075) and carrying with me the deep conviction and trust of our Board of Directors, shareholders, immediate past Chief Executive Officer, valued clients, partners and professional team; we have once again delivered an excellent performance in the fiscal year 2018/19. The fiscal year 2018/19 was a tough year for Nepalese banking industry but we stood strong and relentless, in overcoming the challenges and hence, came up with a strong financial performance.

COMMITTED TO OUR SHAREHOLDERS

We were successful in marking the FY 2018/19 with another year of increase in reported earnings amounting to NPR 1,463 Million which is an achievement of 18.57% growth, as compared to the last fiscal year. With the increase in our net income, we were successful in distributing cash dividend of 12% and bonus share of 3% to our valued shareholders. The Bank generated an increase in earnings per share (EPS) at NPR 17.49, realizing an increase of 13.79%. We were able to provide Returns on Equity (ROE) at 11.71%, realizing an increase of 7.14%. We also remained adequately capitalized with our capital adequacy ratio standing at 14.37%.

	FY 2017/18	FY 2018/19
Earnings per share (NPR)	15.37	17.49
Returns on Equity (Percent)	11.22	11.71
Capital Adequacy Ratio (Percent)	13.84	14.37

Hence, given with the way we are progressing ahead, we are earnestly committed in giving back the expected returns to our valued shareholders who have imposed such high levels of expectation, trust and faith on the Bank. We are always indebted towards our shareholders who have always been with us as our close partners.

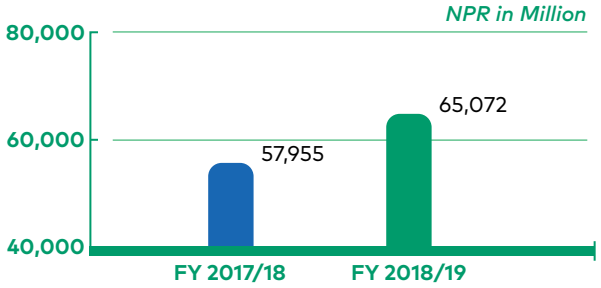
BANKING FOR CUSTOMERS

The Bank has revealed such incredible growth that today we have the privilege to serve more than 450 thousand customers and more than 163 thousand online customers across our footprints of 81 branches, 78 ATM touch points and extensive networks of national and international remittance partners, card agents and Branchless Banking points

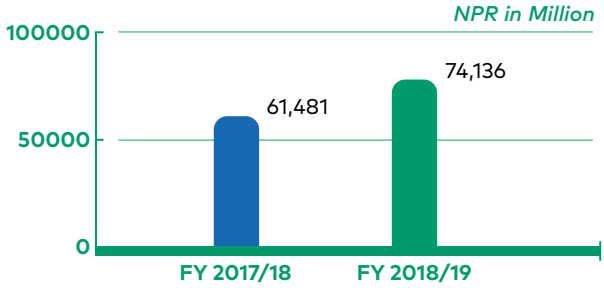


During the process of attaining such milestones, the Bank attained substantial increase in its deposit portfolio by 20.58% amounting to NPR 74.136 Billion and loans and advances portfolio by 12.28% amounting to NPR 65.072 Billion.

TOTAL LOANS AND ADVANCE



TOTAL DEPOSITS



The world is getting more and more technologically advanced. Digitization and innovation is entering into every nooks and corners of the entire world. The Nepalese banking industry also has been trying to catch the ever increasing innovation in the FINTECH. The basket of traditional banking services are now getting replaced by advanced systems, whereby our customers are expecting more of services that has technology as an important ingredient on it. Hence, we are moving ahead to cater to these requirements of our valued customers by continuing to build our strengths in digital platforms, by adding value to each customer in real time in a way that is personalized and relevant to them. As on July 2019, we have 10,209 internet banking users and 153,311 mobile banking users.

We have been focusing more on improving customer experience and become one of the trusted brands of the Nepalese Banking industry for which we are moving towards the path for digitization in products and business model. We further are in practice to standardize operating procedures of all functions, strengthen Management Information System and Business Intelligence along with the ever increasing challenges in IT Security.

We drive our values by innovation that carries a purpose and a purpose that is speedily converted into reality, ultimately helping us to seamlessly deliver personal and professional financial services to our customers and clients across multiple channels anywhere and anytime. We aspire to work with a set of shared commitments, that strengthens our unwavering purpose of enriching the lives of those we serve.

PREAPARED TO CONTRIBUTE TO OUR SOCIETY

We feel fortuitous to lay our existence in our beautiful country Nepal and we shall as always are devoted towards our society, which have given us a reason of our existence.

With that notion of inspiration gathered, the Bank has conducted several activities during the FY 2018/19 as a way to fulfill the Bank's promises to contribute towards the development of the community and the nation as a whole. Following are few major highlights:

- The Bank distributed earthquake relief funds to about 8,751 customers through its networks amounting NPR 1 Million as an assistance provided to the Government in distributing relief funds to earthquake-affected customers.

- The Bank has contributed 20% of its total CSR budget for supporting education sectors by providing financial assistance to schools in rural and underdeveloped areas.

- The Bank has contributed 11% of its CSR budget for supporting Health sector through blood donation program, free health checkup and financial assistance to health and public institutions.

The Bank shall vehemently strive to contribute towards the development of the society and the country, helping to enrich the lives of the people. We shall focus on creating a more inclusive and sustainable future that gives everyone an opportunity to prosper.

OUR PERSPECTIVE PLANS

We are determined to improve financial performance in 2019/20 and beyond. We strategize to increase our customer base by 20% in 2019/20 against 8.10% increment in FY 2018/19. Focusing on our financial performance, we aim to increase dividend payout ratio by minimum 2% every year. We have been in continuous practice of learning and development plans covering all our employees and we aim to increase the frequency of learning and development programs for the best service delivery to our customer.

For better customer relation management, we have planned for implementation of Customer Relationship Management system and constantly communicating and informing/ updating customers about existing and new products/ services. We have even planned ahead for introducing privilege facilities to customers like discount tie-ups with stores, restaurants, hotels, airlines, travel agencies, etc. We intent to have automation of business processes for which we have policies planned for online loan application, online help desk, online card blocking, automated credit application approval process, etc.

We focus on increasing shareholders value and consistent dividend payment along with improvement in employee productivity and customer satisfaction. We seek to follow business practices and policies to achieve our target and ease our journey towards our future strategic goals.

READY TO MOVE AHEAD WITH OUR COLLEAGUES

The given standing of newer heights and achievements that our Bank has garnered, could not be possible without the collaborative, dedicated and inspiring efforts of our strong and dynamic team members. I am totally obliged to work with them and strongly believe that with the experience, knowledge and exposure held by our team shall definitely lead the Bank in attaining prosperity in the future days to come. The management is truly aware of the fact that the empowerment and development of the team is extremely essential when we commence our voyage

to attain meaningful contributions to our business and the customer experience we deliver. The Bank, in lieu of it, has been successful in harnessing diverse talents and energies by allocating significant resources in the training and development of our workforce. We shall further instigate ourselves to develop our skills and talents, re-energize our efforts and attain collaborative achievements, benefitting the Bank and all of our stakeholders.

WE LAY STRONG TO LEAD THE FUTURE

Glancing ahead, we know that the financial industry shall be further shaped by rapid innovation and disruption. We also know that we must be prepared for increasingly sophisticated risk in terms of cyber security and fraud, economic volatility as well as evolving regulatory landscapes. The Bank shall continue to invest in its business; people and brand to deliver customer-centric experiences and help those we serve feel more confident about their financial future. We shall leverage our size and scope, expand and grow to create even more value for our customers and clients. We shall also maintain a strong risk culture, high standard of corporate governance and compliance and focus on operational excellence. Last but not the least, we shall foster our unique and inclusive culture to bring out the best in our colleagues.

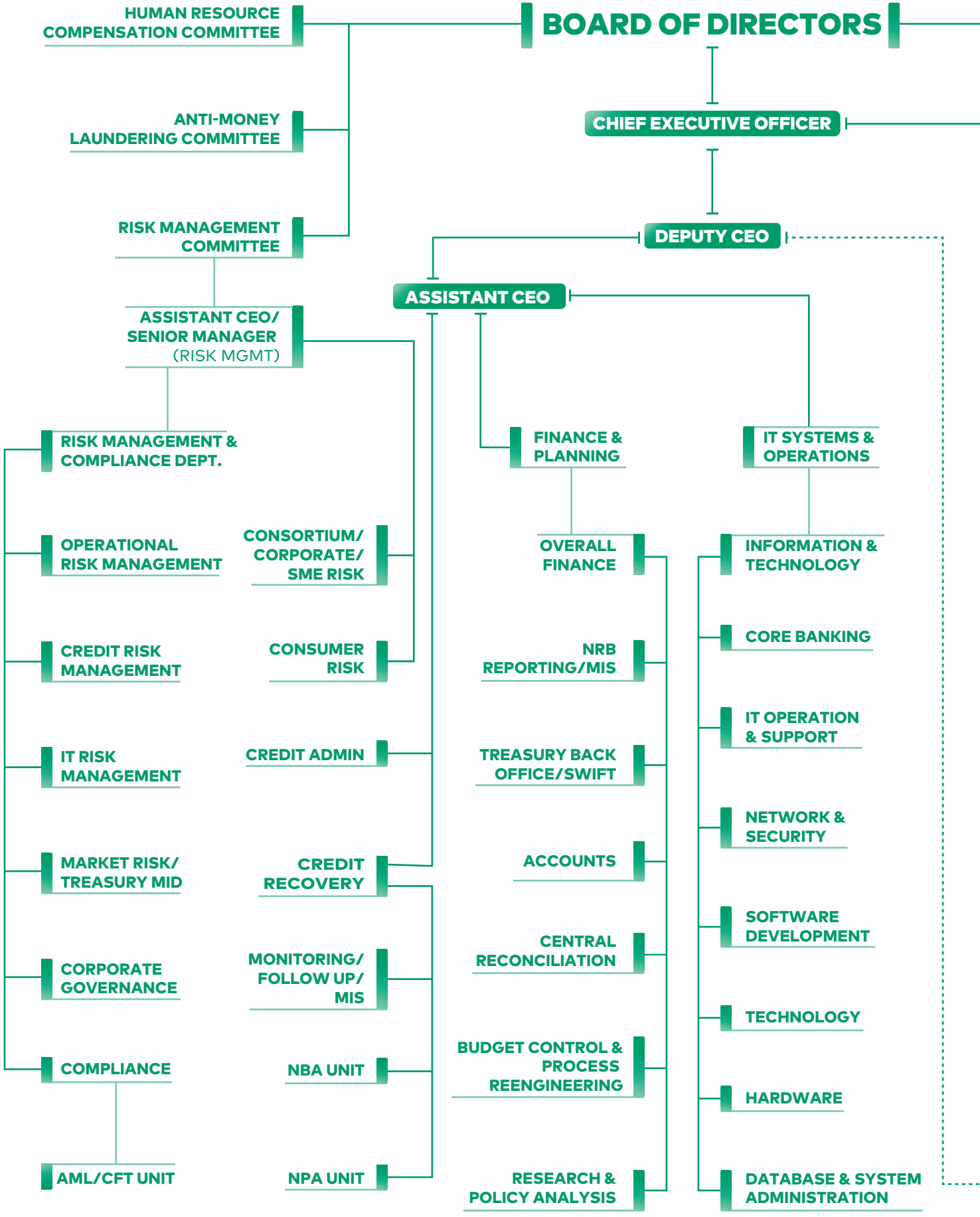
The Bank is not only ready for the future; but we are ultimately helping to create it. And that is exactly what our incredibly talented team of around 1,000 colleagues strive to do on behalf of our customers, communities, and shareholders. I, along with my team, am highly grateful for your continued confidence in the Bank's future, and in our commitment to bring our purpose to life each and every day. We shall promise you to deliver the best of our performance with the best results in the years to come, standing as one of the leading bank in the Nepalese banking industry.

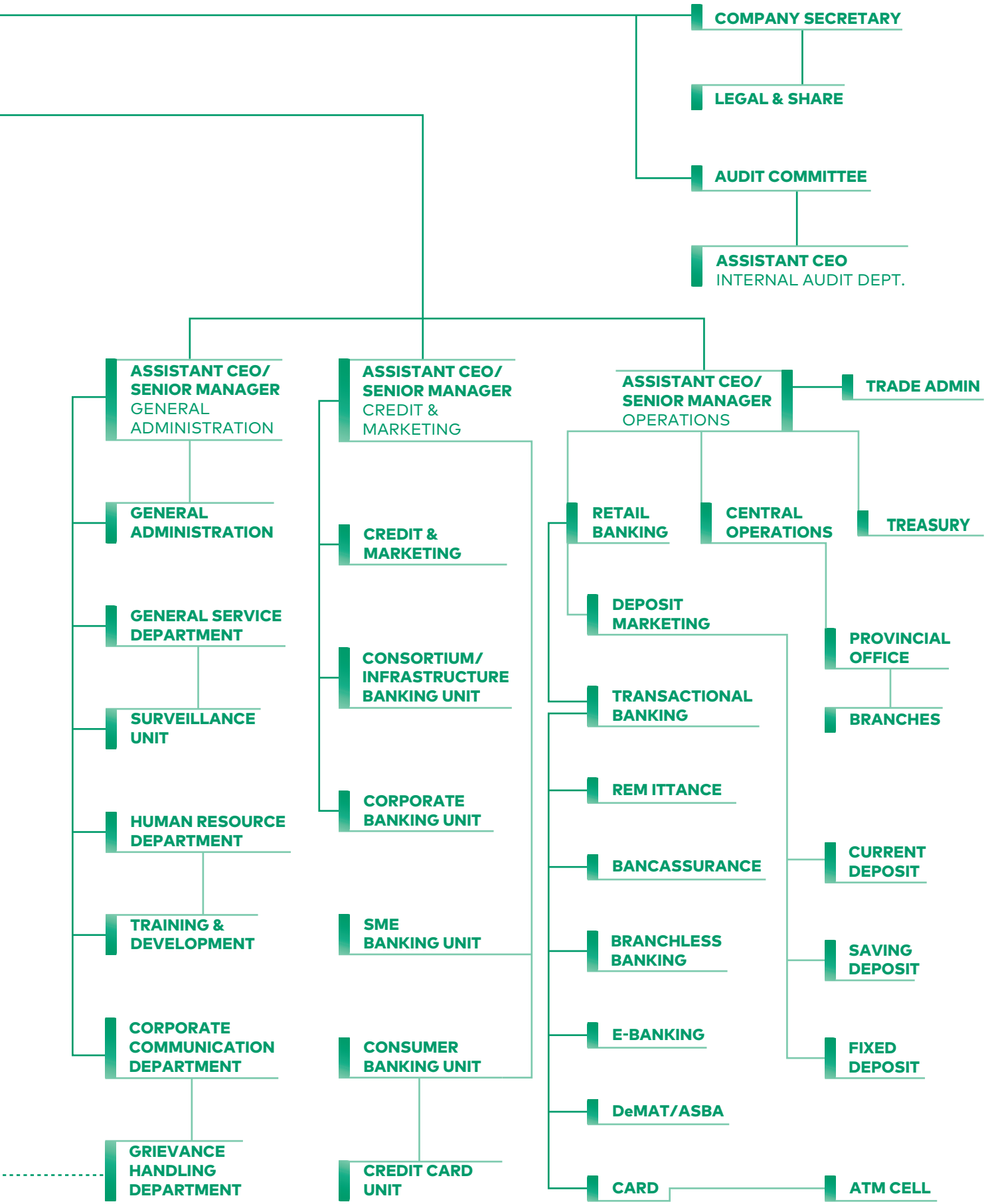
Inspired by our motto as – "Your Partner for Progress', I thank my Board of Directors, shareholders, customers, regulatory agencies, my colleagues for supporting us. We shall always aspire to seek your blessings in the coming days.

Thank you!!

GANESH RAJ POKHAREL
Chief Executive Officer

ORGANOGRAM


HUMAN RESOURCE COMPENSATION COMMITTEE
BOARD OF DIRECTORS
ANTI-MONEY LAUNDERING COMMITTEE
CHIEF EXECUTIVE OFFICER
RISK MANAGEMENT COMMITTEE
DEPUTY CEO
ASSISTANT CEO
ASSISTANT CEO/ SENIOR MANAGER (RISK MGMT)
RISK MANAGEMENT & COMPLIANCE DEPT.
FINANCE & PLANNING
IT SYSTEMS & OPERATIONS
OPERATIONAL RISK MANAGEMENT
CONSORTIUM/ CORPORATE/ SME RISK
OVERALL FINANCE
INFORMATION & TECHNOLOGY
CREDIT RISK MANAGEMENT
CONSUMER RISK
NRB REPORTING/MIS
CORE BANKING
IT RISK MANAGEMENT
CREDIT ADMIN
TREASURY BACK OFFICE/SWIFT
IT OPERATION & SUPPORT
MARKET RISK/ TREASURY MID
CREDIT RECOVERY
ACCOUNTS
NETWORK & SECURITY
CORPORATE GOVERNANCE
MONITORING/ FOLLOW UP/ MIS
CENTRAL RECONCILIATION
SOFTWARE DEVELOPMENT
COMPLIANCE
NBA UNIT
BUDGET CONTROL & PROCESS REENGINEERING
TECHNOLOGY
HARDWARE
AML/CFT UNIT
NPA UNIT
RESEARCH & POLICY ANALYSIS
DATABASE & SYSTEM ADMINISTRATION


COMPANY SECRETARY
LEGAL & SHARE
AUDIT COMMITTEE
ASSISTANT CEO
INTERNAL AUDIT DEPT.
ASSISTANT CEO/
SENIOR MANAGER
GENERAL
ADMINISTRATION
GENERAL
ADMINISTRATION
GENERAL SERVICE
DEPARTMENT
SURVEILLANCE
UNIT
HUMAN RESOURCE
DEPARTMENT
TRAINING &
DEVELOPMENT
CORPORATE
COMMUNICATION
DEPARTMENT
GRIEVANCE
HANDLING
DEPARTMENT
ASSISTANT CEO/
SENIOR MANAGER
CREDIT &
MARKETING
CREDIT &
MARKETING
CONSORTIUM/
INFRASTRUCTURE
BANKING UNIT
CORPORATE
BANKING UNIT
SME
BANKING UNIT
CONSUMER
BANKING UNIT
CREDIT CARD
UNIT
ASSISTANT CEO/
SENIOR MANAGER
OPERATIONS
TRADE ADMIN
RETAIL
BANKING
CENTRAL
OPERATIONS
TREASURY
DEPOSIT
MARKETING
TRANSACTIONAL
BANKING
REM ITTANCE
BANCASSURANCE
BRANCHLESS
BANKING
E-BANKING
DeMAT/ASBA
CARD
PROVINCIAL
OFFICE
BRANCHES
CURRENT
DEPOSIT
SAVING
DEPOSIT
FIXED
DEPOSIT
ATM CELL



CORPORATE GOVERNANCE

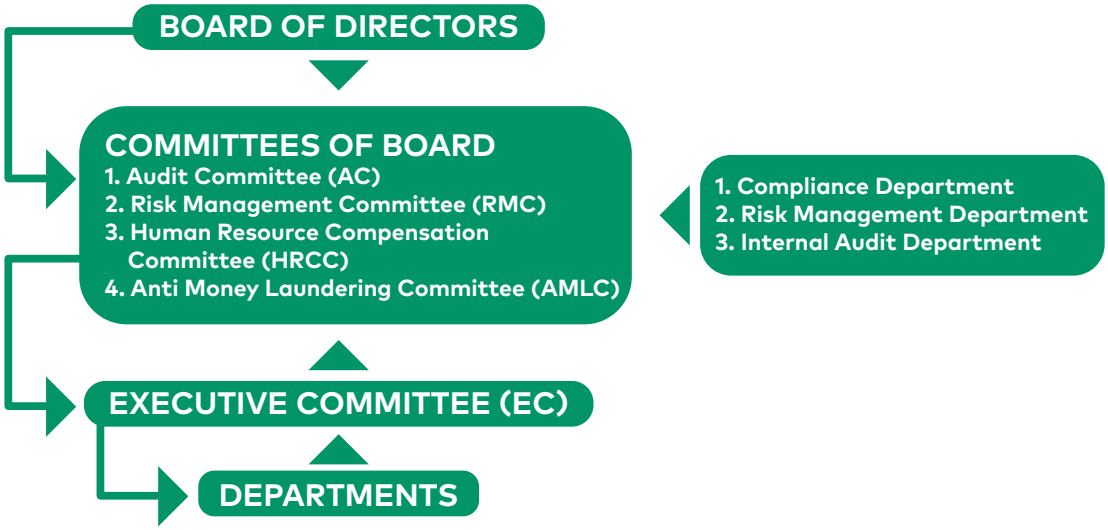
BANK'S PHILOSOPHY ON CODE OF GOVERNANCE

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.

GOVERNANCE STRUCTURE OF THE BANK



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 interest of shareholders. It aims to propel the business to greater commercial success with 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.
- To ensure independent and effective audit process, system of internal controls and compliance with laws and regulations.
- 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 equipped to make higher quality decisions that can drive an increase in business volume and margins and a reduction in costs.

1. BOARD OF DIRECTORS

There are various policies and laws that govern the functioning of the board. They are:
a) Bank and Financial Institutions Act, 2017 (2073),
b) Nepal Rastra Bank Act, 2002 (2058)
c) Companies Act, 2006 (2063),
d) Memorandum of Association (MOA) and Articles of Association (AOA) of the Bank.
e) Code of Conduct.
f) Directives and circulars issued by the regulatory authorities.
g) NRB Directive No.6-Provision related to Corporate Governance.
h) Other Acts as applicable.

Similarly the various policies and bye-laws formulated by the Board govern the Senior Management and the Bank as a whole. They are:
a) Memorandum of Association (MOA) & Articles of Association (AOA) of the Bank
b) Employee Bye-laws
c) Financial Bye-laws
d) Code of Conduct
e) BOD Self-Assessment Policy
f) BOD Meeting Manual
g) BOD Conflict of Interest Management Policy
h) Other Policies/Bylaws as applicable.

A. COMPOSITION OF THE BOARD

In terms of Clause 14(1) of the Bank and Financial Institutions Act, 2006 (Amendment 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, 2019 is as under:

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	Professional Director

B. APPOINTMENTS/CESSATION OF DIRECTORS DURING THE REPORTING PERIOD

- ***Appointments***

  No new appointments occurred in the year.

- ***Cessations***

  No new cessations occurred in the year.

C. BOARD MEETING

During the reporting period July 17, 2018 to July 16, 2019 (Shrawan 1, 2075 to Ashadh 31, 2076), 34 Board Meetings were held on following dates, against minimum of 12 meetings in each fiscal year and difference between two consecutive meeting shall not exceed 60 days, as per mandatory provisions under section 21 (1) of Bank and Financial Institutions Act, 2017. Out of 34 Board Meetings, seven (7) decisions were made through "Resolution by Circulation".

The detail of the Board Meetings held during the year 2018/19 (2075/76) are as under:

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

Details of meetings of the Board of Directors during the FY 2018/19

Total number of meetings held 27

Total number of resolutions by circulation 07

NAME OF THE DIRECTOR	NO OF MEETINGS ATTENDED	SITTING FEES PER PERSON
Dr. Shankar Prasad Sharma	13/27	13,000
Mr. Bal Krishna Prasai	24/27	11,000
Mr. Prakash Chandra Mainali	11/27	11,000
Mr. Pabitra Kumar Karki	27/27	11,000
Mr. Bijaya Dhoj Karki	17/27	11,000
Dr. Chanda Karki	21/27	11,000
Mr. Avanindra Kumar Shrestha	27/27	11,000

Major Agendas discussed in the Board meeting for FY 2018/19 are summarized as follows:

- Review of Bank's Quarterly and Annual Progress Report of FY 2018/19.
- Review and discussion of Risk Management Committee Report.
- Review and discussion of AML/CFT Committee Report.
- Discussion on reports of Audit Committee and issue necessary instruction to the management.
- Review of existing policies and frameworks of the Bank and approve amendments.
- Review of Self-Assessment Report of the BOD.
- Reply on Preliminary Report of Auditor of FY 2017/18.
- 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 2017/18 and seeking approval from NRB to distribute proposed dividend and bonus share.
- Discussion on the issues and effects that arose from the Unified Directives 2018 by Nepal Rastra Bank for the FY 2018/19.
- Approval of amended organogram of the Bank.
- Discussion on merger and acquisition and acquiring of development banks as part of the current merger and acquisition policy.
- Decision of listing of FPO issued by the Bank on Nepal Stock Exchange and CDS and Clearing.
- Decision regarding sale and transfer of promoter shares.
- Information notified on projected cost of construction of building on own property (land) at Kamaladi.
- Approving the amendments of Bank's Asset Writing Strategy and various credit product papers.
- Amendment made on Employee Bye Laws 2007 and seeking approval from NRB
- Interaction program of BOD and NRB's Onsite Inspection Team.
- Decision on establishing of Bank's provincial office, extension counter, branches and shifting of current branches on needful basis.
- Discussion made on issues observed on various branches regarding Gold Loan and its present status.
- Discussion on Bank's response to NRB on Onsite Inspection Report of FY 2018/19.
- Discussion regarding agendas to be discussed in Annual General Meeting.

- Approval of date, time and place of Annual General Meeting.
- Discussion on Internal Audit report on Indian Currency Transaction.
- Review of Terms of Reference (TOR) of Audit Committee, Internal Audit Charter-2019.
- Decision on deputation of Bank's official to attend the ceremony of receiving "Certificate of Merit" for Best Presented Accounts Award by SAFA in Pune, India.
- Reconstitution of sub-committees of the Bank.
- Approval of resignation of Chief Board Advisor in accordance with latest circulars issued by NRB.
- Approval of annual budget of FY 2019/20 as per NFRS format and conduct of financial literacy Program related to NFRS.
- Update on core banking software migration to FINACLE software.
- Discussion on process of appointment of CEO.
- Appointment of CEO.
- Discussion and approval of Strategic Plan of the Bank for fiscal year 2018/19, 2019/20, 2020/21 and 2021/22.
- Information regarding Whistle Blower Guidelines and complaint channel for disseminating information.
- Decision on transfer and operation of own existing data center-Siddarthanagar branch building to third party service provider – M/s Ohm Data Center.
- Decision on providing PM allowance, BM allowance, Vault Key allowance and revision of Holiday allowance and Festival allowance provided to staffs to motivate them.
- Review, amendment and approval for various loans to be approved from BOD and discussion/progress on the recovery process of various recovery files.

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 to Bank 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 Bank and Financial Institutions Act, 2017, licensed banks and financial institution are allowed to constitute four board level committees relating to Audit Committee, Risk Management Committee, Human Resource Compensation Committee and Anti Money Laundering 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 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
6	Land and Building Purchase Committee	Temporary Nature
7	Merger and Acquisition Committee	Temporary Nature
8	CEO Selection Committee	Temporary Nature

1. AUDIT COMMITTEE

Audit Committee has been constituted under the chairmanship of a non-executive director. The Committee of the Board was constituted on July 10, 2007 (Ashadh 26, 2064) and was reconstituted on August 17, 2017 (Bhadra 1, 2074). The Committee 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:

a. 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.

b. To help management to make annual report accurate and real.

c. 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.

d. To review the compliance of the statutory laws, directives issued by NRB and include the same in the report.

e. To review the activities of the Bank in respect of its regularity, economical, logical, effectiveness and give neessary suggestion to the Board of Directors.

f. 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.

g. 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.

h. To approve the audit plan.

i. To review and provide recommendations on proposals submitted by audit firms for carrying out the external audit of the institutions, furthermore recommend appointment/re-appointment of external auditor to the annual general meetings.

j. 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.

k. 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 access to requested materials.
- Any significant disagreements with management
- Any material audit differences that the external auditor noted or proposed but for which bank's financial statements were not adjusted.

l. Review and analyze the reports of the Risk Management Committee.

Composition of Audit Committee as on reporting date:

MEMBER OF COMMITTEE	DESIGNATION	MEETING ATTENDED
Mr. Avanindra Kumar Shrestha, Director	Coordinator	16/16
Dr. Chanda Karki, Director	Member	15/16

Mr. Ramdhan Shrestha	Member Secretary*	3/3
Mr. Anit Sapkota	Member Secretary	13/13

**Mr. Ramdhan Shrestha was appointed as member secretary of the committee on May 3, 2019, replacing Mr. Anit Sapkota.*

Details of Audit Committee meeting during FY 2018/19

Total No. of meetings held 16

Shrawan	Bhadra	Ashwin	Kartik	Mangsir	Poush	Magh	Falgun	Chaitra	Baisakh	Jestha	Ashadh
Jul/Aug	Aug/Sept	Sept/Oct	Oct/Nov	Nov/Dec	Dec/Jan	Jan/Feb	Feb/Mar	Mar/Apr	Apr/May	May/Jun	Jun/Jul
-	-	1	-	6	1	1	2	1	2	1	1

MEMBER OF COMMITTEE	MEETING ATTENDED	SITTING FEES PER PERSON PER MEETING (NPR)
Mr. Avanindra Kumar Shrestha, Director	16/16	11,000
Dr. Chanda Karki, Director	15/16	11,000

Major Agendas discussed in the meeting of Audit Committee:

- Discussion on financial review report for various quarters of FY 2018/19.
- Discussion on Preliminary Audit Report FY 2017/18 of the Bank given by external auditor and management response thereon.
- Recommendation for appointment and remuneration of external auditor for FY 2018/19 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 2017/18.
- Discussion on Half yearly INR Compliance Report of the Bank of FY 2017/18 and FY 2018/19.
- Discussion on Final Report of LC & Guarantee operation of the Bank for FY 2018/19.
- Discussion on Internal Audit Report of various branches, and departments/units.
- Discussion on Comprehensive gold loan audit report of Bank.
- Review of Preliminary Findings of Targeted Inspection Submitted to Bank Management by NRB.
- Discussion on NRB Inspection Report of the Bank of 2018 and direction received and response there on.
- Review and Approval of Terms of Reference (TOR) of Audit Committee.
- Review and Approval of Internal Audit Charter-2019.
- Review and Approval of Internal Audit Manual 2019.
- Review of CCTV operation as per CBIL Information Technology Policy & Control Procedure 2019
- Appointment of IS Auditor for FY 2018/19.
- Discussion on performance appraisal of Head -Internal Audit Department.
- Discussion and Approval of audit plan of Internal Audit Department for FY 2019/20.

2. RISK MANAGEMENT COMMITTEE

The Bank has constituted a four member Risk Management Committee (constituting of 2 BOD members, Chief Operating Officer and Chief Risk 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 May 03, 2019 (Baisakh 20, 2076). Mr. Prakash Chandra Mainali is the Coordinator of the committee. Six meetings were held during FY 2018/19.

Major Responsibility of 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 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 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 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:

MEMBER OF COMMITTEE	DESIGNATION	MEETING ATTENDED
Mr. Prakash Chandra Mainali, Director	Coordinator	6/6
Mr. Avanindra Kumar Shrestha, Director	Member	6/6
Mr. Bijaya Dhoj Karki, Director*	Member	3/5
Mr. Paras Kumar Kafle, Chief Operating Officer	Member	6/6
Mr. Rajendra Lal Shrestha, Chief Risk Officer**	Member Secretary	4/6
Mr. Ravi Kumar Rauniyar, Executive Risk Officer**	Member Secretary	2/6

**Members after reconstitution of the committee. Mr. Bijaya Dhoj Karki ceased to be the member of the committee from May 03, 2019 (Baisakh 20, 2076).*

*** Mr. Rajendra Lal Shrestha was appointed as Chief Risk Officer with effect from December 16, 2018 (Poush 01, 2075) and member secretary of the committee replacing Mr Ravi Kumar Rauniyar.*

Details of Risk Management Committee meeting during FY 2018/19

Total No. of meetings held 06

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

MEMBER OF COMMITTEE	MEETING ATTENDED	SITTING FEES PER PERSON PER MEETING (NPR)
Mr. Prakash Chandra Mainali, Director	6/6	11,000
Mr. Avanindra Kumar Shrestha, Director	6/6	11,000
Mr. Bijaya Dhoj Karki, Director	3/5	11,000

Major Agendas discussed in the meeting of Risk Management Committee:

- Review of quarterly Risk Management Report of Mid July 2018, Mid October 2018, Mid January 2019 and Mid April 2019.
- Assets Liability Committee (ALCO) minutes for consideration.
- Review of AML-CFT Compliance Review Report of Mid July 2018, Mid October 2018, Mid January 2019 and Mid April 2019.
- Review of yearly report as per NRB directive 5/074 point no 2(8).
- Review of Internal Capital Adequacy Assessment Policy implementation Report.
- Discussion on results of the Bank's Own Scenario for Stress Testing.
- Discussion on Risk Tolerance and Risk appetite limit as per Risk Management Framework.
- Discussion on Credit Shocks, Market Shocks and liquidity shocks as per regulatory requirement.
- Discussion on deposit concentration, single obligor exposure, product wise loan exposure, sector wise loan exposure.
- Discussion on Operational loss database as per Operational Risk Management Framework.
- Discussion on half yearly review of Strategy for financing working capital loan.
- Discussion on 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.
- Discussion on Core Banking Migration Risk Assessment report, ATM Risk Assessment of Citizens Bank International Ltd, IT Risk Assessment Survey Report, Hacking procedure and its prevention techniques.
- Review of various policies of the Bank such as Market Risk Management Policy, Asset Liability Management Policy, Contingency Funding Plan, Liquidity Risk Management Policy, Treasury and Investment Operation Manual, Risk Management framework, Operational Risk Management Policy, ICAAP Policy, Dividend and Retained Earning Policy, Information Technology Policy & Control Procedures, E-Banking Policy, Contingency Management Framework, Operational Risk Management Framework and Operational Risk Management Policy.

3. 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 (Ashwin 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 remuneration policy and 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 individual's performance against these targets and agree any payments proposed.
- Review and approve the overall incentive spend.
- 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

MEMBER OF COMMITTEE	DESIGNATION	MEETING ATTENDED
Mr. Bal Krishna Prasai, Director	Coordinator	13/13
Mr. Pavitra Kumar Karki, Director*	Member	10/11
Mr. Rajan Singh Bhandari, Chief Executive Officer**	Member	6/7
Mr. Ganesh Raj Pokharel, Chief Executive Officer**	Member	6/6
Ms. Umang Sharma, Chief Administrative Officer	Member Secretary	13/13
Mr. Pramesh Raj Kayastha, Chief Finance Officer	Member	12/13

**Mr. Pavitra Kumar Karki ceased to be the member of the committee with effect from March 12, 2019 (Falgun 28, 2075).*

***Mr. Rajan Singh Bhandari, CEO ceased to be the member of the committee with effect from December 31, 2018 (Poush 16, 2075).*

Details of Human Resource Compensation Committee meeting during FY 2018/19

Total No. of meetings held 13

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

MEMBER OF COMMITTEE	MEETING ATTENDED	SITTING FEES PER PERSON PER MEETING (NPR)
Bal Krishna Prasai, Director	13/13	11,000
Pavitra Kumar Karki, Director	10/11	11,000

Major Agendas discussed in the meeting of Human Resource Compensation Committee:

- Revision in Organization Structure of the Bank.
- Reformation of Capacity Development and Training Committee.
- Reformation of Recruitment Committee.
- Report presentation of performance of FY 2017/18 by the CEO
- Revision in CEO's Salary and Allowance.
- Amendment of Employee Bye Laws, 2007.
- Amendment in Residence Budget provided to Branch Managers of Outside Valley Branches.
- Amendment in Annexure 7 "Staff Vehicle Facility" of Employee Bye Laws, 2007.
- Chapter wise discussion of proposed Employee Bye Laws, 2018.
- Providing Acting CEO allowance to DCEO during deputation of more than 1 month as CEO.
- Amendment in "Director's Refresher and Employee Capacity Development Guidelines, 2018".
- Discussion on Manpower Planning for the FY 2019/20.
- Amendment in PM Allowance, BM Allowance, Vault Key Allowance and revision of Holiday Allowance and Festival Allowance.

4. ANTI MONEY LAUNDERING COMMITTEE

The Bank has constituted AML Committee to analyze as well as to monitor the AML/CFT related issue that arises in the Bank. The objective of this committee is to co-ordinate with all the various inter related department as well as regulatory body to oversight the AML related issues timely and to take the necessary corrective action. AML Committee meets generally on quarterly basis.

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 regularly on a quarterly basis or as required as per its charter to discuss and oversee the key issues highlighted by the Compliance Department.

The committee is authorized to:

- Ensure the rigorous implementations of the Board-approved framework for risk and compliance management, including the approval of relevant policies and procedure.

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

Major Responsibility of the Anti-Money Laundering Committee:

The Committee is responsible for ensuring effective operation of AML functions. The responsibilities of the Committee with respect to these risks include the following:

- To ensure all the activities of the bank is within the regulatory norms and as per the policies, guidelines etc.

- To determine and design the appropriate training schedule to all relevant branch staffs to create awareness on AML/CFT related issues.

- To review customer base (i.e. high, medium & low) on regular basis as required by policies, procedures and submit the report to the Committee.

- To monitor the transaction of the customer in effective and well planned manner and to reduce the non-compliance of any activities.

Composition of Anti Money Laundering Committee as on reporting date:

MEMBER OF COMMITTEE	DESIGNATION	MEETING ATTENDED
Mr. Pavitra Kumar Karki, Director	Coordinator	4/4
Mr. Bijaya Dhoj Karki, Director	Member	4/4
Mr. Praksah Chandra Mainali, Director	Member	3/4
Mr. Rajendra Lal Shrestha, Chief Risk Officer*	Member	2/4
Mr. Ravi Kumar Rauniyar, Executive Risk Officer*	Member	2/4
Ms. Seema Basyal, AML/CFT Officer*	Member Secretary	4/4

** Mr. Rajendra Lal Shrestha was appointed as Member of committee replacing Mr Ravi Kumar Rauniyar with effect from January 14, 2019*

Details of Anti Money Committee meeting during FY 2018/19

Total No. of meetings held 4

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

MEMBER OF COMMITTEE	MEETING ATTENDED	SITTING FEES PER PERSON PER MEETING (NPR)
Mr. Pavitra Kumar Karki, Director	4/4	11,000
Mr. Bijaya Dhoj Karki, Director	4/4	11,000
Mr. Praksah Chandra Mainali, Director	3/4	11,000

Major Agendas discussed in the meeting of Anti Money Laundering Committee:

- Review of Quarterly AML/CFT Compliance Review Report.
- Discussion on effective implementation of Go AML system in our bank for online reporting of TTR/STR.
- Discussion on effective training and awareness to employees regarding importance of AML/KYC.
- Review and discussion on risk categorization of customers of the Bank.

5. BUDGET COMMITTEE

Budget committee has been constituted under the coordination of Executive Director on June 11, 2017 (Jestha 02, 2074), with the specific purpose of Budget formulation of FY 2019/20. 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 purposed from the management and submit to Board for approval.

Composition of Budget Committee as on reporting date:

COMMITTEE MEMBERS	DESIGNATION	MEETING ATTENDED
Mr. Bal Krishna Prasai, Director	Coordinator	2/2
Mr. Bijay Dhoj Karki, Director	Member	1/2
Mr. Avanindra Kumar Shrestha, Director	Member	2/2
Mr. Ganesh Raj Pokharel, Chief Executive Officer	Member	2/2
Mr. Pramesh Raj Kayastha, Chief Finance Officer	Member Secretary	2/2

Details of Budget Committee meeting during FY 2018/19

Total No. of meetings held 2

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

MEMBER OF COMMITTEE	MEETING ATTENDED	SITTING FEES PER PERSON PER MEETING (NPR)
Mr. Bal Krishna Prasai, Director	2/2	11,000
Mr. Bijay Dhoj Karki, Director	1/2	11,000
Mr. Avanindra Kumar Shrestha, Director	2/2	11,000

Major Agendas discussed in the meeting of Budget Committee:

- The committee decided to recommend budget for FY 2019/20 to Board of Directors for approval, including strategic plan of actions planned to be undertaken for achieving the desired target. Since the assigned task has already been completed, the sub-committee has been dissolved.

6. LAND & BUILDING MANAGEMENT COMMITTEE

Land and Building Management Committee was formed under the coordination of director Mr. Pabitra Kumar Karki from April 18, 2019 to October 17, 2019 for the recommendation of sale of unused land of the Bank.

Major Responsibility of the Land and Building Management Committee:

- The primary responsibilty of the committee is to recommend to BOD, sale/purchase of land and buildings of the Bank.

Composition of Land and Building Management Committee as on reporting date:

COMMITTEE MEMBERS	DESIGNATION	MEETING ATTENDED
Mr. Pabitra Kumar Karki, Director	Coordinator	1/1
Mr. Prakash Chandra Mainali, Director	Member	1/1
Mr. Avanindra Kumar Shrestha, Director	Member	1/1
Ms. Umang Sharma, Chief Administrative Officer	Member Secretary	1/1

Details of Land and Building Management Committee meeting during FY 2018/19

Total No. of meetings held 01

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

MEMBER OF COMMITTEE	MEETING ATTENDED	SITTING FEES PER PERSON PER MEETING (NPR)
Mr. Pabitra Kumar Karki, Director	1/1	11,000
Mr. Prakash Chandra Mainali, Director	1/1	11,000
Mr. Avanindra Kumar Shrestha, Director	1/1	11,000

Major Agendas discussed in the meeting of Land and Building Management Committee:

• Recommended Board of the Bank for the sale of unused land of the Bank.

7. MERGER & ACQUISITION COMMITTEE

Merger and Acquisition Committee was formed under the coordination of non-executive director Mr. Pabitra Kumar Karki from May 3, 2019 to October 17, 2019 for identifying suitable banks and financial institutions for mergers and acquisitions.

Major Responsibility of the Merger and Acquisition Committee:

• The primary purpose of the committee is to identify suitable banks and financial institutions for merger and acquisitions.

Composition of Merger and Acquisition Committee as on reporting date:

COMMITTEE MEMBERS	DESIGNATION	MEETING ATTENDED
Mr. Pabitra Kumar Karki, Director	Coordinator	6/6
Mr. Bal Krishna Prasai, Director	Member	6/6
Mr. Prakash Chandra Mainali, Director	Member	3/6
Mr. Ganesh Raj Pokharel, Chief Executive Officer	Member Secretary	6/6

Details of Merger and Acquisition Committee meeting during FY 2018/19

Total No. of meetings held 06

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

MEMBER OF COMMITTEE	MEETING ATTENDED	SITTING FEES PER PERSON PER MEETING (NPR)
Mr. Pabitra Kumar Karki, Director	6/6	11,000
Mr. Bal Krishna Prasai, Director	6/6	11,000
Mr. Prakash Chandra Mainali, Director	3/6	11,000

Major Agendas discussed in the meeting of Merger and Acquisition Committee:

• The committee had completed the task of identifying suitable banks and financial institutions for mergers and acquisitions, and the strategic plan of mergers and acquisitions of the Bank had been prepared and implemented the Terms of Reference.

• The Bank has entered into the agreement with Sahayogi Development Bank Limited on July 8, 2019 as a strategic plan to increase branch network, increase personal deposit and overall business growth policy. A Joint Merger and Acquisition Committee comprising of two representatives of the Sahayogi Development Bank Limited was formed and joint application has been submitted for Memorandum of Understanding from Nepal Rastra Bank for acquisition of Sahayogi Development Bank Limited.

8. CHIEF EXECUTIVE OFFICER (CEO) SELECTION COMMITTEE

CEO selection sub-committee was constituted under the coordination of director Mr. Bal Krishna Prasai after the term of former CEO Mr. Rajan Singh Bhandari ended. The sub-committee was formed as per the directive no. 6 of NRB for fulfilling the vacancy of CEO within 3 months.

Major Responsibility of the CEO Selection Committee:

• The primary purpose of the committee is to select and appoint CEO of the Bank

Composition of CEO Selection Committee as on reporting date:

COMMITTEE MEMBERS	DESIGNATION	MEETING ATTENDED
Mr. Bal Krishna Prasai, Director	Coordinator	2/2
Mr. Pabitra Kumar Karki, Director	Member	2/2
Mr. Prakash Chandra Mainali, Director	Member	2/2
Mr. Bijay Dhoj Karki, Director	Member	2/2
Mr. Avanindra Kumar Shrestha, Director	Member	2/2

Details of CEO Selection Committee meeting during FY 2018/19

Total No. of meetings held 02

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

MEMBER OF COMMITTEE	MEETING ATTENDED	SITTING FEES PER PERSON PER MEETING (NPR)
Mr. Bal Krishna Prasai, Director	2/2	11,000
Mr. Pabitra Kumar Karki, Director	2/2	11,000
Mr. Prakash Chandra Mainali, Director	2/2	11,000
Mr. Bijay Dhoj Karki, Director	2/2	11,000
Mr. Avanindra Kumar Shrestha, Director	2/2	11,000

Major Agendas discussed in the meeting of CEO Selection Committee:

• The term of Mr. Rajan Singh Bhandari has ended with effect from December 31, 2018 (Poush 16, 2075) and he was on leave from December 16, 2018 (Poush 01, 2075) providing all handover notes to the then Dy. CEO Mr. Ganesh Raj Pokharel. The committee was dissolved after Mr. Ganesh Raj Pokharel was appointed as CEO, with effect from April 1, 2019 (Chaitra 18, 2075).

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:

• Memorandum of Association (MOA) & Articles of Association (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:

1. Executive Committee
2. Assets liabilities Management Committee
3. Operational Risk Management Committee
4. IT Steering Committee
5. Purchase Committee
6. 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 10 Members. This committee represented by all Chiefs of the Bank is the summit body that manages the Bank's operations on day to day basis. All EC members meet 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 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 responsibilities 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/or implement any and/ or all corporate acts within the competence of the Board.

- Review and approve Bank-wide credit strategy, profile and performance.

- Approve and monitor the risk ranking activities of the Bank, based on the regulations of established approving authorities and reviews and endorse other activities.

The attendance details of EC members/meetings during the FY 2018/19 are as under:

SN	NAMES	DESIGNATION	NO. OF MEETINGS ATTENDED
1.	Mr. Rajan Singh Bhandari, Chief Executive Officer*	Chairman	6/6
2.	Mr. Ganesh Raj Pokharel, Chief Executive Officer**	Chairman	48/49
3.	Mr. Bodh Raj Devkota, Deputy Chief Executive Officer	Member	45/49
4.	Mr. Samir Prasad Dahal, Assistant Chief Executive Officer	Member	6/6
5.	Mr. Sumit Babu Khatri, Chief Credit Officer	Member	46/49
6.	Ms. Umang Sharma, Chief Administrative Officer	Member Secretary	49/49
7.	Mr. Paras Kumar Kafle, Chief Operating Officer	Member	47/49
8.	Mr. Rajendra Lal Shrestha, Chief Risk Officer	Member	46/49
9.	Mr. Sanjeeb Kumar Shrestha, Chief Information Technology Officer	Member	47/49
10.	Mr. Pramesh Raj Kayastha, Chief Finance Officer	Member	45/49

**The term of Mr. Rajan Singh Bhandari's contract as CEO ended with effect from December 31, 2018 (Poush 16, 2075) and was on leave from December 16, 2018 (Poush 01, 2075), providing all handover notes to the then Dy. CEO Mr. Ganesh Raj Pokharel.*

*** Mr. Ganesh Raj Pokharel has been appointed as Acting CEO with effect from December 16, 2018 (Poush 01, 2075) and was appointed as CEO from April 1, 2019 (Chaitra 18, 2075).*

Major agendas 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.

- 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 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.

- 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.

- 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 meeting discussed about the design, estimated cost, required tender notice and other process for the proposed building at kamaladi. It also discussed about the purchase of forms by interested bidders and expectation of application to be received. Further meeting discussed on progress of construction of building and estimated date of completion and operation.

- The meeting discussed on initiating 4-year strategic plan and also discussed about procedure regarding obtaining Broker License.

- The meeting discussed about the data migration, problems faced during testing and migrations, remedies applied and consequences thereon, data audit, training to the users for Finacle module, stress testing, ATM integration, video tutorials, continuous testing and GO LIVE date of Finacle. It also discussed about issues related to customization and additional fees. Further it was discussed to purchase Skype (business edition) to conduct online meetings with branch for migration training. In the month of February 2019 migration team become successful in migrating into Finacle CBS. Meeting also discussed on resolving post migration bugs and conducting system audit within 3 months of migration. Further, Meeting discussed on switching the Internet Banking module to F1 soft from the existing Finacle and shifting of DR center to third party vendor.

- The meeting discussed about the KYC update in accounts and debit restriction to those accounts where KYC update is not completed and release of such restriction on updation. Meeting also discussed about the AML certification course (online) that was taken and participation and result. Further, meeting discussed on revised requirement in GO AML which need much modification in the processes.

- The meeting discussed about opening of regional office as required by NRB where it was proposed to have regional office of Province 1 in Biratnagar building, Province-2 in Birgunj building, Province-4 in Pokhara-Simalchaur building, Province-5 in Nepalgunj building and separate regional office for Province-3 and purchase of property in Province 6 and 7.

- Meeting discussed about requirement to classify/categorize branches and ranking accordingly which will help in assigning of budget, manpower planning and growth assessment etc.

- Meeting discussed about license required for digital signature implementation and its applicability in active directory and email as digital signature for executive members are already purchased. Further presentation on how to use digital signature and it implications was made.

- Meeting discussed about following the practice of providing bonus equivalent to three month's salary in the first day of shrawan itself in order to motivate the staff. Further, date for crediting welfare was also discussed.

- Meeting discussed on updating the Employees Bye Laws of the Bank incorporating the changes as per labor law. Meeting also discussed about the formulation of updated HR Bye Laws. Further, Meeting discussed on checking whether all the Bank's Policies are up to date and if not, to take on the necessary action for updation.

- Meeting discussed about agreement with khalti regarding mobile ebanking.

- Meeting discussed about arranging meetings with big deposit customers for business growth and renewing of business relationship. It was also discussed to have meeting with large borrowers, preferably lunch meetings to assure them with the Bank's committed service with the changing scenario.

- Meeting discussed about slowed down lending in the entire industry and working of team on developing product paper incorporating the seven areas of lending under the government's various schemes.

- Meeting discussed about increment of evening and holiday counter from 4 branches to 10 branches. It also discussed about bringing customer focused programs.

- Meeting discussed about changes in the system and adoption of new technologies such as Robotic collection of deposit, roll out of MasterCard, QR Code (Scan and Pay), and generation of centralized MIS system. Meeting

also discussed on monitoring and regularizing frequent breakdown in ATM services either through replacement of ATMs that has been in operation for 10 years and above or through maintenance. Meeting focused to get committed to take higher level of automation.

- Meeting discussed on integrating Trust AML software in Finacle. Further meeting also discussed on identification of STR and banks ranking in term of TTR/STR reporting.

- Meeting discussed on initiating "Employee of the Month" award and criteria for award for motivating staffs.

- Meeting discussed on preparation for different awards such as BPA award, SAFA award, Banker award with the spirit of winning. Further meeting shared the experiences collected during different training programs.

- Meeting discussed on implementing the practice of sending birthday cakes to the depositors and the Board of Directors from the month of Baisakh. Meeting discussed on formulation of criteria for selection of such recipients and forward to GSD for further arrangement.

- Meeting discussed on monetary policy and its potential effect on CD ratio, Agriculture loan limit, call deposit ceiling etc

- Meeting discussed about making Dillibazar Branch a hub for educational loan since major educational consultancies are located around Dillibazar and Putalisadak area.

- Meeting discussed on possibility of merger and acquisition with some prospective financial institution.

- Meeting discussed on workflow for centralized account opening which has been finalized in DMS system. Meeting also pointed out that the process requires more manpower which will be sent to HRD and as a pilot project it will be first implemented from 8-10 branches. Meeting further discussed on problem arose on bulk opening of account and remedies thereon.

- The meeting discussed on strategies to achieve the budget, setting of individual target to all staff, aggressive marketing effort and proper and effective training, heavy promotion through media campaigns. The discussion also focused on operational income and curbing of expenses.

- Meeting discussed about requirement of space for setting up the office for CBIL Securities and decided to set up at the Bank's Kupondole building.

B. ASSETS LIABILITIES MANAGEMENT COMMITTEE

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 CEO which is further monitored by the Risk Management Committee which further reports to the Board of Directors.

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 profit.

- 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.

- Monitor treasury dealing strategies and holdings against the risk appetite set for Treasury Risk Management.

- Responsible for setting placement limits to 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.

- Develop Asset/Liability strategies, monitor and discuss the status and results of implemented Asset/Liability management strategies.

- Monitoring compliances of Nepal Rastra Bank and Boards instruction as specified in ALM Policy.

• Discuss capital planning of the Bank.

• Review the current and prospective capital levels to determine sufficiency in relation to expected growth.

• Review the current and prospective liquidity positions and monitor alternative funding sources.

• Decide on source and mix of liabilities and on funding mixes.

• Discuss and report on the impact of major funding shifts and changes in overall investment and lending strategies.

During the reporting period July 17, 2018 to July 16, 2019 (Shrawan 1, 2075 to Ashadh 31, 2076), 21 meetings were held. The composition and attendance of ALCO up to July 16, 2019 (Ashadh 31, 2076) is as under:

COMMITTEE MEMBERS	DESIGNATION	MEETING ATTENDED
Mr. Rajan Singh Bhandari, Chief Executive Officer*	Chairman	4/6
Mr. Ganesh Raj Pokharel, Chief Executive Officer**	Member	20/21
Mr. Bodh Raj Devkota, Deputy Chief Executive Officer	Member	20/21
Mr. Samir Prasad Dahal, Assistant Chief Executive Officer -Finance***	Member	4/5
Mr. Paras Kumar Kafle, Chief Operating Officer	Member	20/21
Mr. Sumit Babu Khatri, Chief Credit Officer	Member	21/21
Mr. Pramesh Raj Kayastha, Chief Finance Officer	Member	20/21
Mr. Roshan Manandhar, Head Retail Banking	Member	18/21
Mr. Angish Shrestha, Head Treasury	Member Secretary	21/21

**The term of Mr. Rajan Singh Bhandari's contract has ended with effect from December 31, 2018 (Poush 16, 2075) and was on leave from December 16, 2018 (Poush 01, 2075), providing all handover notes to the then Dy. CEO Mr. Ganesh Raj Pokharel.*

*** Mr. Ganesh Raj Pokharel has been appointed as Acting CEO with effect from December 16, 2018 (Poush 01, 2075) and appointed as CEO from April 1, 2019 (Chaitra 18, 2075).*

****Mr. Samir Prasad Dahal has become the member of the committee with effect from May 05, 2019 (Baisakh 22, 2076).*

Agendas discussed in Asset Liabilities Management committee:
Following are the major agendas discussed in the meeting:

• The committee reviewed Fund Position and all major ratios.

• The committee reviewed and discussed on Liquidity Position, FCY Exposure, Borrowing / Lending Position, Investment Position of the Bank.

• The committee reviewed its limit of investments in loans and overdrafts, government securities and ensured 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 on the market interest rates, market trend on call deposit, fixed deposit, saving deposit and loan products that influence the business practice of the Bank.

• The committee regularly monitored and discussed the Bank's net interest income and earnings.

• The committee monitored liquidity Stress testing, reverse stress testing, Gap Analysis and Contingency funding plan.

• The committee reviewed the adequacy of the liquid assets held by the Bank, in term 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 all major capital projects/investments.

• The committee conducted review of Asset Quality, Capital and Growth.

• The committee focused on ensuring that the business lines are aligned with in terms of Bank's overall objective and proactively controlled with regards to prudential risk.

• The committee conducted a review of treasury policy, liquidity risk management policy, market risk management policy, contingency funding plan and credit policy.

C. IT STEERING COMMITTEE

The core objective of the 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 Responsibilities 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 basis.

During the reporting period July 17, 2018 to July 16, 2019 (Shrawan 1, 2075 to Ashadh 31, 2076) 9 meetings were held.

The composition and attendance of the Committee during the period as on July 16, 2019 (Ashadh 31, 2076) is as under:

COMMITTEE MEMBERS	DESIGNATION	MEETING ATTENDED
Mr. Rajan Singh Bhandari, Chief Executive Officer*	Chairman	4/4
Mr. Ganesh Raj Pokharel, Chief Executive Officer**	Chairman	9/9
Mr. Bodh Raj Devkota, Deputy Chief Executive Officer	Member	9/9
Mr. Samir Prasad Dahal, Assistant Chief Executive Officer-Finance	Member	2/2
Mr. Sanjeeb Kumar Shrestha, Chief Information Technology Officer	Member	9/9
Ms. Umang Sharma, Chief Administrative Officer	Member	9/9
Mr. Roman Pradhanang, IT-Head	Member Secretary	9/9
Mr. Rajendra Lal Shrestha, Chief Risk Officer	Invitee	1/1

**The term of Mr. Rajan Singh Bhandari's contract has ended with effect from December 31, 2018 (Poush 16, 2075) and was on leave from December 16, 2018 (Poush 01, 2075), providing all handover notes to the then Dy. CEO Mr. Ganesh Raj Pokharel.*

*** Mr. Ganesh Raj Pokharel has been appointed as Acting CEO with effect from December 16, 2018 (Poush 01, 2075) and appointed as CEO from April 1, 2019 (Chaitra 18, 2075).*

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

• Increment of additional 200 license for MCAFEE Antivirus

• Deployment of additional monitoring system in IT Department

• Status discussion of FINACLE 10 migration

• Up-gradation of DR Site as per NRB recommendation

• Discussion of Power incident happen in Data Center

• Status on up-gradation of Bank's Firewall

•Change of Branch email address to info@ctznbank.com in website

- Procurement of Data Center Core Router and Switch devices
- Discussion on updated IT Policy
- Discussion on study on alternate DR Site provided by third party vendors
- Completion of IBM V7000 Storage migration
- Deployment of Check Point 5600 Next Generation Firewall
- Up-gradation of Active Directory to Windows 2016
- Deployment of CIB Silver Blade Application with integration with FINACLE
- Discussion on ongoing IT Audit
- Discussion on FINACLE Post GO LIVE issues
- Discussion on EOL (End Of Life) of Windows 7 operating system
- Progress on MIS Development in FINACLE 10
- Progress on development of Centralized Account Opening Workflow
- Development of standard Technical evaluation matrix for procurement of IT assets
- Discussion on need of PAM (Privilege Access Management) application for IT Department
- Discussion on network events and attacks

D. OPERATIONAL RISK MANAGEMENT COMMITTEE (ORMC)

The Bank, in consonance with the fundamentals of Corporate Governance and has constituted an Operational Risk Management Committee comprising of executives and all Heads 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 on quarterly basis and informally as and when required.

Major Responsibility of Operational Risk Management Committee (ORMC):

The committee will be responsible for operational risk management. The major responsibilities of the committee are as follows:

- Committee is responsible to implement operational manuals & procedures of the Bank.
- Committee is responsible to implement issues related to NRB directives/risk management guidelines of NRB.
- Committee shall review and take immediate precautionary majors on the recommendations of other committees, customer service excellence and complaint handling and security management.
- Committee shall meet every quarter and the minutes shall be submitted to Risk Management Committee on selective basis based on the seriousness of the issues.
- Each member shall submit departmental reports and newly identified operational risk issues in the meeting for decision.

During the reporting period July 17, 2018 to July 16, 2019 (Shrawan 1, 2075 to Ashadh 31, 2076), 5 meetings were held.

The composition of the Committee as on July 16, 2019 (Ashadh 31, 2076) is as under

MEMBER OF THE COMMITTEE	DESIGNATION	MEETING ATTENDED
Chief Executive Officer (CEO)*	Chairman	5/5
Chief Risk Officer (CRO)**	Chairman	2/2
Assistant Chief Executive Officer-Operations	Member	1/5
Chief Operating Officer	Member	5/5
Operations In Charge	Member	3/5
Head-Trade Finance	Member	5/5
Head-Credit Administration	Member	4/5
Head-Information Technology	Member	2/5
Head-Compliance	Member	5/5
Head-Treasury Back Office	Member	2/5
Head-Transactional Banking	Member	5/5
Head-Card Department	Member	3/5
Head-Remittance Department	Member	5/5
Head-Central Reconciliation	Member	5/5
Head-Clearing Department	Member	2/5
Head-General Service Department	Member	4/5
Head-New Products and Transaction Banking	Member	4/5
Compliance and NRB Reporting	Member	4/5
Head Central Operations	Member	5/5
Executive Officer-Risk & Compliance	Member	5/5

**Chief Executive Officer was Chairman of ORMC between July 13, 2018 to March 28, 2019 (Ashadh 29, 2075 to Falgun 17, 2075) for 4 meetings and has attended ORMC as an Invitee on meeting date June 03, 2019 (Jestha 17, 2076) for 1 meeting after the nomination of Chief Risk Officer as Chairman wef March 15, 2019 (Chaitra 03, 2075).*

** Chief Risk Officer attended ORMC meeting as Member Secretary on March 28, 2019 (Falgun 17, 2075) and was nominated as Chairman of ORMC with effective from date March 15, 2019 (Chaitra 03, 2075) vide BOD meeting no. 293.*

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

- **Branch Operations related issues such as:** Interest payment and tax deduction frequency, minor account, Locker key deposit held, Customer type inserted, Image inserted, multiple accounts, KYC form to be upgraded as per New Directives, Issues of cheques, dormant account, minimum balance, Recurring deposit, Accounting entries of FIS, Monitoring compliance of audit reports, Transaction of Fixed Deposit Accounts, Account approval, transaction code, Unsettled cash in transit, fees & commission/Charges, Disaster recovery and continuity plan, Matured Time Deposit, Operational Loss Database ,FCY & mutilated notes exchange, CCTV recording details, ATM withdrawal, email alert during card transactions, SMS alert, ECC Outward Clearing, Unapproved Image, Customer Service Excellence Issues.

- **IT related issues such as:** EOD related procedure, unsecured network port, power failure issue, vendor visit for IT support, unverified transactions, menu operations.

- **Compliance related issues such as:** Regarding late response from branches for KYC updating, FIU letter, enforcement entities, operation of Trust AML software live, effective documentation to be made by branches, regarding to sufficient logistic, upload of data in system, Accuity verification for swift/draft/remittance purpose, regarding GO AML reporting, regarding risk grade accounts, lack of screening/KYC updates, wrongly input of information while updating KYC, unidentification of PEP, non-reply of ECDD review report, etc.

- **Reconciliation related issues such as:** Regarding balance in IBT, cash excess, prepaid secured transaction charge, wrong dividend payable account, managers cheques payment, late receipt of reconciliation report, etc.

- **Treasury Back Office related issues:** Risk associated with NPR swift payment message, withdrawal from nostro account, AML CFT procedure, correspondent bank details, branch swift, etc.

- **NRB Reporting related issues:** Revised NRB Reporting Format, Basel Codes and Cust Type, reports of loan and advances from trial, coding of LCY & FCY loans and deposits, etc.

- **Remittance related issues:** Regarding IPS sending problem in third bank account deposit for remittance transaction, standing instruction for transfer of current account to call account, etc.

- **Central Operations related issues such as:** Regarding FINACLE training, power supply, connection of VSAT of mercantile communications, etc.

- **General Service Department issues such as:** CCTV resolve and DRILL test, etc.

E. PURCHASE COMMITTEE

Purchase committee is responsible for the finalization of 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 to Chief Executive Officer or approving authority.

The composition and attendance of the Purchase Committee as on July 16, 2019 (Ashadh 31, 2076) is as under:

COMMITTEE MEMBERS	DESIGNATION	MEETING ATTENDED
Mr. Ganesh Raj Pokharel, Chief Exective Officer*	Coordinator	32/32
Ms. Umang Sharma, Chief Administrative Officer*	Coordinator/Permanent Invitee	45/46
Mr. Pramesh Raj Kayastha, Chief Finance Officer	Member	45/46
Mr. Dikendra Ram Kashajoo, Head-GSD	Member Secretary	46/46
Ms. Smita Pant, Exective Administrative Officer	Permanent Invitee	40/46
Mr. Pravesh Swar, GSD	Invitee	43/46

**Post appointment of Mr. Ganesh Raj Pokharel as Chief Executive Officer, Ms. Umang Sharma was appointed as coordinator of the committee on March 24, 2019.*

During the reporting period July 17, 2018 to July 16, 2019 (Shrawan 1, 2075 to Ashadh 31, 2076), 46 meetings were held.

The major agendas discussed in the Purchase Committee are stated as below.

- ATM Installation at Humla Branch.

- Procurement of required Core Banking System Hardware for the Bank.

- Installation of ATM at Global College of management.

- Procurement of Window Server License 2016.

- Procurement of McAfee Antivirus License.

- Procurement of Chip based ATM Cards and Pin Mailers.

- Procurement of Skype License.

- Implementation of Microsoft System Center.

- Procurements of Firewalls.

- Acquiring POS Device on Rental Basis.

- Replacement of ATM machine of Kupondole, Pokhara ,Ghorahi, Butwal and Dillibazar.

- Installation of ATM machine at Zonal Hospital, Baglung.

- Disaster Recovery Site Co-location at Third Party's DR Site.

- Procurement of IBM RAM for Existing Server of the Bank.

- Appointment of Consultant for Branch Construction.

- Procurement of Generators for Itahari and Biratnagar branches.

- Subscription of Acuity data file system.

- Logistics Procurement and Construction related Works for establishment of Sunapati branch, Thankot branch, Kamaladi branch, Sinamagal branch, Kohalpur branch, Laambagar branch, Manahari Extension Counter, Provincial Offices at all provinces of the nation.

- Construction related work for expansion of Nepalgunj branch and shifting of Ghorahi, Itahari and Thahity branches.

- Renovation, expansion and remodeling of Janakpur, Dillibazar, Gaighat, Aurahi and Badhaiyataal branches.

F. RECRUITMENT COMMITTEE

Recruitment Committee was formed on October 3, 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, 2017 (Shrawan 01, 2071).

Major responsibilities 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 to appoint 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 2018/19

Total no. of meetings held 75

COMMITTEE MEMBERS	DESIGNATION	MEETING ATTENDED
Mr. Ganesh Raj Pokharel, Chief Exective Officer*	Chairman	73/75
Mr. Bodh Raj Devkota, Deputy Chief Exective Officer*	Chairman/Member	70/75
Mr. Ramdhan Shrestha, Assistant Chief Exective Officer	Member	63/75
Ms. Umang Sharma, Chief Administrative Officer	Member Secretary	70/75

**Post appointment of Mr. Ganesh Raj Pokharel as Chief Executive Officer, Mr. Bodh Raj Devkota was appointed as Chairman of the committee.*

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

- The committee had discussed 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 decided upon selections of resource person for written exam question preparation and correction.

- The committed discussed the man power planning for the upcoming FY 2019/20 (2076/77).

- The committee discussed about the performance appraisal and rewarding employees with gold medal with the intention of motivating employees with long service to the Bank.

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 (i.e. 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 through audit committee.

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

- Risk Based Branch and Departments Audits,
- Review of Investment (as required by NRB),
- Review of Capital Adequacy (as required by NRB): Monthly,
- Assets quality review on quarterly basis,
- Review of Quarterly Financial Statement,
- Review of Base Rate and Interest Spread on monthly basis,
- Reporting Major audit issues to BOD along with quarterly financial statement,
- Gold Audit of all the branches having the gold loan facility,
- Special Audit and Surprise Audit on need basis,
- Offsite Monitoring of Departments & Branches,
- Compliance Audit of AML/CFT Policy: Yearly,
- INR transaction review done on half yearly basis,
- Labor Audit,
- 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.N	BRANCHES	AUDIT DAYS
1	Durbarmarg	8
2	Biratnagar	12
3	Birgunj	12
4	Pokhara	8
5	Nepalgunj	6
6	Boudha	8
7	Newroad	13
8	Kumaripati	9
9	Koteshwor	8
10	Narayanghat	5
11	Kalanki	6
12	Butwal	7
13	Thahiti	4
14	Dhangadhi	5
15	Nayabazar	5
16	Birtamod	4
17	Maitidevi	6
18	Beni	3
19	Ghorahi	5
20	Gaighat	3
21	Kirtipur	3
22	Narayangopal Chowk	6
23	Mahendranagar	6
24	Kapan	5
25	Thimi	3
26	Charikot	4
27	Itahari	4
28	Bhaktapur	4
29	Janakpur	4
30	Kupondole	3
31	Surkhet	5
32	Hetauda	5
33	Siddharthanagar	5
34	Samakhusi	5
35	Kolhabi	2
36	Thapathali	6
37	Baglung	3
38	Nijgadh	4
39	Bajhang	2
40	Bhojpur	2
41	Dharan	3
42	Dillibazar	3
43	Banepa	4
44	Mahaboudha	3
45	Kuleshwor	6
46	Naya Baneshwor	4
47	Chabahil	6
48	Bhaisepati	5
49	Damak	3
50	Bardibas	2
51	Gwarko	4
52	Chhahara	1
53	Bhumahi	3
54	Manahari	2
55	Haldibari	1
56	Badhiyataal	1
57	Aurahi	1
58	Banglachuli	1
59	Simalchaur	2

S.N	DEPARTMENTS	AUDIT DAYS
1	Corporate Credit/ SME	30
2	CBU/ Fast Track loan	20
3	Finance and NRB Reporting	20
4	Treasury	20
5	HR	18
6	GSD	18
7	Trade & Credit Operation	27
8	Recovery	16
9	Card	8
10	Remittance	8
11	New Product & Transaction Banking	5
12	Compliance and AML	3
13	Legal and Share	4
14	Risk Management Department	4
15	Demat/ASBA	9
16	Central Clearing	3
17	Credit card	20
18	Bankassurance	5
19	E-Banking Mobile Banking	5
20	Grievance Handling	4
21	Corporate Communication	4

SUSTAINABILITY REPORTING



SUSTAINABILITY REPORTING

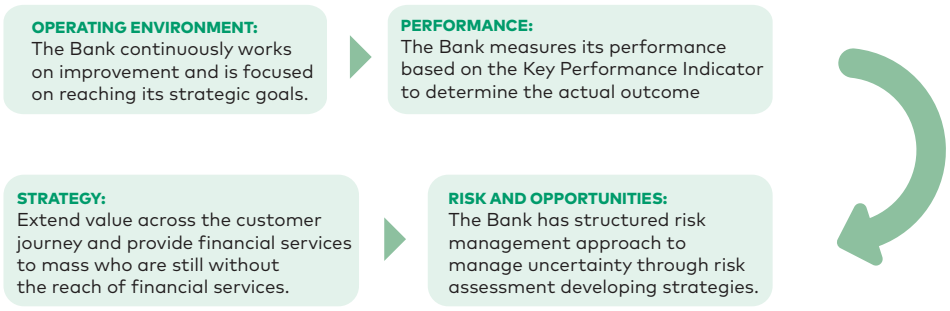
3.1	Business Model	94
3.2	Strategic Plan	97
3.3	Corporate Social Responsibility	101
3.4	Business Ethics and Anti-Corruption Measures	104
3.5	Risk Management	106

BUSINESS MODEL

VALUE CREATION HISTORY

The main purpose of the Bank's business is to deliver sustainable returns for its shareholders and build a better bank for its customers. The Bank follows proactive approach to understand how the Bank's business is evolving, determine how these changes are impacting the capacity of Bank's value creation and take action to safeguard the interest of its stakeholders.

The Bank's Business Model also requires to invest in and develop human capital for business growth through professional networks of, key aspects of its social and relationship capital-as well as its intellectual capital, to continuously innovate its offerings and improve its process efficiencies ultimately adding up on its ability to be responsive in a timely fashion to add to its ability to be responsive and timely. In process, the Bank ensure its business activities are aligned with its core values and guided by its governance framework, and also that its strategies and risk mitigation efforts are in line and responsive to pressures from external environment and market forces.



RESOURCES THAT BANK RELIES ON:

a)	Financial Capital	The funds generated through Equity Capital, Debt Capital, Specialty Capital, Customer Deposits and other sources of funding are invested with motive to create value.
b)	Human Capital	The Bank's employees are the key custodian of its business. Their competencies, capabilities and experience are the factor of its success.
c)	Intellectual Capital	Knowledge, brand value, ethics, corporate culture, knowledge based intangibles, etc. are the foundation for the Bank's brand value creation.
d)	Manufactured Capital	The tangible and intangible infrastructure, branches, loan facility, as well as key investment in technology and digitalization enables the Bank for value creation.
e)	Natural Capital	The natural resources on which the Bank depends to create value for stakeholders of the Bank.
f)	Social and Relationship Capital	The relationship build with the stakeholders, customers, investors, employees and commitment towards community reflects the Bank as a responsible growing corporate organization.

EXTERNAL ENVIRONMENT

a) Financial Capital

In the value creation process of the Bank, financial capital plays a focal role. Financial Capital of the Bank 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 other Banks/creditors and deposits from customers.

Inputs Used:	Business Activities:
• Equity Capital • Debt Capital • Specialty Capital (Policy Incentives)	• Investment made on Property and Equipment is NPR 326.77 Million. • Training and Development expense is NPR 15.98 Million.
Outcome/Output:	**Value Creation:**
• NPAT-NPR 1,463.22 Million • Earnings Per Share- NPR 17.49 • Net Asset Value Per Share- NPR 149.26 • CAR-14.37%	• Economic value created for its stakeholders. • Shareholder payment of reasonable dividends and afforded opportunities for capital gains for the shareholder. • Attractive financial Returns for the Bank.

Please refer to pg. 120 for detail of Financial Capital

b) Human Capital

The competencies, motivation and ethical work practices of the Bank's employees and service providers enable it to create commercial and sustainable development in the short, medium and long term. The Bank fosters safety and vigilance amongst its employees through a safety-oriented operational culture.

Inputs Used:	Business Activities:
• Totals no of Employees 973 • 272 new employment opportunities • Investment in Training and Development is NPR 15.98 Million • Employee's Competencies	• 240 numbers of training program conducted. • Annual Appraisal/Promotion for all the employees.
Outcome/Output:	**Value Creation:**
• Increased Employee Productivity • Career Development opportunities • Job satisfaction with remuneration packages • Work Life Balance	• Improve operational efficiencies and a safe working environment. • Development of Leadership and communication skills. • Ethical and Strategic working environment.

Please refer to Pg 123 for detail of Human Capital

c) Intellectual Capital

Intellectual Capital is "Knowledge that is value to the bank". Intellectual capital for the Bank is intangible assets created by its employee's efforts and also assets such as patent, trademarks, copyrights and other results of its employee innovation and thought. Through intellectual capital, the Bank is able to quickly adapt to the changes and remain competitive in the markets.

Inputs Used:	Business Activities:
• Bank's brand • Information Security • IT requirements for customer service	• Expansion of IT workforce by absorbing technical specialists from the industry.
Outcome/Output:	**Value Creation:**
• Loyal customer base • Strengthening the brand value • Competitive advantage	• Proper information security. • Better customer services.

Please refer to Pg 131 for detail of Intellectual Capital

d) Manufactured Capital

The Bank has identified and acknowledged the importance of manufactured capital as it is essential to the Bank for sustainability and competitive advantage. The 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.

Inputs Used:	Business Activities:
• 81 Numbers of total branch in operation • 78 Numbers of ATM • Bank has steadily invested in technology and accordingly acquired Finacle as Core Banking Software	• Installation of 8 ATMs during FY 2018/19.
Outcome/Output:	**Value Creation:**
• Improved Economies of scale • Increased reach of customers with better quality of service • Number of branches reached to 81 • Number of ATMs reached to 78 • Branchless Banking Locations 99 • International Remittance Tie ups 18 • Local Remittance Tie ups 23	• Satisfied customers and customer base growing. • New products launched in order to provide diversified service customers, branchless banking facility. • Deprived sector loan provided for fund access to under privileged customers.

Please refer to Pg 135 for detail of Manufactured Capital

e) Social and Relationship Capital

Social and relationship capital is an integral component of the value for business. It involves the business itself, the formal and informal entities and institutions associated with it, as well as the relationships with and between employees, communities and other stakeholders. Citizens Bank International Limited is embedded in the community and the social and relationship capital is seen as the link between its business and society. The Bank has conducted activities like providing scholarship to childrens and financial assistance to schools, supporting for healthcare, women empowerment activities, charities and environment friendly activities.

Inputs Used:	Business Activities:
• Corporate Social Responsibility • Long term stakeholder relationships • Innovative product offerings	• Over 1,000 volunteer hours spent on CSR projects. • Total 66 projects implemented. • NPR 7,217,189 investments on sustainable development projects. • NPR 3,511.45 Million Under deprived sector lending.
Outcome/Output:	**Value Creation:**
• Contributing economic development to the country • Creation of trustworthy banking culture • 4,506 facilitated through deprived sector lending	• CSR initiatives, educational, healthcare support, disaster aid. • Enhancing financial access to the marginalized population.

Please refer to Pg 136 for detail of Social and Relationship Capital

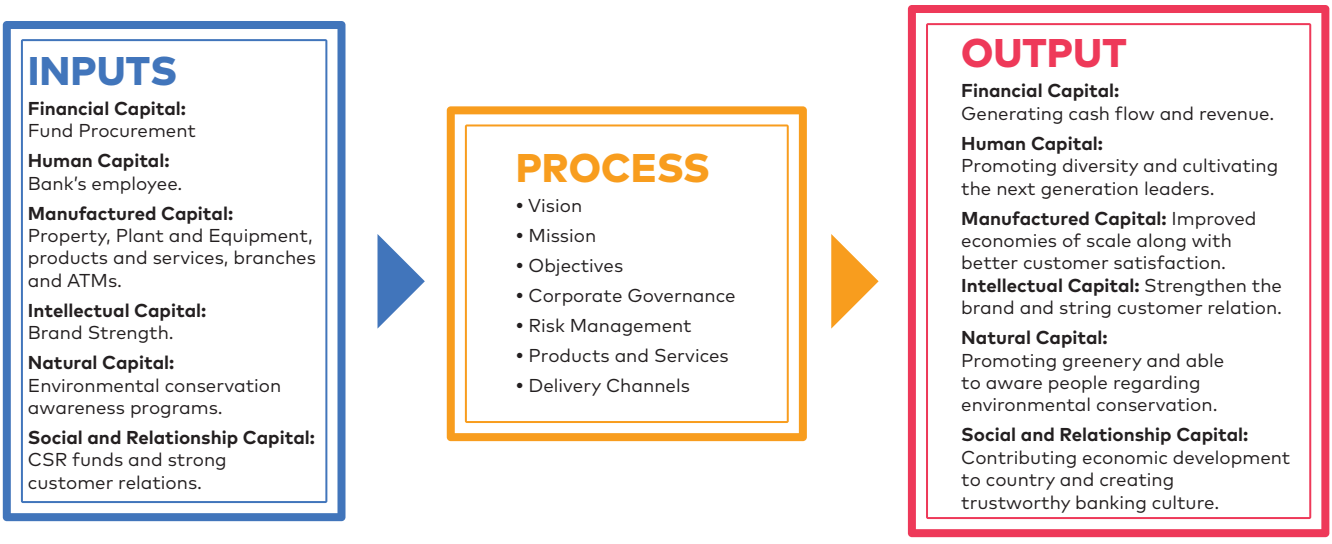
f) Natural Capital

The Bank promotes responsible use of natural resources and is focused on eco-friendly business practices. The Bank consumes renewable and non-renewable resources and process from ecosystems directly or indirectly that provides service which supports, current and future prosperity of the Bank. Before lending, the Bank has compelled many borrowers for conducting Initial Impact Assessment and Environmental Impact Assessment based on the size of the company. The Bank is focused on reduction of direct impact on the environment by promoting responsible environmental management activities across all of its operations.

Inputs Used:	Business Activities:
• Environmental Conservation Programs • Invested NPR 600,000 on green initiatives • Training programs related environmental conservation	• Over 100 Volunteers hours on environmental projects. • Promoting Green lending facilities. • Environmental-related projects.
Outcome/Output:	**Value Creation:**
• Promoting green consciousness across value chain • Conserving environment	• Environmental awareness. • Sustainable business practices along with reduction of our natural consumption or impact on natural resources.

Please refer to Pg 146 for detail of Natural Capital

SUMMARIZED DIAGRAMMATICAL PRESENTATION:



STRATEGIC PLAN

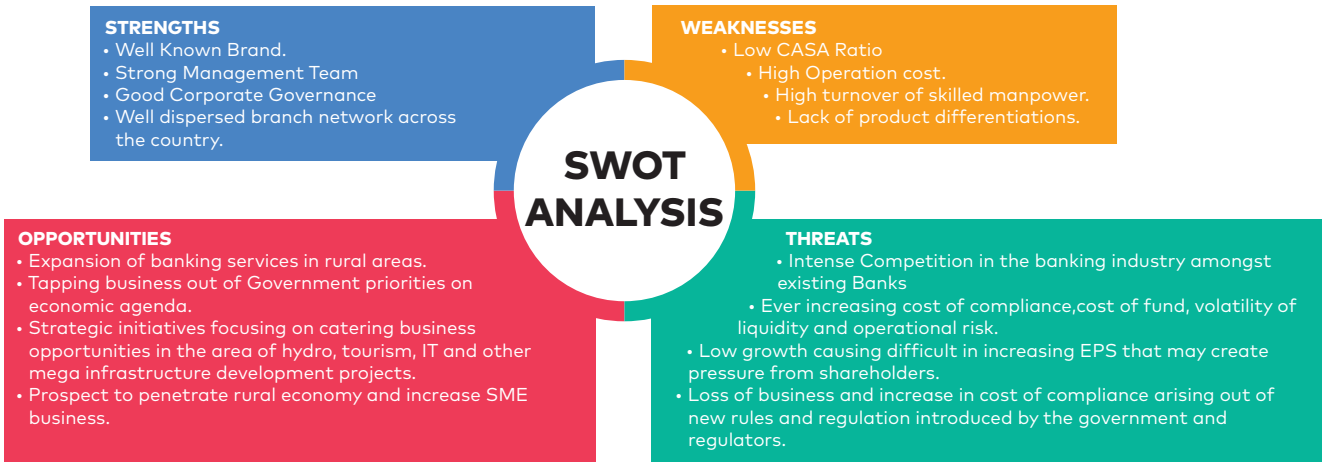
"So Much Done, So Much To Do..."

OVERVIEW

Citizens Bank International Limited has been established with a motto of standing as a reliable and trustworthy partner for all its customers and stakeholders, delivering excellent financial solutions to them. The Bank aspires to become the leading bank known for its service excellence in and across the region. The Bank strategically focuses on improved performance through capacity building and employee productivity addressing issues on employee motivation, satisfaction, health and morale. Also, measures such as revitalizing of efficient service delivery and organizational effectiveness; and customer satisfaction through instigation of employees with the required expertise, necessary skills and knowledge; are used to enhance the financial strength of the Bank. One of the strategic priorities of the Bank is to promote financial inclusion amongst all Nepalese people for combating poverty which the Bank firmly believes to achieve by its extensive deposit services, agricultural credit program and financing of small enterprises. The Bank is sincere and always desperate to create higher customer satisfaction and higher customer loyalty brought out by its brand enhancement programs, personalizing banking schemes, value of brand ambassadors, online product innovation and efficient customer handling practices. The Bank is also vehemently involved in creating differentiated propositions of customer values and conducting customer satisfaction survey on a regular basis for identifying expectations of the client as well as taking necessary actions to be taken for service improvement.

SWOT ANALYSIS

The SWOT analysis has been used to evaluate the Bank's strategic position in the competitive banking industry. This analysis gives the clear picture about the Bank's key strengths, weaknesses and the potential opportunities and threats.



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

MISSION STATEMENT
To be trustworthy partner for the progress of individuals and institutions by designing, producing, and delivering the best financial solutions.

STRATEGIC GOALS

CAPITAL	SHORT TERM STRATEGIES	LONG TERM STRATEGIES
Financial Capital	• Increase net interest income, cost efficiency, customer base. • Streamlining of Credit Portfolio.	• Increase Shareholders Value. • Consistent Dividend Payment to shareholders
Human Capital	• Diversify the recruitment process. • Reduce employee turnover	• Improve employee productivity. • Improve customer information. • Conduct regular Learning and Development exercises. • Improve quality of employee service delivery.
Social and Relationship Capital	• Selling new and innovative products for developing strong customer base. • Implement Whistle Blower Policy.	• Improve the experience of customers while banking with us. • Become a trusted brand of customers.
Intellectual Capital	• Improve the brand value of the Bank and introduce new logo of the Bank in a phased manner, enhancing and changing the brand image as required. • Bag "Banker of the Year Award". • Bag "Best Presented Annual Report Award" of SAFA as winner.	• Increase digitization in products and business models • Standardize operating procedures of all functions. • Comply all forms of Acts, Directives, Regulations and circular issued by the concerned authorities. • Strengthen MIS and Business Intelligence. • Strengthen IT Security.
Manufactured Capital	• Increase network and reach of the Bank. • Extend the premises of corporate building, as required.	• Strengthen Risk Management Functions • Get required Banking and Financial Consultancy Service from professionals to improve internal processes, launch new products and services and improve strategic decisions/directions.

CURRENT YEAR STATUS AND TARGET FOR NEXT 4 YEARS

a) Financial Capital

KPIs	CURRENT YEAR	2019/20	2020/21	2021/22	2022/23
Dividend %	15%	15%	17%	19%	21%
Non-Funded Income (Growth)	22.92%	20%	20%	20%	20%
Transaction Banking Income (Growth)	80.19%	20%	20%	20%	20%
Fees, Commission & Operating Income to Operating Expense Ratio	43.90%	100%	100%	100%	100%
Number of customers Increment	8.10%	20%	20%	20%	20%
CASA Ratio	27.47%	31.49%	34.50%	37.50%	40.50%

b) Human Capital

KPIs	CURRENT YEAR	2019/20	2020/21	2021/22	2022/23
Business Volume per Employee and Net Profit per employee	Below industry average	- Attain and maintain above market average.			
Improve quality and Employee service delivery	Customer segmentation is done, customer grievance is being monitored regularly, Culture of providing Customer service and its quality has been improved.	- Reduction in number of grievances. - Development of Instant and easy mechanism of incorporating customer feedbacks. - Reduce time lag of handling customer grievances.			
Learning and Development Coverage	In house, Learning Center is in place and adequate numbers of both in-house and out-sources trainings have been conducted.	- Comprehensive learning and development plan covering all the staffs. - Skill development trainings to all the staffs. - Increase the frequency of training exercises.			

c) Social and Relationship Capital

KPIs	CURRENT YEAR	2019/20	2020/21	2021/22	2022/23
Percent of Active Customers & Customers Ratings (% of active customer)	79.31%	Above 65%	Above 65%	Above 65%	Above 65%
Awareness Survey Result	Awareness program is conducted frequently	- Annual Increment by at least 10%			
Customer Relationship Management (CRM)	CRM system being developed and used with data available in Core Banking Software	- Implementation of dedicated CRM system			
Emails/ SMS/ social networking portals usage and updates to customers, enhanced relationship with customers	Email alert, SMS and social networking are actively used to update and keep in touch with customers	- Constantly communicating and informing/ updating customers about existing and new products/ services - Introducing Privilege facilities to customers like discount tie- ups with stores, restaurants, hotels, airlines, travel agencies, etc.			

d) Intellectual Capital

KPIs	CURRENT YEAR	2019/20	2020/21	2021/22	2022/23
Numbers of new products/ services	New Deposit product with insurance tie up and loan facility has been launched.	- Introduce at least 1 innovative product as pioneer under Credit, Deposit and transactional banking area. - Render all products/services offered by competitors with higher service excellence.			
Automation of Business Processes	Online Account opening, Home Loan and Credit Card Application is in place	- Introduction of Online Loan Application, Online help desk, Online card blocking, Automated Credit Application Approval Process, etc.			
Document Digitization and Workflow	Reduced paper work	- Digitization of paper documents in Document Management System Application			
ISO Certification/ Independent Policy Audit	Internal Audit and Statutory auditors have been conducting audit of Internal control functions as part of their audit function.	- Dedicated audit of internal control system to be done annually.			
Compliance Functions		- Dedicated compliance audit in order to ensure that all acts, directives, regulations and internal policies, procedures, manuals, etc. of the Bank is properly being adhered to and is functioning as intended.			

e) Manufactured Capital

KPIs	CURRENT YEAR	2019/20	2020/21	2021/22	2022/23
No of new branches/ network	81 branches and 1 extension counter in place	- Open numerous branches across the country and open extension counters as appropriate in suitable places			
Printing and Stationery Cost per branch	NPR 1.76 Lacs	NPR 2.55 lacs	NPR 2.55 lacs	NPR 2.55 lacs	NPR 2.55 lacs
Improve internal processes, launch new products & services, and improve strategic decision making processes	Effective product development strategy and cost control measures has been identified and adopted	- Adopt and implement international standards of innovations and practices to get early bird privileges and stand out from other banks. - Improve process flow and minimize cost and maximize efficiency through BPR concept			

CONCLUSION

With the vision of being a leading bank known for its service excellence and the mission of being a trustworthy partner of progress for its customers and all stakeholders, the Bank has always stayed above its heads, to provide excellent, reliable and supportive financial services to its customers. Not only to the valued customers, but the Bank has also always strived to maintain the value of the contributions made by the investors, by providing them with adequate returns and on timely basis. While leading to the path of attainment of goals and aims, numerous obstacles and hindrances were faced, which made the path quite difficult. But, the Bank also blossomed several talented, smart and educated professionals, the efforts and hard work of whom, paved the way to clear all hindrances and attain the desired goals and outcomes. The attainment of such desired goals and outcomes also are attributed to enhanced systems and technologies used by the Banks, effective operational modalities practiced and; diligent compliance and risk management structures in place. Without these and many more, the given attractive outcomes would not have been possible to witness.

Given the achievements, the Bank has attained till date, it knows and realizes that a lot has been left behind and a lot has to be done. With the vision the Bank has inculcated and the mission that it has embedded within itself, the Bank understands that its current strengths will not help it reach the required milestone. It needs to enhance its strengths, its prowess and showcase to the world that the Bank is the best in the industry. The Bank needs to show that it has the best minds with strong capabilities who can serve its valued customers, shareholders and stakeholders with immense sense of dedication, dignity and proficiency. And all this requires a strong will and dedicated efforts to build its systems and networks, improve its technologies, widespread its reach and coverage, manage its risks and be a valuable contributor to the society. The Bank needs to understand that the world is changing and with that the needs and expectations of its customers are also changing. So, in order to be one of the best service providers in the industry, the Bank needs to better prepare itself to mitigate the changing needs and requirements of its customers. The Bank needs to position itself as strong and reliable at all times and by all means, so that it can contribute to increase the wealth of all Nepalese citizens, ultimately marking its efforts for the development of the society and the nation as a whole.

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. It is an evolving business practice that incorporates sustainable development into a company's business model and has a positive impact through its actions.

The Bank believes in this very statement and recognizes the necessity of expansion of corporate responsibility to have a socially conscious image where the socially conscious employees and customers are beginning to prioritize CSR when choosing a brand or the bank. As a socially responsible citizen, the Bank has brought into a resilient CSR program to demonstrate its corporate citizenship. The Bank follows the '3P' concept of 'People, Planet and Profit' under the ambit of its CSR aspirations and goals. 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 has emphasized on CSR activities in the following major sectors:

• Education **• Health Care** **• Environment** **• Society**

Some of the corporate social responsibility events of the Bank are highlighted below:

CONTRIBUTION FOR EDUCATION

Education forms the backbone of the nation and a good education is an important issue in one's life. With this fact, the Bank has supported in educational sector through providing scholarships to poor, hard working and privileged students and financial assistance to various educational institutions and programs.

SUPPORTING HEALTH CARE

Considering health care as a crucial part, the Bank has supported in health sector by organizing blood donation programs every year in its anniversary in association with Nepal Red Cross Society and by providing financial assistance to various health institutions working for better health services and treatment along with health awareness campaigns.

ENVIRONMENTAL CONTRIBUTION

The Bank is committed for the performance of environment friendly actions and has been contributing in environmental preservation and protection by conducting tree plantation to minimize pollution alongside the road from Gwarko to B & B Hospital, Lalitpur and providing dustbin facilities for waste management during marathon. Besides the Bank has implemented reduce, reuse and recycle measures for improved social responsibility implementing the green initiatives.

SOCIAL CONTRIBUTION

Society being a place where organization operates, the Bank recognizes itself as a responsible social person and has contributed in the social sector by conducting activities like:

- Blanket distribution program in Aurahi Municipality, Mahottari for poor people.
- Donation to the Prime Minister Relief Fund for providing aid to the victims of Bara Parsa Storm.
- Supporting and encouraging women empowerment by providing financial assistance to Women Act.
- Financial assistance for setting up solar light in Beni and installation of CCTV at major cities like Biratnagar and Chitwan.
- Financial assistance to the people from marginalized community for the improvement of their lifestyle.

Please refer Social and Relationship Capital-society in Pg 142 for details of CSR deeds of the Bank.



Financial Assistance of NPR 100,000 provided to Snow Yak Foundation. It is a project led by a group of self-motivated youth with the objective of providing education to children residing in Upper Dolpa.

Financial Literacy Rally organized on the occassion of 12th Anniversary of the Bank





Bank Handed over 3 Motorbikes to Lalitpur Metropolitan Police

Blanket distribution program conducted at Aurahi Rural Municipality to the poor people





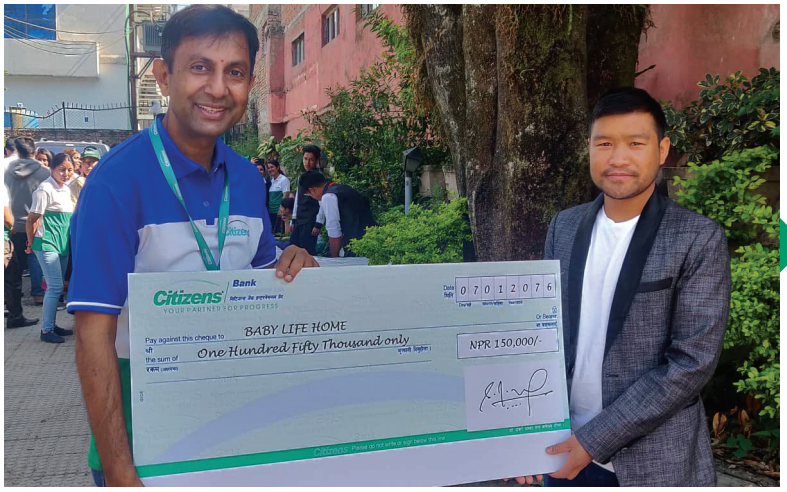
Providing financial assistance in Dhangadi for Fire Victims



Blood Donation Program conducted on the occassion of Bank's Anniversary



Bank organised lunch program for 40 elderly people of Nisahaya Sewa Sadan



Financial Assistance of NPR 150,000 provided to Baby Life Home, which has been supporting children affected by HIV

BUSINESS ETHICS AND ANTI-CORRUPTION MEASURES

The Bank has developed a robust and stringent anti-corruption policy that implements necessary and effective internal control mechanisms and strengthens functions of risk management, with an aim to prevent bribery and corruption in the regular operations of the Bank. In consideration of Nepal Rastra Bank's guidelines on maintaining a good corporate governance in the banking industry, all the members of the Board of the Bank, 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 outlooks of the anti-corruption policies, measures and ethics of the financial industry and has amended the AML/CFT Policy of the Bank vide meeting no. 204 to ensure that the Bank follows the best standards of measures against corruptions and unethical practices. The move has also been taken to attain the sound operations of the Bank's business and ascertain that the ethical standards of the Bank are not compromised.Further, the quarterly reports presented on AML/CFT Compliance have also been reviewed by the Risk Management Committee of the Bank which provided a strong platform for the Bank to understand its current strengths and also explore the future actions to be taken in this arena. The Bank has also formulated the Board of Director's Self Assessment Policy and the Board of Director's Conflict of Interest Management Policy, etc. which aligns with the standards of business ethics and anti-corruption measures adopted by the Bank.



INFORMATION OFFICER

In pursuant to section 6 of Right to Information Act, 2007 which provides access to every citizen with all required banking information, the Bank has designated Mr. Bodh Raj Devkota, Deputy Chief Executive Officer, as the Chief Information Officer of the Bank. With relation to the given Act, the following vital information of the Bank has been relayed to our valued citizens:

- Organizational Structure of the Bank,
- Functions, duties, and powers of the Bank,
- Number of employees of the Bank and their roles and responsibilities,
- Variety and nature of services rendered by the Bank,
- Number and name of Bank's branches and their responsible officers,
- Details of fees levied and time frame required for delivery of service,
- Decision-making process and key responsible persons involved,
- Designated 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 the Directives no: 6 of Unified Directives issued by Nepal Rastra Bank, even though the Directors delegate authorities to employees with their course of actions, the ultimate responsibility and accountability of the work of such employees rests with the Director itself. So to avoid any unscrupulous activities being conducted inside the Bank, the records of any incidents and actions taken against the employees are presented in the meeting of the Board of Directors. The Bank also obtains and submits the details of the self-declaration to NRB, made by its Directors with regards to themselves and also submits the details of the registration/record book prepared by itself with regards to its Directors. Further, on completion of the fiscal year, the Bank updates the detail of assets held in the name of the Directors, the Chief Executive Officer and the Officer level staffs along with their families and also with the details of loans availed by them from the Bank and different other banks and financial institutions.

PROCEDURE OPTED BY THE BANK

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

THE WHISTLE BLOWER GUIDELINES

The Bank has come up with a strong Whistle Blower Guidelines that enables all employees to raise concern against any malpractice such as immoral, unethical conduct, fraud, corruption, potential infractions of the Code of Conduct of the Bank and alike. For this, two reporting officers have been assigned, wherein the Chairman has been assigned for dealing matters relating to the Executive Committee members and the Chief Executive Officer has been assigned for dealing matters relating to other staffs. Proper communication channels and operational modalities have been designed and implemented so that a timely, prudent and cautious approach is taken to evade all possible losses and negativities arising out from the footprints of such events.

RISK MANAGEMENT

As a banking institution regulated by Nepal Rastra Bank (NRB), the Bank is operating in an extremely competitive and volatile environment. Therefore, it is imperative to be proactive in the Bank's business strategy in order to adopt quickly to changing risk dynamics. The 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 in 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 limit. 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 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 clearly roles and responsibilities of individuals involved in risk-taking as well as managing it.

RISK MANAGEMENT AT THE BANK

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. three BOD members, Chief Risk Management Officer 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.

RISK GOVERNANCE STRUCTURE



SPECIFIC METHODOLOGIES FOR RISK IDENTIFICATION AND MANAGEMENT

A) Credit Risk

Credit risk refers to the risk of default on a debt that may arise from a borrower failing to make required payments. At the first level, the risks are borne by the lender. These include lost principal and interest, disruption to cash flows, and increased collection cost.

RISK IDENTIFICATION	RISK MANAGEMENT
■ 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. ■ HHI measurement is used for Sector wise loans to know about the portfolio concentration in various sectors of loan. The result obtained is submitted to RMC meeting for information, update and needful initiatives. ■ The maximum risk exposure that can be absorbed under Credit Risk is being calculated on a quarterly basis and submitted to RMC for information and update. As per ICAAP, the Bank shall maintain capital headroom of 0.5%. (i.e. 11.50% as CAR).	■ 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, conducted 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. ■ Risk Management Committee discusses strategically regarding Sector wise loans and it's portfolio concentration which further is submitted to the Board.

B) Market Risk

Market risk refers to the possible losses to the Bank that could arise from the changes in market variables like interest rate, exchange rates, equity prices and commodity prices. In managing the market risk, the Bank uses a variety of quantitative methods to assess the Bank's market risk exposures, portfolio performance and impact on earnings.

RISK IDENTIFICATION	RISK MANAGEMENT
■ 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 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.	■ 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. Lending rates are adjusted according to change in market rates in order to mitigate the risk of falling interest rate margins. (lending rates are based on base rate)

■ 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. ■ Value at risk (VaR) is also used as a tool for risk associated with Foreign exchange risk and equity risk. ■ Stress testing is a risk management tool used to evaluate the potential impact on a bank of a specific event and/or movement of a set of financial variables. Various risks in the banking businesses are mainly credit, market, operational and liquidity risks. Own scenario of stress testing report is prepared and submitted to RMC at least quarterly where assumptions and its impact on CAR, NPL ratio and liquidity ratio are calculated. (Assumptions of stress testing is reviewed yearly) ■ The Impact of Monetary Policy in the Bank is analyzed which further is submitted to RMC.	■ 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 which are discussed in Risk Management Committee meeting. ■ Value at risk (VaR) as a tool for risk associated with foreign exchange risk and equity risk is presented to RMC which further is forwarded to the Board for further discussions and recommendations. ■ Analyzed and evaluated Stress testing is presented to RMC, which further is forwarded to the Board for further discussions and recommendations. ■ The Impact of Monetary Policy is presented to the RMC which further is submitted to the Board for further discussions and recommendations.

C) Liquidity Risk

Liquidity risk is the risk arising from the Bank's potential inability to meet all payment obligations when they become due or only being able to meet those obligations at excessive costs. Liquidity risk arises when the cushion provided by the liquid assets are not sufficient enough to meet the obligations.

RISK IDENTIFICATION	RISK MANAGEMENT
■ 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.	■ 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 discusses about liquidity risk tolerance limit as per the Bank's Risk Management Framework.

D) Operational Risk

Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk may result in a financial loss and reputation risk to the Bank. 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.

RISK IDENTIFICATION	RISK MANAGEMENT
■ 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 oversees 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. ■ The Bank has prepared a guideline on Key Risk Indicator (KRI), Key Performance Indicator (KPI) and Key Control Effectiveness Indicator (KCEI) which should be identified by the respective departments/branches and to prepare the report quarterly.	■ 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 Chief Risk 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 discuss in RMC meeting. ■ The prepared guideline on Key Risk Indicator (KRI), Key Performance Indicator (KPI) and Key Control Effectiveness Indicator (KCEI) is presented to the RMC which further is placed to the Board for further discussions and recommendations.

E) Strategic Risk

Strategic risk is a material risk that may arise from failure to execute strategy, failure to position the Bank strategically, or ineffective response to material negative plan deviations caused by external or internal factors. Strategic risk includes human resource risk, financial risk, structural resource risk, physical resource risk and relationship risk.

RISK IDENTIFICATION	RISK MANAGEMENT
■ 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. ■ Deposit Forecasting of coming years is calculated using linear regression and weighted average which reflects whether the forecasted method is within the budget estimated.	■ 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. ■ The calculated Deposit Forecasting report of coming years based on linear regression and weighted average is presented to RMC, which further is put up to the Board for further discussions and recommendations.

F) Compliance Risk

Compliance Risk is the current or prospective risk to earnings and capital arising from violations or non-compliance with laws, rules, regulations, agreement, prescribed practices and ethical standards and can lead to fines, damages, and/or the voiding of contract and can diminish the Bank's reputation.

RISK IDENTIFICATION	RISK MANAGEMENT
■ The Bank has Risk Register in place for all the departments encompassing all their crucial functions that needs to be complied with without fail which are reviewed, revised and updated as required.	■ The Bank has Risk Register in place for all the departments encompassing all their crucial functions that needs to be complied with without fail which is monitored on real time, daily and monthly basis. The risk reports are reported to the RMC periodically.

G) AML/CFT Risk

The Bank being the hub of all financial transactions, 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 Bank's system.

RISK IDENTIFICATION	RISK MANAGEMENT
■ 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.	■ 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.

H) IT Risk

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.

RISK IDENTIFICATION	RISK MANAGEMENT
■ 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 Management Department and various types of Information System (IS) Audits conducted periodically from independent reputed agencies. ■ New structure of IT risk is proposed to RMC as Network Security Unit and Application Security Unit. ■ The Committee submitted various reports related to IT risk such as Core Banking Migration Risk Assessment, ATM Risk Assessment, IT Risk Assessment Survey, Hacking procedure and its prevention techniques, etc.	■ 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 SWIFT system is also running in the isolated 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.

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, Internal Audit Committee and Human Resource Compensation Committee constituting of the Board of Directors 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	MITIGANTS	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 bank, cash margin and additional collateral at individual level	NRB Inspection Team
			Proper valuation, storage, maintenance and insurance of collateral	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
		Equality 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 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 Risk 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 strategy 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 strategy 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 Risk	Non- Compliance of Acts, Rules, Guidelines, Directives, Agreements and Standards	Maintenance of Compliance Risk Register	Line Management Compliance Department

			Automated Real Time transaction threshold	Front end staffs like Customer Service Department, Tellers, Branch Managers and Relationship Managers
7	AML/CFT Risk	Risk of money laundering and terrorists financing transaction pass through Bank's system	Threshold transaction monitoring	AML/CFT Compliance Officer
			Customer due diligence on regular interval	AML/CFT Committee
			Suspicious Transaction Reporting	
			Use of updated and genuine softwares and hardwares	Information Security Officer
8	IT Risk	Frauds and errors arising from computers and IT infrastructure misuse from outside and within the Bank	Annual Information System Audit	IT Steering Committee
			Regular Drills to check robustness of Business Continuity Plans, Firewalls, etc.	IT Risk Management Department
				Risk Management Committee

RISK OVEVIEW

S.N	PARTICULARS	MAXIMUM RISK TOLERANCE UNIT AS PER REGULATOR	POSITION AS ON MID JULY 2019
1	**Credit Risk**		
a	Capital Adequacy Ratio	11%	14.37%
b	Non Performing Loan Ratio	5%	1.13%
c	Real Estate Loan	25%	8.60%
d	Single/group borrower limit	25% of core capital	14.72%
2	**Liquidity Risk**		
a	Maximum Single depositor concentration	15%	7.68%
b	Institutional Deposit concentration	50%	48.47%
c	SLR (Statutory Liquidity Ratio)	Minimum 12%	20.62%
d	Credit to Deposit Ratio (CCD Ratio)	80%	76.79%
e	Liquidity Ratio	Minimum 20%	25.70%
f	Cash Reserve Ratio	4% of weekly Average deposit of two weeks ago	4.16%
g	Average Interest Spread	5%	3.15%
3	**Market Risk**		
a	FCY Open Position	30% of Core Capital	0.81%
b	Proprietary Derivative Transaction	30% of Core Capital	24.64%
3 (i)	**Interest Rate Shocks**		**Impact on Total Cost in NPR Million**
	Deposits Interest rate change (+,-) by 1 % on an average		2.03
	Deposits Interest rate change (+,-) by 1.5 % on an average		3.05
	Deposits Interest rate change (+,-) by 2 % on an average		4.06
	Loan Interest rate change (+,-) by 1 % on an average		1.78
	Loan Interest rate change (+,-) by 1.5 % on an average		2.67
	Loan Interest rate change (+,-) by 2 % on an average		3.56
3 (ii)	**Exchange Rate Shocks**		**Impact on Total Cost in NPR Million**
	Appreciation of currency exchange rate by 5%		0.73
	Depreciation of currency exchange rate by 5%		(0.73)
3 (iii)	**Equity Price Shocks**		**Impact on Total Cost in NPR Million**
	Fall in Equity Price by 25%		(14.12)
	Fall in Equity Price by 50%		(28.24)

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 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, 2019

NPR In Million

S.N.	PARTICULARS	1-90 DAYS	91-180 DAYS	181-270 DAYS	271-365 DAYS	OVER 1 YEAR	TOTAL AMOUNT
	Assets						
1	Cash Balance	2,235	-	-	-	-	2,235
2	Balance with Banks & FIs	3,508	-	-	-	-	3,508
3	Investment in Foreign Banks	917	-	-	-	-	917
4	Call Money	1,359	-	-	-	-	1,359
5	Government Securities	1,278	699	1,465	130	6,701	10,273
6	Nepal Rastra Bank Bonds	-	-	-	-	-	-
7	Inter Bank & FI Lending	1,698	-	-	-	-	1,698
8	Loans & Advances	15,331	8,922	7,535	6,092	27,920	65,800
9	Interest Receivable	44	9	22	0.71	61	137
10	Reverse Repo	-	-	-	-	-	-
11	Acceptance Receivables	-	-	-	-	-	-
12	Payment to be made for facilities under s.no 20,21 & 22	7,144	4,648	2,888	4,356	1,872	20,908
13	Others	1,903		-	-	3,597	5,500
	Total Assets (A)	**35,418**	**14,278**	**11,910**	**10,579**	**40,151**	**112,336**
	Liabilities						
14	Current Deposits	958	-	-	-	3,036	3,994
15	Saving Deposits (Including Call)	6,507	1,609	805	805	15,115	24,840
16	Fixed Deposits	8,709	9,722	5,871	8,560	12,439	45,301
17	Debentures	-	-	-	-	499	499
18	Borrowings:	910	540	32	30	-	1,513
	(a) Call/Short Notice	-	-	-	-	-	-
	(b) Inter-bank/ Financial Institutions	300	-	-	-	-	300
	(c) Refinance	610	540	32	30	-	1,213
	(d) Others	-	-	-	-	-	-
19	Other Liabilities and Provisions	1,473	-	-	-	-	1,473
	(a) Sundry Creditors	40	-	-	-	-	40
	(b) Bills Payable	139	-	-	-	-	139
	(c) Interest Payable	30	-	-	-	-	30
	(d) Provisions	22	-	-	-	-	22
	(e) Others	1,242	-	-	-	-	1,242
20	Acceptance Liabiltiies	1,224	266	41	-	-	1,531
21	Irrecvocable Loan Commitment	2,049	2,561	2,048	3,586		10,244
22	Letter of Credit/Guarantee	3,871	1,821	798	770	1,872	9,133
23	Repo		-	-	-	-	-
24	Payment to be made for facilities under S.No 11	-	-	-	-	-	-
25	Others	150	83	80	55	13,438	13,806
	Total Liabilities (B)	**25,852**	**16,602**	**9,676**	**13,806**	**46,400**	**112,336**
	Net Financial Assets (A-B)	**9,566**	**(2,324)**	**2,234**	**(3,227)**	**(6,249)**	**-**
	Cumulative Net Financial Assets	**9,566**	**7,242**	**9,476**	**6,249**	**-**	**-**

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.

The assets and liabilities of the Bank has been allocated on different time buckets as under:

	HEADS OF ACCOUNT		CLASSIFICATION INTO MATURITY BANDS
A	**Inflows**		
1	Capital, Reserve & Surplus		Over 1 year
2	Deposits		
	Current		
	Volatile	15%	1-30 days
	Core*	85%	Over 1 year
	Saving		
	Volatile	10%	1-30 days
	Core*	90%	Over 1 year
	Call		
	Term		Respective Residual Maturity Bands
	Margin		
3	Borrowings		Respective Residual Maturity Bands
	Inter-Bank		
	Refinance		
4	Other Liabilities		1-30 Days
5	LLP		Respective Residual Maturity Bands
B	**Outflows**		
1	Cash		1-30 days
2	Balances with NRB & Other Banks		1-30 days
3	Placement with Banks		Respective Residual Maturity Bands
4	Investment		Respective Residual Maturity Bands
	Government Securities		
	Shares		Above 1 year
5	Loans and Advances (Performing)		Respective Residual Maturity Bands
	Bills Purchased and discounted		
	Cash Credit/ Overdraft/Working Capital		
	Term Loans		
6	Non-Performing Assets (Net of provisions)		
	Sub-standard		Over 1 year
	Doubtful and Loss		Over 1 year
7	Fixed Assets		Over 1 year
8	Other Assets		1-30 days

The Bank has well defined Contingency Funding Plan for managing short term and long term liquidity risk. During the year FY 2018/19, no liquidity risk-triggering event was identified. However, Cash Reserve Ratio 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.

CAPITAL REPORTS



4

CAPITAL REPORTS

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FINANCIAL CAPITAL

Generally Financial capital for bank is saved-up financial wealth, especially that is used to start or maintain business. Financial Capital is the pool of funds available to an organization for use in the production of products and services obtained through financing such as debt, equity, or grants or generated through operations or investments. Financial capital is the financial resources available to the company mainly equity, debt capital, retained earnings and short term and long-term debt capital including Bank borrowings and deposits mobilized from general public.

MATERIAL DRIVER:

- Strategical Funding Methodology.
- Better Financial Performance.
- Optimum capital usage for maximum profitability.
- Compliance with the regulatory requirement.

VALUE CREATION AMONG CAPITAL

Inputs Used:	Human Capital	Intellectual Capital
• Corporate Social Responsibility. • Long term stakeholder relationships. • Innovative product offerings.	• Profit per employee NPR 1,503,822 • Per Employee Staff Cost NPR 924,275	• NPR 15.98 Million worth of investment in training and development activities.
Natural Capital	**Manufactured Capital:**	**Social and Relationship Capital:**
• NPR 0.6 Million environmental projects.	• Invested NPR 326.77 Million in Property, Plant and Equipment.	• NPR 7.22 Million expended in CSR projects

OUR PHILOSOPHY

Expand the business volumes prudently through robust and efficient financial intermediation and maturity transformation thereby strengthening the leadership position.

MANAGEMENT APPROACH

The Bank seeks to establish guidelines for the administration and proper utilization of the Bank's fund. The Bank is determined to make sound financial decision to safeguard assets and to achieve its goal and objectives. The Bank's Financial Management approach includes strategic planning, risk management, revenue management, internal control, asset quality management and liquidity management.

OVERVIEW OF FINANCIAL RESULTS

Citizen's Bank International Limited has recorded 18.57% year-on-year increase in its net profit attributable to equity holders of the Bank i.e NPR 1,463 Million in FY 2018/19 whereas NPR 1,234 Million in FY 2017/18. Net Interest Income reported year-on-year growth of 20.99% i.e NPR 2,688 Million in FY 2018/19. The Bank continued to maximize shareholder wealth during the year with the earning per share improving to NPR 17.49 in FY 2018/19. The Bank has total investment of NPR 327 Million in Plant, Property and Equipment in FY 2018/19. During FY 2018/19, Loans and Advance to customer is NPR 62.91 Billion whereas to Banks and Financial Institution is NPR 1.58 Billion.

KEY FINANCIAL INDICATORS*

PARTICULARS	INDICATORS	FY 2018/19	FY 2017/18
Net Profit/Gross Income	Percent	15.20	15.41
Earning Per Share (Basic)	NPR	17.49	15.37
Market Value Per Share	NPR	224	236
Price Earnings Ratio	Times	12.81	15.36
Dividend (Including bonus) on Share Capital	Percent	15.00	5.26
Cash Dividend on Share Capital	Percent	12.00	1.64
Return on Total Assets	Percent	1.62	1.72
Adequacy of Capital Fund on Risk weighted Assets	Percent	14.37	13.84
Core Capital	Percent	13.46	12.76
Supplementary Capital	Percent	0.91	1.08
Non- Performing Loans/ Total Loans (As per NRB Directives)	Percent	1.13	1.48

Weighted Average Interest Rate Spread (As per NRB Directive)	Percent	3.15	3.84
Books Net worth per share	NPR	149.26	137.10
Number of Equity Shares (At Year End)	Nos	83,710,648	80,332,364
Return on Equity	Percent	11.71	11.22
Dividend Payout Ratio	Percent	0.86	0.34
Earnings Yield	Percent	6.70	6.51
Dividend Yield	Percent	7.81	2.23
Total Assets to Shareholder's Fund	Times	7.21	7.07
CCD Ratio as per NRB Directive	Percent	76.79	77.87

Please refer Financial Highlights detailed in Pg 22

INTEREST INCOME

As per requirement of NFRS, interest income is recognized in profit and loss using effective interest method, except for those classified at fair value through profit and loss. The effective interest rate is calculated on initial recognition of the financial asset or liability, by estimating the future cash flows after considering all the contractual terms of the instrument, but not future credits

Net Interest Income recorded in FY 2018/19 is NPR 2,688.46 Million whereas NPR 2,222.07 Million in FY 2017/18 which shows an increment of 20.99% as compared to FY 2017/18. Revenue is recognized only when it is probable that the economic benefits associated with the transaction will flow to the entity but in some cases, this may not be probable until the consideration is received or until an uncertainty is removed. Interest income on Loans and Advances is recognized as per the guidelines on Recognition of Interest Income, 2019 issued by NRB.

INTEREST EXPENSES

Interest expense on all financial liabilities including deposits are recognized in profit and loss using effective interest rate method. Interest expense on all trading liabilities are considered to be incidental to the groups trading operations and are presented together with all other changes in fair value of trading assets and liabilities in net trading income. Interest expense accounted during FY is NPR 5,843.82 Million which increased by 19.571% as compared to FY 2017/18.

OPERATING EXPENSES

Operating expenses includes personnel expenses, other operating expense and depreciation expense. Operating expenses increased by 22.06% as compared to FY 2017/18. Depreciation expense has increased by 34% as compared to FY 2017/18 which is one of reason for expense variation in FY 2018/19 where as other operating expenses increased by 33.77% as compared to FY 2017/18.

Extract of Operating Expenses

AMOUNT IN NPR

PARTICULARS	FY 2018/19	FY 2017/18	VARIATION
Personnel Expenses	900,244,354	784,057,981	14.82%
Other Operating Expenses	464,654,072	34,735,8417	33.77%
Depreciation and Amortization	170,501,154	126,526,734	34.76%
	1,535,399,580	**1,257,943,132**	**22.06%**

TAXES

Taxation includes both direct taxes and indirect taxes such as income tax, withholding tax, Value Added Tax, etc. The tax rate for FY 2018/19 is 30%. The Bank has a tax strategy that outlines the framework by which the Bank's tax obligations are met from an operational and risk management perspective. The Bank adopts an overarching risk philosophy in relation to tax matters which aims to mitigate any adverse or unexpected financial consequences and protect its reputation.

STATUS OF TAX ASSESSMENT

In the current fiscal year, the tax assessment of the Bank of FY 2014/15 (2071/72) is under progress by Large Taxpayers Office (LTO). Similarly, tax assessment of former Nepal Housing and Merchant Finance Limited (NHMFL) for FY 2014/15 (2071/72) that was acquired by the Bank has been completed during the fiscal year.

Further, the Bank has filed for the administrative review for FY 2011/12 (2068/69), 2012/13 (2069/70) and 2013/14 (2070/71) against additional tax demand of NPR 8,346,517, NPR 12,396,861 and NPR 10,103,138 respectively. The Bank has also filed for appeal in Revenue Tribunal against tax assessment of FY 2010/11 (2067/68) against additional income tax demand of NPR 2,885,729. Similarly, tax assessment of acquired institution People's Finance Limited of FY 2010/11 (2067/68) and Nepal Housing and Merchant Finance Limited of FY 2011/12 (2068/69) are under

Administrative Review, against 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 2015/16 (2072/73) to 2017/18 (2074/75) have not yet been opened for reassessment by the LTO.

AMOUNT IN NPR

CURRENT TAX EXPENSE	FY 2018/19	FY 2017/18
Current year	647,445,646	536,347,961
Adjustments for Prior Years	128,900,356	-
TOTAL	**776,346,002**	**536,347,961**

FUTURE ACTION

The Bank is focused to improve financial performance in 2019/20 and beyond. Investment in technology to manage risk and generate benefit from various opportunities for sustainable success is being planned by the Bank. Cost optimizations through process improvement and organizational design to reduce complexity and improve productivity by ways of changes in day to day operations is being carried out by the Bank. To widen its network in order to enhance its customer convenience and experience through new branch openings and branch automation is a continuous business strategy of the Bank. Also, to maintain its position in dynamic and fast-growing industry where the Bank has been recognized in multiple occasions along with a motive to keep the momentum, the Bank is further pursuing the path of investment in technology and product development bringing new ideas to life.



HUMAN CAPITAL

Human Capital refers to the employees- the store of knowledge, expertise and skills accumulated by them over a period of time. It also refers to the competencies and institutionalized knowledge of the Bank that is not only restricted to operational level staffs but is also shadowed upon the ones who supervise them, i.e; the leaders and the managers.

The Bank examines employee's ability to create value for the Bank and for its stakeholders in a fast-changing environment and also how the Bank creates value for them in return. With this strong and resilient bondage established, the Bank at all times, strives to maintain high level of employee engagement and participation, employee satisfaction and retention with effective training and development exercises and succession planning modalities.

MATERIAL DRIVERS:

- Recognize and reward high achievers
- Provide relevant and progressive learning opportunities
- Promote leader as a source of value
- Build a cultural engagement.

MAJOR HIGHLIGHTS

- 973 - Number of total employees
- NPR 15.98 Million - expended for improving the knowledge and skills of employees in the form of training exercises.
- 272 - Number of employees recruited.
- 90 - Numbers of Promotions across various positions

VALUE CREATION AMONG CAPITALS:

Human Capital • 272 – fresh and creative minds recruited during the year.	**Financial Capital** • NPR 900.24 Million - Disbursed for employee wellbeing through remuneration. • NPR 15.98 Million - Expended for increasing the skills and expertise of the employees through Training and Development.	**Intellectual Capital** • 262 - Number of training and development programs conducted throughout the year. • 2016 - Number of attendees in training and development programs.
Natural Capital • Over 100 - Volunteering hours for Tree Plantation. • Conducted Environmental awareness programs for employees.	**Manufactured Capital** • NPR 924,275 - Cost per employee • NPR 1,503,822 - Net profit per employee.	**Social and Relationship Capital** • 40 - Number of Training programs for employees for improving their communication skills.

OUR PHILOSOPHY

The Bank carries the following philosophies:

- Enhance the value of human resources by focusing on employee's productivity and grooming employees as strategic business partners of the Bank.
- Provide regular Learning and Development programs that help to increase and improve the knowledge, skills and capacity of the employees.
- Provide effective and adequate working environment so that employees are focused on maximizing their quality of service delivery and fulfill the expectations of customers, shareholders and all other stakeholders.
- Ensure the growth of the employees is aligned with that of the Bank.

MANAGEMENT APPROACH

Focusing on the given philosophy, Citizen's Bank immensely values upon to create an environment where employees are committed towards their duties and responsibilities, are motivated and are satisfied with the work they do. We are focused on continuous learning, personal development and career advancement of employees. We consider employees as key custodians of the Bank's business i.e. the driving force of competitive advantage and the defining factor of the Bank's success.

With a motive to create a dynamic working environment, the Bank is continuously evolving and channelizing the workforce management approach with an aim and effort to gain access to the right people with the right capabilities that shall help the Bank to achieve its business objectives as well. To attract and retain the best human resource, Citizen's Bank salary structure is also maintained as per the industry standards along with all other benefits for the employees.

OVERVIEW

The Bank considers employees as an intangible asset or quality not reflected on Bank's financial statements. The Bank focuses on quality of recruitment, effective Training and Development activities and retention of key talent that adds value to the Bank. The Bank conducts periodical meetings with the employees at all levels to bring out their talent, loyalty and drive individual and garner collective performance. The Bank highly fosters both upward and downward communication with its employees so that everyone on the channel can be benefitted. For assuring high level of motivation and engagement of the employees, the Bank has also organized several events such as walkathon, blood donation program, Interbank futsal tournament, and intra bank cricket tournament on the occasion of its anniversary and annual picnic & budget / strategic meet, etc.

RECRUITMENT

The Bank's recruitment process follows a strictly structured and competitive procedure that ensures that the Bank recruits people for the jobs that suit their talent and capabilities. With a motive to support the local communities where branches operate, the Bank recruits the employees located at the local area which also helps in ultimately enhancing the quality of service being provided to the customers. As of mid-July 2019, there are 973 employees working for the Bank including 19 employees on contract basis. During the fiscal year, the Bank had appointed 272 new employees, whereas, 162 employees had resigned from the Bank's services. Out of the total workforce, 429 employees i.e. 44.09 percent are female employees.

Employee Movement during FY 2018/19:

Opening Numbers of Employees	844
Add: New Recruit during the year	272
Less: Resigned during the year	162
Closing Numbers of Employees (excluding the contract employee)	954

REMUNERATION AND REWARDS

Citizens Bank adheres to a basic strategy of investing in its employees where the remuneration package is aligned with the industry norms and certain intra industry benchmarks. In addition to the basic pay, the Bank provides various other benefits such as performance related bonuses, travel allowances, loans, medical and insurance benefits, gratuity, pension, leave fare allowance and 1-2 months' salary as additional perk to staff completing five years of service depending on the profit of the Bank, whereas the employee completing 10 years, 20 years and 25 years are rewarded with gold medal as "Long Term Service Award".

Investment in Human Capital via staff expenses:

AMOUNT (NPR)

PARTICULARS	2018/19	2017/18
Salary	253,280,265	198,209,379
Allowance	228,721,667	172,227,889
Gratuity Expense	17,415,576	14,062,497
Provident Fund	24,362,365	16,600,772
Uniform	8,577,540	8,444,697
Training and Development	15,982,722	15,493,317
Leave Encashment	58,346,497	61,905,622
Medical	2,203,446	-
Insurance	1,804,440	2,679,984

Employee Incentive	-	10,421,478
Finance Expense under NFRS	21,195,332	72,549,771
Other Expense Related to staff	26,397,410	21,810,897
Employee Bonus	241,957,093	189,651,677
TOTAL	**900,244,354**	**784,057,981**

PERFORMANCE EVALUATION

Recognition of exceptional performance of the employees is a key component of Bank's focus on being result oriented. The Bank processes performance evaluation through certain criteria such as pre-agreed operational targets, discipline, punctuality and attitude, where high achievers are rewarded for their achievements, whereas remedies and support are provided to others to address their weaknesses. In addition to various employee benefits, the Bank also conducts various programs and activities that recognizes and rewards the specific achievements of the employees.

TRAINING AND DEVELOPMENT

In order to have the competitive advantage within the industry, the Bank is always focused on conducting various Training and Development activities with several internal and external courses, for the enhancement of the skills and expertise of the staffs. Training helps in leading to the upgradation of professional and academic qualification along with management capabilities of the employees including supervisory skills and leadership development programs. 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 Bank also believes in an interactive working environment where employees are encouraged to share their knowledge with fellow colleagues to strengthen the technical expertise at hand.

TYPES OF TRAINING	NUMBER OF TRAININGS CONDUCTED	NUMBER OF ATTENDEES
Outside Trainings	166	319
Foreign Trainings		
-India	14	33
-Other than India	3	5
In-house Trainings	27	812
Orientations	13	348
"Anti-Money Laundering" Certification Course	1	101
On the Job Trainings	27	127
Bancassurance related Trainings	7	162
AML/CFT/KYC related Trainings	4	109
TOTAL	**262**	**2016**



Staffs being recognized for 10 years of service in the Bank on the occasion of 12th Anniversary of the Bank.

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 by conducting 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 and life with their social responsibilities so that no employee feels tied down to work all the time.

OTHER EMPLOYEE BENEFITS

Having to know human resource as an intangible asset for the Bank, besides its salary package the Bank has facilitated its employees with various other benefits such as staff loan at subsidized rates, insurance, health and safety, grievance handling, organized leave policy etc.

a) Staff Loan

The Bank is in practice of providing loan facilities to its staff at subsidized rate as staff vehicle loan, staff home loan, credit card etc. The Bank has provided loan facilities to 836 staff which represents 85.92 percent of the total staff.

AMOUNT IN NPR

PARTICULARS	2018/19	2017/18
Staff Vehicle Loan	60,923,242	61,745,843
Staff Home Loan	342,232,169	174,026,643
Salary Advance	63,596,887	64,895,380
Credit Card Receivables	3,973,657	2,532,580
TOTAL	**470,725,955**	**303,200,446**

b) Leave Facilities

The Bank has an organized Leave Policy with a motive to ease the working environment of employees.

PARTICULAR	NUMBER OF DAYS
Home Leave allowed (including 10 days forced leave)	30
Sick Leave allowed	12
Casual Leave allowed	9
Maternity Leave allowed	60
Paternity Leave allowed	15
Other Leave (Obsequies)	15

c) Health and Safety

The Bank follows a zero accident work practices and policy. To facilitate the creation of a hazard-free environment, the Bank has introduced policies and procedures for all branches across the country. The Bank has placed reasonable measures to ensure health and safety of the employees at the workplace which formidably includes comprehensive medical and accidental insurance policy. Basic safety instructions are prominently displayed at all locations, while a specialized Business Continuity Plan is in place for potential emergencies. 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.

d) 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 Human Resource 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.

WORK-LIFE BALANCE

The Bank is in practice of conducting various recreational activities with an intention to keep employees motivated and interested towards the work they do. The Bank conducts periodical meetings with employees at all levels to bring out their talent, loyalty and drive individual and garner collective performance. The Bank organizes walkathon, blood donation programs and various other recreational programs for employees on the occasion of its annual anniversary. Following are the few recreational programs held during FY 2018/19:

- Annual Picnic Organized by the Bank for all staffs (inside and outside valley)
- Citizens Annual Intra-Bank Cricket Tournament
- Painting Competition
- Rangoli Competition
- Interbank Cricket Competition by Ultimate Cricket
- Interbank Futsal Tournament

CAREER MANAGEMENT AND SUCCESSION PLANNING

The Bank keenly focuses on development of employees and supporting them in their careers. The Banks employee development and succession planning programs seeks to ensure that the right talent is in place at the key positions. Individual development plans are formulated for selected candidates, who are then rigorously trained in order to prepare them for their future roles.

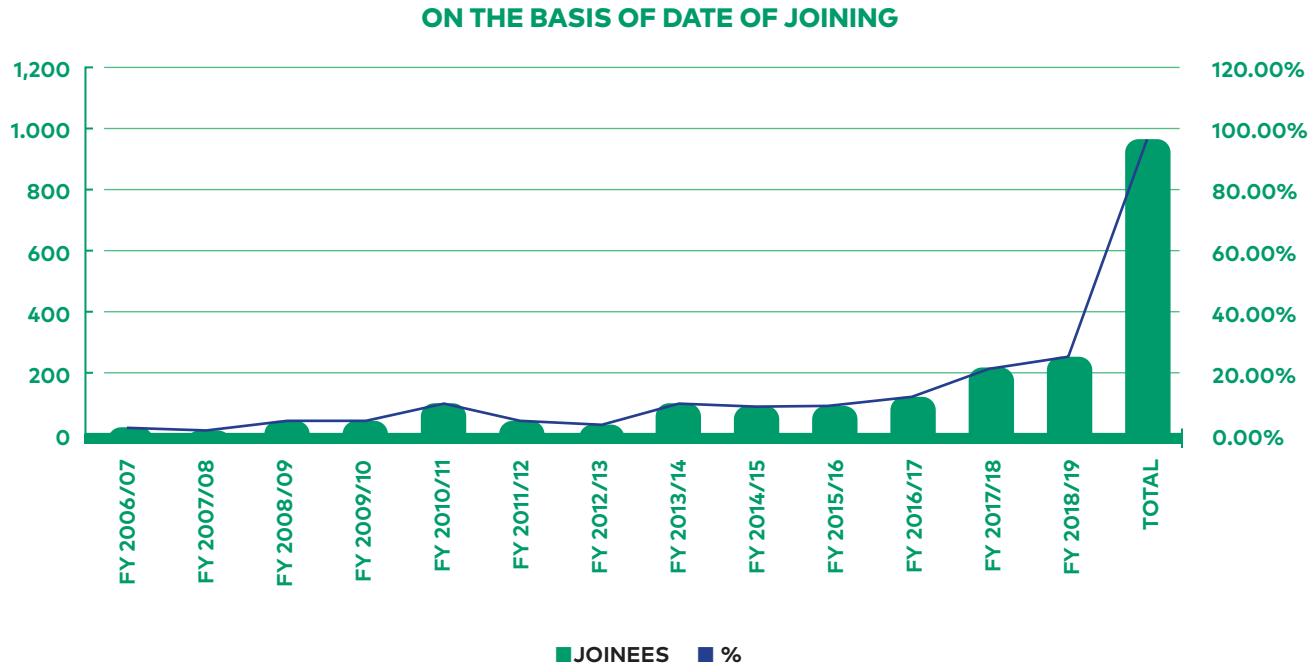
EMPLOYEE DIVERSITY AND COMPOSITION

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.

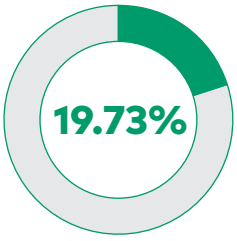
KEY HUMAN RESOURCE INDICATOR

a) Employee Mix on the basis of date of Joining

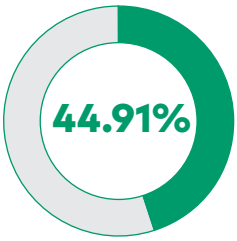
YEAR	JOINEES	%
FY 2006/07	19	1.95%
FY 2007/08	8	0.82%
FY 2008/09	17	1.75%
FY 2009/10	27	2.77%
FY 2010/11	46	4.73%
FY 2011/12	19	1.95%
FY 2012/13	13	1.34%
FY 2013/14	89	9.15%
FY 2014/15	78	8.02%
FY 2015/16	91	9.35%
FY 2016/17	108	11.10%
FY 2017/18	210	21.58%
FY 2018/19	248	25.49%
TOTAL	973	



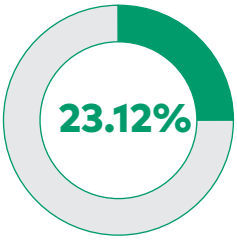
b) Employee Mix on the basis of Age



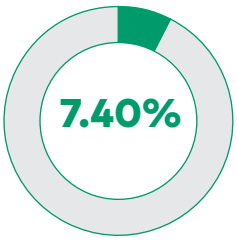
Age Below 26
No of Staff-192



Age 26-30
No of Staff-437



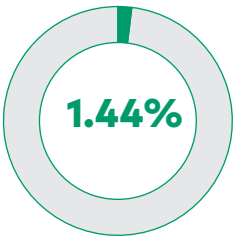
Age 31-35
No of Staff-225



Age 36-40
No of Staff-72



Age 41-45
No of Staff-25



Age 46-50
No of Staff-14



Age 51-55
No of Staff-5



Age Above 55
No of Staff-3



Total No. Staff
No of Staff-973

c) Employee Mix on the basis of Gender



544
MALE EMPLOYEES

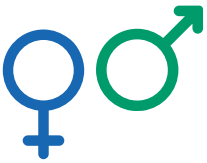


429
FEMALE EMPLOYEES

d) Employee Mix on the basis of Marital Status

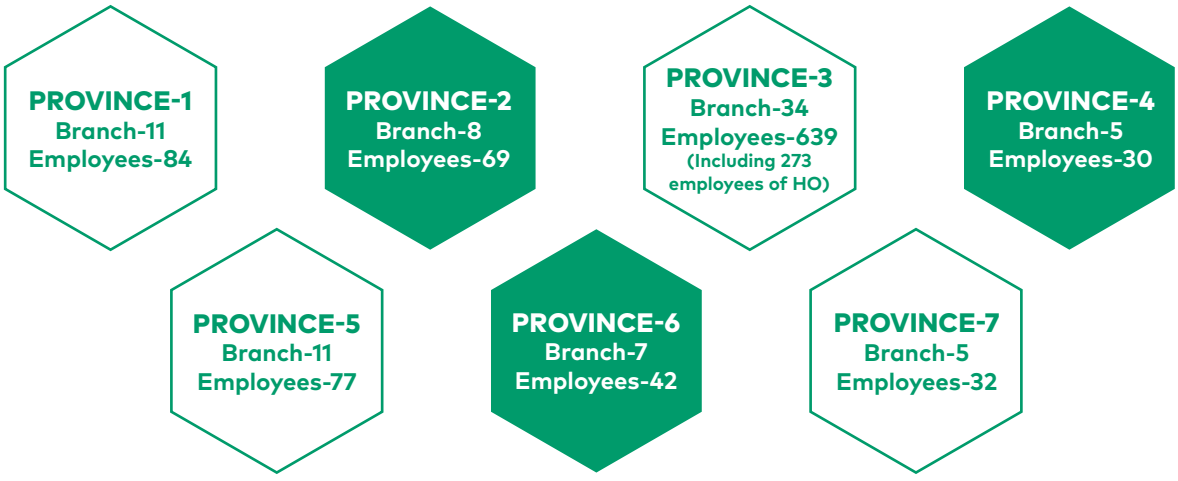


482 (49.54%)
MARRIED EMPLOYEES



491 (50.46%)
SINGLE EMPLOYEES

d) Employee Mix on the basis of branch per province and staff per province



f) Employee Mix on the basis of Permanency

954
PERMANENT EMPLOYEES



19
CONTRACT EMPLOYEES

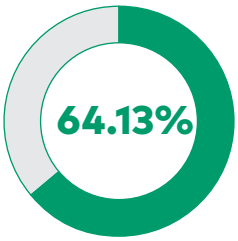
g) Employee Mix on the basis of Educational Qualification



Chartered Accountants
No of Staff-14



Masters
No of Staff-308



Bachelors
No of Staff-624



LLB
No of Staff-3



Plus 2
No of Staff-5



SLC
No of Staff-19

INTELLECTUAL CAPITAL

WHAT IT REFERS:

The intellectual capital refers to the intangible assets of the Bank that contribute to the success/ achievement of objectives that includes the expertise of employees, organizational processes, knowledge, brand value, ethics and cultures within the Bank. It is a set of non-financial and non-physical resources that procures a competitive advantage for the Bank.

HOW IT ADDS VALUE:

The intangible capital held by the Bank helps in creating superior customer experience and good brand image providing the Bank with a key competitive advantage in the achievement of business goals.

OVERVIEW:

Intellectual capital for the Bank is an important resource and a key contributor to the economic success and value creation in the business. In the current market where the competition is high and the customers have become more informed, the Bank believes that it can remain competitive by quickly adapting to the changing technologies. Managing the intellectual capital is therefore has become the Bank's strategic importance as it has set out on the path to be known for its service excellence in the market.

MATERIAL DRIVERS

Information Security Systems	Bank's Brand	IT requirements for customer service	Investment in Research and Development

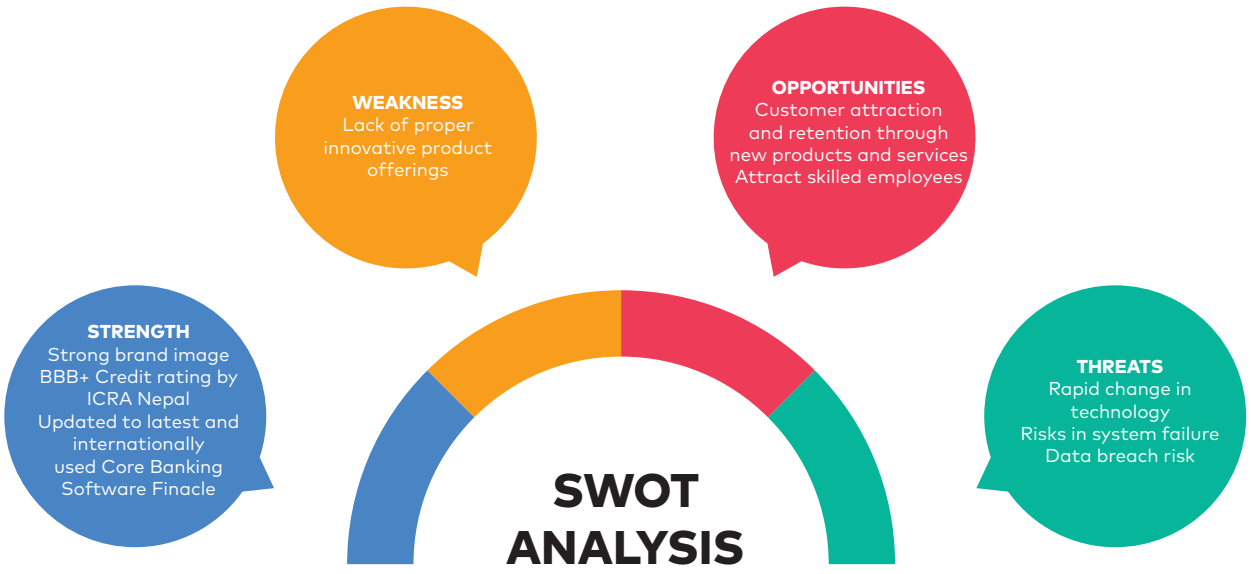
MAJOR HIGHLIGHTS

BBB+ (Triple B plus)Credit Rating by ICRA Nepal	163,520 number of Electronic Banking Users	Updated to latest and internationally used Core Banking Software Finacle

VALUE CREATION AMONG CAPITALS

Intellectual Capital: • 12 years of experience in the industry. • Introduction of Disaster Recovery Planning and Business Continuity Planning.	**Financial Capital:** • NPR 15.98 Million invested on training and development. • NPR 324.64 Million spent on IT Investments.	**Human Capital:** • 272 new employment opportunities.
Natural Capital: • Tree plantation and green initiatives conducted.	**Social and Relationship Capital:** • Loyal customer base • Installed 8 new automated teller machine.	**Manufactured Capital:** • Acquisition of facilitated IT equipments to support customer services.

SWOT ANALYSIS



PHILOSOPHY

The Bank's philosophy rests on managing its intellectual property in order to build greater brand image and obtain key competitive advantages.

MANAGEMENT APPROACH

The Bank recognizes intellectual capital to bring forth better business performance both in quantitative and qualitative terms. In quantitative terms, intellectual capital contributes to more profitability, more return on assets and on investments and in qualitative terms, it includes high customer retention and market share along with customer loyalty and satisfaction.

The Bank is deeply investing in its intellectual capital to innovate and transform the Bank's operating model and provide a better customer experience. The Bank continue to scout and develop innovative solutions which enhances its responsiveness to clients' needs and further optimize its core operations. The Bank is gradually moving towards the automation of business processes focusing on higher service excellence than that of its competitors. The Bank has the long term strategy in further strengthening Management Information System (MIS), Business Intelligence and ISO certification of selected systems and processes to strategically enhance brand image and increase overall efficiency of the Bank. The Bank looks into building trust in its brand by conducting its operations in line with the highest ethical standards and in full compliance with all applicable regulations in the banking sector.

AWARDS

The awards the Bank received are the validation of its approach to building the brand of Bank in the minds of stakeholders of the country.



Certificate of Merit Award being received by Chief Executive Officer for the Best Presented Annual Report Award (BPA) 2017, Banking Sector (Private & Public Limited).

INFORMATION SECURITY SYSTEM

The Bank follows the processes and methodologies involved with keeping the information of its customers confidential and making them available as and when required by assuring its integrity. The Bank maintains improved information security system to prevent from breach of cyber security and protects the personal data and private information of the customers.

OUR BRAND

Brand is an intangible asset which is extremely valuable for the Bank. The Bank's brand is a reflection of its relationships with its stakeholders. Over the years the brand of the Bank has been increasing continuously stating a proof of increase in the trust and confidence of the stakeholders towards the Bank. The brand value of the Bank has been backed by its strong financial performance and focus on customer satisfaction.

IT REQUIREMENTS FOR CUSTOMER SERVICE

The Bank provides its customers with IT services for their better banking experiences and comfortable financial services. The Bank has introduced many intangible infrastructure and designed preferable systems and processes in its journey of banking service with the intent of rendering better customer service.

INVESTMENT IN UPGRADING INFORMATION SYSTEM

During the FY 2018/19, the Bank has invested NPR 86.85 Million in upgrading to the latest information system. The details of the investment are as under:

S.N.	PARTICULARS	INVESTMENT AMOUNT (NPR)
1	Migration of Core Banking System to FINACLE 10	64,136,365
2	Implementation of MIS System	
3	Up-gradation Of Checkpoint 5600	6,554,000
4	Up-gradation of Internet Banking	4,110,019
5	SWIFT Service Bureau Migration Cost to Maintenance Partner	87,704
6	SWIFT Up-gradation from 7.1 to 7.2	1,480,501
7	Up-gradation of Smart Banking with V5	99,900
8	Deployment of IBM V7000 Storage	6,972,100
9	CISCO Server For DR Site	2,404,640
10	License up-gradation of SPAM TITAN Mail Security Application	213,570
11	Data Center Battery Replacement	786,480

DIGITAL JOURNEY

The fiscal year 2018/19 had been a wonderful journey for the Bank in achieving the strategy primarily focused on leveraging its network, digital channels, partnerships and presence in various nook and corners to expand its customer base. Digitization has become a trend in banking services with the demonstration of cash less transactions that provides security, service excellence and value addition to its customers. With this objective, the Bank has updated its Internet Banking and Mobile Banking to a newer version, tied up with different partners, acquired QR Merchants and enhanced its ATM and POS network during the year.

DIGITAL ACHIEVEMENTS IN THE YEAR OF 2018/19 (2075/76)

1. Upgrade to Finacle Core Banking Software

Finacle solution has become the most sought core banking software for banks which offers the most comprehensive suite of capabilities to strengthen the Bank's process of digital transformation. The software provides advanced digital platform to the Bank with 24*7 real time processing, high security along with risk mitigation and deeper customer engagement. With the concept of digital banking, the Bank has successfully replaced its core banking software with a new core banking software Finacle Version 10.2.18 with the aim of making the banking transactions more secure, convenient and rendering reliable banking services to its valued customers.

2. Mobile Banking

In this very year, the Bank successfully launched latest version of Mobile Banking service named Citizens Smart that entails an interactive design which provides a user friendly interface as well as combines latest biometric security mechanism with finger print authentication. With an aim of covering wide range of customers, the Bank has revamped its Mobile Banking in FY 2018/19 focusing on customer convenience and value creation on services offered. Through the Mobile Banking application, one can send money to other's Bank Account, make online payment and use QR payment which provides banking services at customer's fingertip. The Bank recognizes the need to be relevant in its product and service offerings to meet customer expectations. In the mid July, 2019, the Mobile Banking customers of the Bank reached the milestone of 153,311.

3. Internet Banking

With the transformation of Bank's Core banking system from Pumori to Finacle system, the Bank successfully migrated its Internet Banking system which promises the customers with highly secured features. Till this year, 10,209 customers have been successfully registered to this system.

4. QR Code Acquiring

At the time of digital transformation of payment, technology is becoming a real competitive advantage. As the number of smart phone users are booming and the users of mobile phones are shifting from their primary function of communication tools; adopting mobile payment has become a necessity. Being a recent digital payment method in Nepal, the Bank has been providing QR payment service from Fonepay network, from June 2019. Since then the Bank has been acquiring merchants to use QR code who has been using it effectively for doing business transactions.

5. ATM Card And POS

- ATM service: With the aim of providing ATM service to more number of customers, the Bank has increased its ATM network to 78 in FY 2018/19 from 70.

- Debit cards: In this year, the Bank's total number of active debit card holders has reached to 92,376 which has created a new landmark in its card business.

- Credit card: With the aim of providing credit card service to more number of consumers, the Bank has successfully enrolled 1,035 customers to credit card making total cards count to 2,848 in FY 2018/19.

- POS: With the increasing need of POS service in the market, the Bank has installed POS machine on various outlets making total POS merchants to 174 in FY 2018/19.

ACTION PLANS REGARDING INFORMATION SYSTEM

The Bank is planning to automate its internal workflow and enhance its digitized technology for better decision making and improving the overall performance of the Bank. The Bank is also working on to implement the Customer Relationship Management System to manage the Bank's relationship and interactions with the existing and potential customers. Further, the Bank is working on to deploy call center equipped with automated application to communicate with customers using different communication channels.

VALUE CREATION TO STAKEHOLDERS

The Bank believes that a strong and resilient information technology has the potential of creating value to its stakeholders mainly by focusing on the Bank's business process. The intellectual capital of the Bank supports in providing superior customer experience as well as strengthen the brand image of the Bank.

MANUFACTURED CAPITAL

Manufactured Capital is the Bank's infrastructure which the Bank use to represent its product and services. It is designed and developed to deliver optimally with other sustainable development forms of capitals. Manufactured Capital ensures the Bank's highest and best use to sustain long term value creation. The Bank invests and finances in infrastructure that enable it to provide sustained income and capital growth for all its stakeholders.

MATERIAL DRIVERS

- Strengthening local branches
- Penetrate Regional Market
- Business Process Automation

VALUE CREATION AMONG CAPITALS

Manufactured Capital: • 81 branches across the country. • Acquired land to extend corporate building.	**Human Capital:** • The Bank provided 272 new employment opportunities.	**Intellectual Capital:** • Enhance brand loyalty. • Enhance customer privacy and assets security.
Social and Relationship Capital: • Mobile banking for ease of customer. • 78 Numbers of ATM Locations.	**Natural Capital:** • Efficient use of resources. • Infrastructure development activities in sync with environmental conservation.	**Financial Capital:** • Increased profitability. • Strong Asset base.

OUR PHILOSOPHY

Invest in infrastructure to upgrade manufactured capital to meet customer expectation. Highly focused on manufactured capital with a motive of sustained income and capital growth for all its stakeholders.

MANAGEMENT APPROACH

The Bank highly emphasis on customer satisfaction with the best facilities to its customer. Branches are the touch points for customer, so, its investment are centered on expanding branch network. The Bank ensures its branches and ATMs are located strategically all over the country, so that they serve for ease of customer. The Bank invest in relocating/ upgrading facilities at its branches. Similarly, the Bank has 99 branchless banking centres to provide bankding facilities in remote areas, where full fledged banking facilities are not financially feasible. The Bank has also been providing remittance services under its own brand "Citizens Remit", wherein, customers could get their remittance sent through 18 remittance partners located all over the world. These remittance could be encashed through 23 local remittance partners within all across Nepal. The Bank has also established corresponding banking relation with 12 international banks and 14 local banks to facilitate local and international trade. The Bank has allocated substantial amount of budget for up gradation of manufactured capital.

SOCIAL AND RELATIONSHIP CAPITAL

For the Bank, Social and Relationship Capital is an integral component of the value of business. It is about maintaining close relationships with and between employees, communities and other stakeholders which creates long term value for the Bank as well as supports individual and collective growth.

HOW IT ADDS VALUE

The Bank recognizes that the viability of the Bank depends on its ability to sustain strong relationships with customers and with the wider community for whom the Bank also creates value.

OVERVIEW

Social and relationship capital is an integral component of the value of the Bank's business. It involves the business itself, the formal and informal entities and institutions associated with it, as well as the relationships with and between employees, communities and other stakeholder. While shareholders, customers, suppliers and employees are the prime stakeholders; the regulators and local community complete stakeholder circle of the Bank. The Bank is embedded in the community and the social and relationship capital is seen as the link between the Bank's business and society. The Bank has conducted activities like providing scholarship and financial assistance to the children and school, supporting for healthcare, women empowerment activities, charities and environment friendly activities.

MATERIAL DRIVERS



Long-Term stakeholder relationships



Resource utilization



Creating values for the customers



Corporate Social Responsibility (CSR)



Innovative product offerings

MAJOR HIGHLIGHTS

NPR 1,263 Million Economic Value generated to community	**Over 1000 Volunteers hours spent on CSR projects**	**Total NPR 7.22 Million investments on sustainable development projects**	**NPR 647.75 Million paid to the Government**	**Customer base maintained at 452,385**

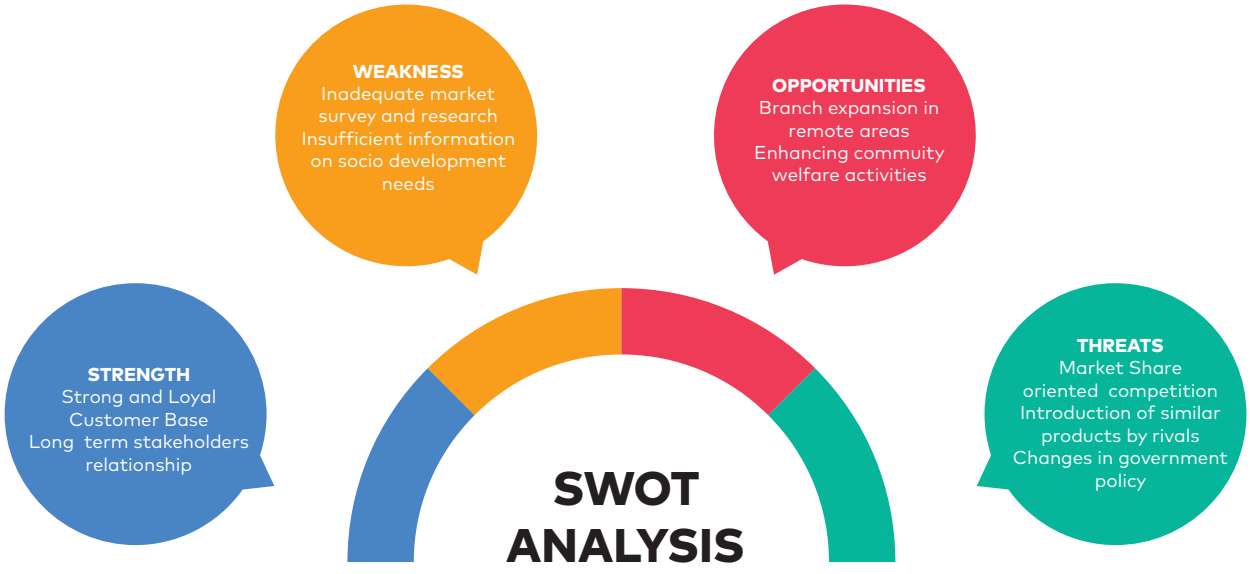
VALUE CREATION AMONG CAPITALS

Social And Relationship Capital: • Value distributed to providers of fund NPR 5,843.82 Million.	**Financial Capital:** • Tax paid to the Government NPR 1,240 Million. • NPR 1,255 Million financial returns to the shareholders.	**Human Capital:** • 308 Volunteer Hours spent on community development projects. • 34.33% employees serve customers outside the Province 3.
Natural Capital: • NPR 880,400 invested in environmental conservation projects carried out during the year.	**Manufactured Capital:** • NPR. 326.77 Million investment on property, plant and equipment upgrade.	**Intellectual Capital:** • 165,583 Social Media Followers. • Total 163,520 number of Electronic Banking users.

STAKEHOLDER IDENTIFICATION AND MANAGEMENT

The Bank has applied the methodologies for the identification and engagement of the stakeholders in the business for understanding their expectations. The Bank has formulated strategies that target the stakeholder's expectation. This is summarized in the table below:

KEY STAKEHOLDERS TARGETED	HOW WE ENGAGE	EXPECTATIONS	HOW WE ADDRESS THIS
Shareholders	• Website • Print media • Broadcast Media • Email • Postal service • Annual General Meeting	• Maximization of shareholders wealth and declaration of sound returns annually	• Being strategically focused, planning well ahead to counter challenges and identifying opportunities • Continuing to uphold sound governance practices and effective risk management infrastructure
Customers	• Geographical coverage • Product innovation • Faster service • Customer relationship teams	• Quality products that meet the absolute needs of customers • Protection of customer interest especially of depositors	• Continuously innovating in product and services to meet customer's requirements in the most efficient manner • Focus on protecting consumer rights and interests
Regulators	• Statutory Reporting • Meetings as and when required • Emails • Letters • Verbal Communication	• Compliance with all regulatory guidelines and directives	• Putting in process, practices and control to ensure compliance with applicable rules and regulations
Employees	• Training Programs • Sports and recreational activities	• Healthy, ethical and supportive work environment • Good career planning and growth opportunities	• Engaging employees in activities and sports other than business as usual • Training programs for every member of the human capital to ensure personal and professional growth
Local Communities	• CSR Initiatives • Website • Social Media Page • Marketing events • Seminars and Workshops	• Add value to the community • Conducting business without causing disruption to the society	• Conducting volunteering activities and supporting disadvantaged people • Enhancing financial access to marginalized population • Adding value to the society by being a good and transparent corporate citizen
Suppliers/Service Providers	• One-on-one meetings • Emails • Verbal Communication	• Good business relationships	• Maintaining policy to ensure good control and fair treatment of suppliers



PHILOSOPHY

The Bank has the philosophy of creating new value by anticipating the future needs of customers.

MANAGEMENT APPROACH

The Bank recognizes the viability of its business depends on its ability to sustain strong relationships with customers and the wider community for whom the Bank creates value. In its approach, the Bank aims to improve how people live and how businesses operate, supporting the well-being and competitiveness of the countries where the Bank work. The Bank invests in a series of initiatives that enhances collaboration and ongoing dialogue with its customers. The Bank also contributes to the sustainable growth of its communities by offering affordable products and services for individuals in every stage of life and for companies in their development journeys and by promoting responsible financial habits.

As part of its strategy, the Bank has invested in forming a better understanding of the sustainability of its business and its effects on communities. Increasing well-being and fostering prosperity in its communities also happen to be good for business: communities that develop positively offer the necessary conditions for everyone to thrive. By proactively monitoring its stakeholders' views and expectations, the Bank can uncover new opportunities to drive engagement, create growth and promote innovation.

The Bank will continue to create a structured approach that allows it to benefit in an intelligent way from all information and evidence collected to develop better products and services.

SOCIAL AND RELATIONSHIP CAPITAL – CUSTOMERS

Customers being the targeted stakeholders are important for continuity and success of the business. The Bank is continuing dialogue and interactions with customers through a large variety of channels that provides opportunities to gather feedback, understand unattended needs and create customized solutions. The branches of the Bank have been widely located across the country providing easy access to customers. The Bank is in the continuous process for innovation in product and services to meet customer's requirements in the most efficient manner. Accordingly, the Bank has put in place policies and procedures designed to safeguard customer privacy and protect the confidentiality of personal information collected from individuals and businesses. The Bank strives to go above and beyond its mandate to provide better financial solutions and deliver not just what its customers expect from it but something much deeper and more meaningful. The use of technologies such as mobile and internet banking has presented its customers with a high level of convenience in banking transactions. Together these elements are bringing the Bank closer to its customers, making it more in tune with their needs. In this endeavor to better understand its customers, the year 2020 will be a crucial year.

VALUE FOR CUSTOMERS

- Facilities of different products and services
- Tailor made products for satisfying financial needs of customers
- Easily accessible branches
- Digital banking medium including Mobile and online banking transactions and other banking facilities
- Fintech for better & prompt customer service

SEGMENT PROFILE OF PRODUCT PORTFOLIO FOR CUSTOMERS

The Bank provides attractive products of deposits and loan facilities to the customers along with alternate service products to cater the banking facilities needs for clients and customers. The Bank also provides different funded and non- funded facilities to the clients. The brief of products and services of the Bank has been mentioned below.

1. DEPOSIT SCHEMES

The Bank provides different types of deposit schemes within regulatory norms of NRB along with various unique deposit schemes to attract the customers and retain the existing clients. The deposit schemes offered by the Bank are shown below:

A. Saving Schemes

1. Citizens Savings Account
2. Citizens Rastra Sewak Savings Accounts
3. Citizens Bidharthi Bachat Khata
4. Citizens Mahila Bachat Khata
5. Citizens Muna Bachat Khata (Only for Minors)
6. Citizens Matribhumi Bachat Khata
7. Citizens Senior Citizens Savings Account
8. Citizens Special Savings Account
9. Citizens Super Savings Account
10. Citizens Sharedhani Bachat Khata
11. Citizens Special Super Savings Account
12. Citizens Mofashal Bachat Khata
13. Citizens Enterprise Fund Account
14. Citizens G2P Savings Khata
15. Citizens Branchless Bachat Khata
16. Citizens Ghar Dailo Savings Account
17. Citizens Dasak Savings Account
18. Citizens Golden Savings Account
19. Mero Citizens Bachat Khata
20. Citizens Bisesh Bachat Khata
21. Citizens Saral Bachat Khata
22. Citizens Recurring Deposit (NPR)
23. Citizens Savings Account (FCY)

B. Call Deposits

1. Citizens Call Deposit Account (NPR)
2. Citizens Call Deposit Account (FCY)

C. Fixed Deposits

1. Citizens Fixed Deposit (NPR) Individual
2. Citizens Fixed Deposit (NPR) Institutional

2. LOAN SCHEMES

The various loan schemes provided by the Bank to its customers comprises of following:

A. Consumer Loan

1. Citizens Home Loan
2. Citizens Mortgage Loan
3. Citizens Auto Loan
4. Citizens Education Loan
5. Citizens Margin Lending
6. Citizens Bina Dhito Karja
7. Citizens Equipment Loan
8. Citizens Fast Track Loan
9. Citizens One Zone One Product
10. Citizens Agriculture and Enterprise Loan
11. Subsidized Loans
    a) Citizens Commercial Agriculture and Livestock Loan
    b) Citizens Educated Youth Self Employed Loan
    c) Citizens Foreign Employment Returnee Project Loan
    d) Citizens Women Entrepreneurship Loan
    e) Citizens Dalit Community Entrepreneurship Development Loan

f) Citizens Higher and Technological or Vocational Education Loan
g) Citizens Earthquake Victim Residence Construction Loan
h) Citizens Technical Education loan

12. Citizens Credit Card

B. Citizens SME Loan

C. Corporate Loans

D. Other Loans

1. Loan against Government Bond
2. Loan against Citizens Fixed Deposit Receipt and Promissory Note
3. Loan against first class Bank Guarantee
4. NPR Loan Against FCY Fixed Deposit Receipt

3. OTHER FACILITIES

The Bank provides various funded and non-funded facilities such as:

A. Funded Facilities

1. Overdraft
2. Working Capital Loan
3. Trust Receipt Loan
4. Export Finance
5. Bid Bond
6. Performance Bond
7. Loan Against Government Bond
8. Loan Against Citizens Fixed Deposit Receipt and Promissory Notes
9. NPR Loan Against FCY Fixed Deposit Receipt
10. Consortium Financing
11. Deprived Sector Loan
12. Citizens Mortgage Loan (Personal Overdraft)
13. Term Loan

B. Non-Funded Facilities

1. Letter of Credit (LC)
2. Bank Guarantee (BG)

C. Online Services

1. Mero Share Services
2. DE-MAT Services
3. ASBA Services
4. Connect IPS
5. Mobile Banking
6. Internet Banking
7. Online Account Opening Facility

D. Other Facilities

1. Locker Facility
2. Utility Payment
3. Pay Bill Facility
4. Privilege Banking
5. Branchless Banking Services
6. Remittance Services
7. VISA Cards
8. Market Maker Services

SOCIAL AND RELATIONSHIP CAPITAL – SOCIETY

The Bank strives to support the growth of its communities and in addition to its traditional banking activities, the Bank has adopted corporate citizenship and philanthropic initiatives as also its ideology supporting in financial and social inclusion. Corporate Social Responsibility (CSR) has been a long-standing commitment of the Bank where responsiveness to the needs of the society and responsibility to meet those needs are due concerns. For the Bank, CSR is not just philanthropy; the Bank cares the needs and expectations of the stakeholders and acts as a partner for progress of the community and the country. The Bank follows the '3P' concept of 'people, planet and profit' under the ambit of its CSR aspirations and goals.

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 incorporated CSR as one of its core objective and has been contributing for uplifting education, health, sports and cultural areas and helping the victims of natural calamities.

The Bank 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 stakeholders.

TO COMPLY WITH LEGAL MATTERS

The new Industrial Enterprises 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 year.

STATEMENT SHOWING MOVEMENT OF CSR FUND DURING FY 2075/76

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 IN NPR
Opening Corporate Social Responsibility Fund	12,341,039
Add: Allocated CSR (1% of Net profit of Current year)	14,632,188
Less: Transferred to Retained earnings	7,217,189
Closing Corporate Social Responsibility Fund	19,756,038

FOCUS AREAS OF OUR CSR ACTIVITIES INVOLVING COMMUNITY

The Bank emphasizes on the following CSR activities:

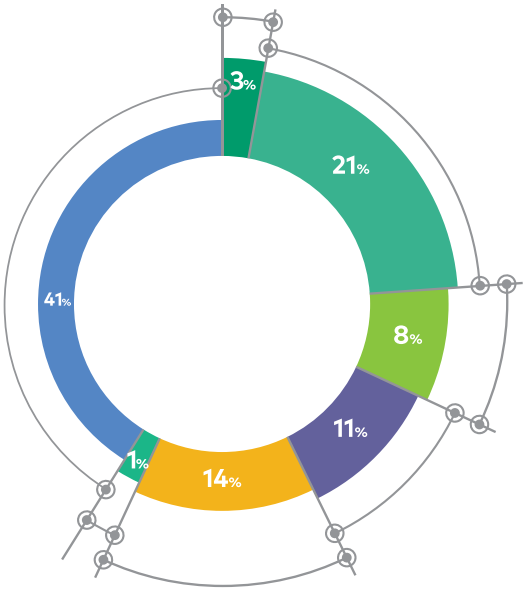
- Fulfilling responsibilities towards the society especially in healthcare and education sectors
- Contribution in environmental preservation and protection
- Programs to promote sports and sports person
- Cultural conservation and promotion
- Improving the living standard of marginalized community
- 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 7.22 Million whereas a total expenditure of NPR 12.127 Million was made in the FY 2017/18. Similarly, the Bank intends to lead the industry in Nepal embracing green energy by implementing solar systems to power the Bank.

CSR EXPENSES DETAILS FOR FY 2018/19

S. NO.	CATEGORY	EXPENSES NPR	PERCENTAGE
1	Culture	250,000	3%
2	Education	1,500,258	21%
3	Environment	6,00,000	8%
4	Health	829,950	11%
5	Natural Disaster	1,000,000	14%
6	Sports	100,000	1%
7	Others includes Financial Literacy	2,936,981	41%
	TOTAL	**7,217,189**	**100%**

CSR EXPENSES



- Culture
- Education
- Environment
- Health
- Natural Disaster
- Sports
- Others includes Literacy and others

DESCRIPTION OF OUR KEY CSR PROGRAMS:

Supporting Education

Education forms the backbone of the nation. The Bank prioritizes education in light of its vision for increasing the literacy rate in the country. The Bank spends more than 20% of its CSR budget in this sector alone. The Bank supports in education sector through providing scholarships to privileged, poor and hardworking student and financial assistance to schools in rural and under-developed areas. Some of the programs launched by the Bank to support education sector are shown as:

Scholarship for Students

The Bank has been providing financial assistance to Child Development Society and continuing the same this year also the Bank has provided NPR 150,000 to the 'Child Development Society' for scholarship of 15 students who are under privileged, poor and hard working. The Bank provided NPR 100,000 to the 'Snow Yak Foundation' working with the objective of supporting educational services to 13 schools in upper Dolpa. The Bank has directly provided financial assistance to 4 poor and hardworking student for scholarship supporting their education. This is the second year that the Bank has been providing assistance to the institution of Mid-Western Region.

Supporting Educational Institutions

With the objective of supporting education, the Bank has provided financial assistance of NPR 200,000 to Shree Prabhat Secondary School of Palpa, NPR 100,000 to Shree Mahakabi Devkota Secondary School of Bardiya, NPR 100,000 to Nawa Jaagriti Basic School of Chitwan, NPR 50,000 to Manakamana Secondary School of Gorkha, NPR 60,000 to Janata Secondary School of Mahottari, NPR 60,200 to Malika School of Dhangadhi, etc. The Bank has also been additionally helping the schools by providing them full sets of computers, printers, etc. to other schools. Financial assistance was provided to schools for the infrastructural development, sanitization and providing Scholarships to needy and deserving students.



The activities done by the Bank along with the amount spent and volunteer hours worked has been presented below in table:

ACTIVITIES	AMOUNT IN NPR
Financial assistance to Baby Life Home, Kirtipur, Kathmandu	150,000
Financial assistance in Bajhang for education	23,000
Financial assistance to Child Development Society, Kapan, Kathmandu	150,000
Computer donation to various schools	91,408
Computer donation for Manakamana School	14,000
Computer donation for Teemal School, Kavre	18,000
Financial assistance to Shree Prabhat Secondary School, Palpa	200,000
Financial assistance to Malika school, Dhangadhi	60,200
Financial assistance to Manakamana Secondary School, Gorkha	50,000
Financial assistance to Nawajagriti Basic School, Narayanghat	100,000
Financial assistance to school of Pathalaiya	50,000
Printer Donation to Educational Institution	12,000
Scholarship to Children of Viswa Niketan	50,000
Scholarship to Dinesh Panta	26,200
Scholarship to Mahesh Rana	25,450
Financial assistance to Shree Rastriya Nimna Madhyamik Bidhyalaya	60,000
Financial assistance to Shree Jana Jagriti School, Bara	60,000
Financial assistance to Shree Janata Secondary School, Mahottari	60,000
Financial assistance to Shree Mahakabi Devkota Secondary School, Bardiya	100,000
Financial assistance to Snow Yak Foundation	100,000
Financial assistance of School of Teemal, Kavre	100,000
TOTAL	**1,500,258**

Supporting Healthcare

Considering healthcare as a crucial part, the Bank spent 11% of its CSR budget i:e NPR 829,950 in supporting healthcare sector. The Bank has been organizing blood donation program every year as a part of its anniversary program. The blood donation program was conducted in association with Nepal Red Cross Society from 19 branches across the country and total 566 blood donors participated in the event. On the occasion of its anniversary, the Bank has been conducting the various CSR activities and this year too, the Bank provided financial assistance of NPR 200,000 to Abhyaya Upachar Kendra affiliated to Kenko-Kyokai- Japan which provides healing services to the needy and poor people free of cost. Clinic One, a health care institution working as preventative clinic has been providing free health checkup for women. The Bank partnered with Clinic One and provided financial assistance of NPR 150,000 to the Clinic One.

Similarly, the Bank has provided financial assistance of NPR 45,000 to Rose Foundation Nepal which is working towards raising awareness about different types of cancer (mainly breast cancer among women), their symptoms and treatment. The Bank has supported in health camp and free health checkup activities also. Besides that, the Bank has also provided the sanitary items to the female customers on the occasion of International Women's Day.

The activities for the healthcare support have been summarized as:

ACTIVITIES	AMOUNT IN NPR
Financial assistance to Abhaya Upachar Kendra	200,000
Blood donation	200,000
Financial assistance to Clinic One	200,000
Financial assistance to Rose Foundation	45,000
Sanitary Gift Hampers for female customers	65,000
Financial assistance for health check up	19,950
Support for health camp	100,000
TOTAL	**829,950**

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. The Bank has provided amount NPR 100,000 to Nepal Taekwando Association for the purchase of track suits to the players of Taekwando.

Environment Friendly Actions

Being the responsible corporate citizenship, the Bank is committed for the performance of environment friendly actions and has been contributing in the environmental preservation and protection. As a contribution to issue of global warming and minimization of environmental pollution and its effects, the Bank participated in the government endeavor of tree plantation program alongside the road from Gwarko to B&B Hospital in Lalitpur and successfully planted over 100 trees.

The Bank has also provided water and dustbin facilities during city marathon as an environmental friendly action. Furthermore, the Bank has collaborated with some private companies and have been sponsoring for traffic island for the safety of police and for the proper management of waste, the Bank has been sponsoring the solar dustbins in the Kathmandu Valley.

Supporting Cultures

Cultures are the arts, customs, lifestyles, backgrounds and habits that characterize a particular society or nation. The Bank feels the necessity for supporting the cultures of the nation and has contributed in it by providing financial assistance to the temples and to the National Folk Music to support the folk music of the country. The Bank provided NPR 100,000 to Narwadeshwor Mahadev temple at Ramechhap for the renovation and retro fitting for damage caused by the earthquake during FY 2014/15. The Bank provided NPR 40,000 for the renovation of Tato Pani Kunda, Myagdi.

Relief efforts to those affected by natural disaster

From earthquake to flood, landslide, storm, fire, lightning, Nepal has all kinds of disasters. The heavy rainstorm that battered Bara and Parsa during March 2019 caused an inconceivable loss in the lives and properties. The Bank made a donation of sum of NPR 1,000,000 to the Prime Minister Relief Fund for providing aid to the victims in the Bara-Parsa Storm effect.

Financial Literacy

By realizing the necessity of financial literacy among people for the management of personal finance matters efficiently, the Bank has organized rally for financial literacy on the occasion of 12th Anniversary of the Bank and has supported in "Kholaun Bank Khata Abhiyan, 2076" campaign of Government of Nepal. The Bank has also conducted financial literacy program for around 3500 peoples in Farak Sherpa Community, Boudha, Kathamndu. The Bank has encouraged for opening bank accounts by crediting minimum balance of NPR 100 in every account opened for financial inclusion especially for marginalized population.



Financial literacy walkathon organized on the occasion of 12th Anniversary of the Bank.

Supporting Marginalized, Low Earning Community

In line with NRB directive regarding mandatory requirement of lending 5.00% of loan exposure in deprived sector, the Bank has extended loan of NPR 1,825.86 Million under direct lending, NPR 1,649.10 Million under wholesale lending and share investment of NPR 36.49 Million, making total exposure of NPR 3,511.45 Million under deprived sector as on July 16, 2019 (i.e. 5.74% of loan outstanding of NPR 61,222.13 Million as of January 14, 2019).

Details related to Deprived Sector Loan provided by the Bank:
As on Mid July 2019

PARTICULARS	AMOUNT IN NPR MILLION	TOTAL NO. OF LOAN FILES
Loan and Advances outstanding as on January 14, 2019	61,222.13	23,570
Outstanding as on July 16, 2019 – Wholesale	1,649.10	32
Investment in Microfinance	36.49	
Outstanding as on July 16, 2019 – Direct	1,825.86	4,506

Total Loan to Deprived Sector	3,511.45	28,108
Regulatory requirement under Direct Deprived Sector Lending (5%)	3,061.11	
Excess	450.34	
Excess percentage	0.74%	

Other Contributions to society

The Bank provided charity fund amounting NPR 100,000 to ASMAN which is working for betterment of children and women from marginalized communities. The Bank provided a financial assistance of NPR 400,000 to the 'Manav Sewa Ashram' in Chitwan for supporting the old and orphanage, NPR 60,000 to 'Janaki Bridha Ashram' Janakpur for the procurement of daily requirements of the Ashram, NPR 100,000 to the 'Ama Ghar' Manahari for the construction of building, and NPR 75,000 to the 'Mama Ghar Nepal' Hetauda, to support the children over there.

Every year the Bank during its anniversary function provides one day program of providing lunch for the elderly people residing in old age home 'Nisahaya Sewa Sadan' located at Shantinagar, Kathmandu.

The Bank has further encouraged women empowerment and has provided NPR 100,000 to Women Act which is a national level, non-profit making, non-governmental organization (NGO) and addresses gender inequality and work for the empowerment of women and girls.

The Bank conducted blanket distribution program in Aurahi rural municipality and Gaushala Municipality for poor people in rural area and successfully distributed 202 and 224 warm blankets respectively. The Bank also supported award program to the best police in Lalitpur, the Bank provided NPR 120,000 and 3 bikes to Lalitpur metropolitan.

Focusing on the use of alternative energy source, the Bank provided financial assistance for setting up solar light in Beni amounting NPR 50,000. The Bank aslo supported in the installation of CCTV at major cities like Biratnagar and Chitwan.



Financial Assistance of NPR 300,000 provided to Chitwan Manav Sewa Ashram

NATURAL CAPITAL

The Bank operates in an environment where there exists growing concerns about future supply constraints of natural resources, such as clean air and water. In this context, the value for more sustainable business practices is rising; driving its business to reduce the consumption or make an impact on the natural resources.

MATERIAL DRIVERS

- Develop green consciousness across the supply chain.
- Environmental awareness.
- Energy, Water, Material and Waste Management.
- Green Lending.

VALUE CREATION AMONG CAPITAL

Natural Capital: • Tree Plantation.	**Financing Capital:** • NPR 0.6 Million spent on green initiatives.	**Intellectual Capital:** • Online customers. • Paperless e-solution among customers and staffs.
Manufactured Capital: • Replaced energy inefficient computers. • Enhance usage of digitalization.	**Human Capital:** • Over 100 volunteering hours of green activities • Implemented an e-learning platform • Introduced environmental CSR practices for employees and their family.	**Social and Relationship Capital:** • Usage of digital media for advertising. • Expansion of social media presence.

BANK'S PHILOSOPHY

The Bank is committed towards developing green consciousness across its supply chain. The Bank aims to reduce its direct impact on the environment by promoting environmental management activities across all of its operations. The Bank is focused on investing more on reforestation and conserving the environment.

MANAGEMENT APPROACH

The Bank promotes responsible use of natural resource considering the scarcity of the same for future and the adverse impact resulting from utilization and application of such resources in conducting business activities. The Bank is in practice of conducting various environmental awareness program for the employees as well as customers and it promotes to deliver paperless based e-solution among its customers.



100 Trees has been planted from Gwarko to B & B Hospital to mark the Afforestation Day

OVERVIEW

Citizen's Bank, since inception, has firmly placed inclusivity and sustainability as a part of its vision and strategy. Natural Capital has been one of the key focus areas that has helped the Bank ensure risk mitigation and maintain cleaner portfolios. The Bank's corporate decision-making process is so aligned that it considers broader and longer-term social and environmental consequences on nature and impact on natural capital. For example, before lending, the Bank has compelled many borrowers for conducting Initial Impact Assessment and Environmental Impact Assessment depending upon the size of the company.

During the FY 2018/19, the Bank has invested NPR. 600,000/- for "Tree Plantation" in roadside from Gwarko to B&B Hospital.

FUTURE APPROACH TOWARDS NATURAL CAPITAL

- Promote paperless e-solutions amongst customers.
- Reduce Carbon footprints.
- Develop policies/ guidelines, sensitize all staff and build capacity in relevant staff to advocate customers, measure progress through adequate system and monitoring.
- Promote "Green Cleaner Workplace" where the Bank educates its staff on environmentally friendly practices.
- Promote green consciousness by conducting "Green Training Programs",
- Maintain transparency in environmental information.

CONCLUSION

As an environmentally conscious company, the Bank promotes green practices not only in its own operation but also across its value chain. The Bank focuses on to attain the growth of its size in sync with the healthy environmental practices. The Bank has been in practice of conserving environment and promoting afforestation.



FINANCIAL REPORTS



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FINANCIAL REPORTS

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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 7.1 percent in 2018/19 compared to 6.7 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 2018/19, the Gross National Disposable Income (GNDI) is estimated to decline by 10 percent compared to a growth of 10 percent in the previous year. Similarly, the ratio of total consumption to GDP which was 88 percent in 2017/18 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 34.1 percent in 2017/18 is estimated to remain at 34.1 percent in the review year. Similarly, the ratio of gross national savings to GDP that remained at 43.9 percent in 2017/18 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 265.37 Billion. Such budget deficit was NPR 247.57 Billion in 2017/18. The ratio of budget deficit to GDP stood at 7.18 percent in the review year from 8.9 percent in the preceding year.

SHARE MARKET:

NEPSE index increased by 3.84 percent to 1,259.02 points in mid-July 2019 from 1,212.4 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 2018/19. Such turnover was 6.63 Billion in the previous year.

INFLATION AND PRICE LEVEL:

CONSUMER PRICE INFLATION

The annual average consumer price inflation moderated to 4.6 percent in 2018/19 compared to 4.2 percent in the previous year. This is indicative of recent built up inflationary pressure.

In the terms of ecological regions, the Hilly region witnessed a relatively higher annual average inflation at 5 percent followed by Mountain region at 4.9 percent, Terai region at 4.3 percent and Kathmandu valley at 4.9 percent in the review year. The inflation rate was 5.9 percent in the Mountain region, 4.6 percent in Hilly region, 4.4 percent in Terai region and 3.3 percent in Kathmandu valley in the previous year.

WHOLESALE PRICE INFLATION

The annual average wholesale price inflation further decelerated to 1.7 percent in 2018/19 from 1.7 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 265.37 Billion in the review year compared to a huge deficit of 247.57 Billion in the previous year. The surge in current account deficits was on account of the elevated level of import of petroleum products, transport equipment and parts, and industrial goods.

Similarly, the Overall BOP recorded deficit of NPR 67.40 Billion in the review year. The Surplus in Balance of Payment was NPR 0.96 Billion in the previous year.

In the review year, Nepal received capital transfer of NPR 15.46 Billion and Foreign Direct Investment (FDI) inflow of NPR 13.70 Billion. In the previous year, capital transfer and FDI inflows were NPR 17.72 Billion and NPR 17.51 Billion respectively.

LIQUIDITY MANAGEMENT

In the review year 2018/19, NPR 100.35 Billion liquidity was injected through open market operations. Under this provision, NRB injected liquidity of NPR 20.70 Billion from repo auction and NPR 79.65 Billion liquidity was availed through outright purchase auction.

In the review year, the NRB injected net liquidity of NPR 360.91 Billion through the net purchase of USD 3.19 Billion from foreign exchange market. Net liquidity of NPR 422.34 Billion was injected through the net purchase of USD 4.05 Billion in the previous year.

In the review year, the NRB mopped up NPR 100.35 Billion through open market operations. In the previous year, NPR 195 Billion liquidity was mopped up.

NRB purchased Indian currency (INR) equivalent to NPR 516.97 Billion through the sale of USD 4.24 Billion and other foreign currencies in the review year. INR equivalent to NPR 522.03 Billion was purchased through the sale of USD 4.76 Billion and Euro 59 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 1,775.11 Billion and those of other financial institutions (excluding transactions among commercial banks) amounted to NPR 209.55 Billion. Such transactions were NPR 1,161.31 Billion and NPR 49.43 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 4.97 percent in the last month of 2018/19 from 3.74 percent a year ago. The weighted average inter-bank transaction rate among commercial banks that was 2.96 percent a year ago, increased to 4.52 percent in the

review month. However, the weighted average inter-bank rate among other financial institutions increased to 4.52 percent from 5.40 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 5.98 percent a year ago. Likewise, the average base rate of commercial banks rose to 9.57 percent in the review month from 10.47 percent a year ago.

DEPOSIT MOBILIZATION

Deposits at Banks and Financial Institutions (BFIs) increased by 18 percent in the review year compared to an increase of 19.2 percent in the previous year. Out of total deposits of BFI on mid-July 2019, current, savings and fixed deposit were respectively: 9.7 percent, 32.8 percent and 46.3 percent. This was 9.3 percent, 34.5 percent and 44.8 percent in the previous year.

LOANS AND ADVANCES

Credit to the private sectors from BFIs increased by 19.4 percent in the review year compared to a growth of 22.5 percent in the previous year. In the review year, private sector credit from commercial banks increased by 17.5 percent whereas credit from development banks and finance companies increased by 35.7 percent and 17.9 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 decreased by 7.26 percent to USD 65.87 per barrel in mid-July 2019 from USD 71.03 per barrel a year ago. The price of gold increased by 13.6 percent to USD 1,409.85 per ounce in mid-July, 2019, from USD 1,241.10 per ounce a year ago.

Nepalese currency vis-à-vis the US dollar appreciated by 0.02 percent in mid-July, 2019 from the level of mid-July 2018. It had appreciated 5.9 percent in the previous year. The buying exchange rate per US dollar stood at NPR 109.40 in mid-July, 2019 compared to NPR 109.40 in mid-July, 2018.

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 171 in mid-July, 2019 from 151 a year ago. In mid-July, 2019, the total number of commercial banks stood at 28, development banks at 29, finance companies at 23 and microfinance development banks at 90. The total number of BFI's branches increased to 8,686 in mid-July, 2019 from 6,651 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. 171 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 128 BFI was revoked thereby forming 43 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 1,080.10 Billion and NPR 921.94 Billion respectively in the mid-July 2019. Accordingly, the IIP remained in surplus by NPR 158.16 Billion as at mid-July, 2019. Such surplus was NPR 318.27 Billion in mid-July, 2018.

EXPORT AND IMPORT PRICE INDEX

The annual average unit value export price index based on customs data increased by 0.8 percent, while import price index decreased by 2.3 percent in the review year. Consequently, the Terms Of Trade (TOT) index increased by 3.2 percent compared to a decrease of 2.0 percent in the corresponding period of the previous year.

The export-import ratio increased to 6.8 percent in the review year. This implies the size of import is almost 6.8 times larger than the size of export in the review year. The export-import ratio was 6.5 percent in the previous year.

WORKERS' REMITTANCES

The workers' remittance grew by 16.5 percent to NPR 879.27 Billion in the review year compared to a growth of 8.6 percent in the previous year. However, the ratio of remittance to GDP declined to 25.1 percent in the review year from 25.1 percent in the previous year. The net transfer receipt increased by 15 percent to NPR 994.79 Billion in the review year. Such receipt had increased 1.5 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 32.6 percent in 2018/19 compared to a decline of 9.3 percent in the previous year.

DIRECTOR'S REPORT

FY 2018/19

Respected Shareholders,

On behalf of the Board of Directors, I would like to welcome all the shareholders for the thirteenth Annual General Meeting (AGM) of Citizens Bank International Limited. Taking this gracious opportunity, I would like to present for approval by the respected meeting; the Consolidated Statement of Financial Position of the Bank with its Subsidiaries, Consolidated Statement of Profit or Loss, Consolidated Statement of Other Comprehensive Income, Consolidated Statement of Cash Flows and other financial statements as on July 16, 2019 (Ashadh 31, 2076) of the FY 2018/19. Also, on behalf of the Board of Directors, I would like to present to the respected meeting, the major indicators of banking sectors followed by a review of the Bank's performance in the last Fiscal Year and the future programs of the Bank.

1. FINANCIAL AND BANKING SECTOR INDICATORS (FY 2018/19)

GROSS DOMESTIC PRODUCTION:

As per the initial prediction of Central Bureau of Statistics, the Gross Domestic Product (GDP) is estimated to grow at 7.1 percent in the FY 2018/19. The GDP grew at 6.7 percent in the previous year. For the period under review, agricultural sector production increased by 5.0 percent and non-agricultural sector production increased by 7.5 percent as compared to the increment of the previous year by 2.8 percent and 7.7 percent respectively. The industrial sector production stands at 14.2 percent as compared to the previous year, where it had increased by 15.2 percent. Similarly, production under service sector increased by 13.6 percent for the period under review whereas the sector increased by 14.1 percent during the previous year.

FOREIGN TRADE:

Merchandise export increased by 19.4 percent to NPR 97.11 Billion in the financial year 2018/19, whereas it had increased by 11.4 percent in the previous year. For the period under review, the export to India increased by 34.3 percent, export to other countries increased by 0.2 percent whereas export to China decreased by 27.1 percent.

Based on the type of goods, the export of goods such as palm oil, polyester yarn, jute products, noodles, pulses, etc. has increased whereas the export of cardamom, readymade garments, shoes and sandals, tanned skin, pashmina etc. has decreased in the review year.

Likewise, merchandise import increased by 13.9 percent to NPR 1,418.54 Billion during the FY 2018/19. During the previous year, such imports had increased by 25.8 percent. The imports from India, China and other countries increased by 12.8 percent, 28.5 percent and 8.9 percent respectively in the review year.

Based on the type of goods, the import of petroleum products, readymade garments, M.S. Billet, electrical goods and other machinery parts has increased, whereas the import of cement, transportation equipment and parts, telecommunication equipment and parts, medical equipment and tools, polythene granules and among others has decreased in the review year.

The total trade deficit for the period under review of FY 2018/19 expanded by 13.5 percent to NPR 1,321.43 Billion. Such trade deficit ratio increased by 26.7 percent in the previous year. The export- import ratio increased to 6.8 percent in the FY 2018/19 in comparison to 6.5 percent in the previous year.

STATUS OF CURRENT ACCOUNT, BALANCE OF PAYMENT AND REMITTANCE:

The current account registered an increase in deficit of NPR 265.37 Billion for the FY 2018/19 compared to a deficit of NPR 247.57 Billion caused primarily due to the exorbitant increase in import of goods. The current account ran into deficit during the review period, due to significant increase of imports in comparison to the exports. Similarly, the overall BOP for the period under review recorded a deficit of NPR 67.40 Billion, whereas a surplus of NPR 0.96 Billion was recorded in the previous year. Also, the total capital transfer of FY 2018/19 remained at NPR 15.46 Billion, whereas the Foreign Direct Investment remained at NPR 13.70 Billion where by the total capital transfer remained at NPR 17.72 Billion and the Foreign Direct Investment remained at NPR 17.51 Billion during the FY 2017/18.

The remittance has grown by 16.5 percent to NPR 879.27 Billion during the review period, compared to a growth of 8.6 percent in the previous year. The net transfer income increased by 15 percent to NPR 994.79 Billion which stood at an incremental rate of 1.5 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 32.6 percent during the FY 2018/19. In the previous year, the same had decreased by 9.3 percent.

INTEREST RATES:

The weighted average interest rate of 91-days Treasury bill and the weighted average interest rate of inter-bank transactions increased in the FY 2018/19 compared to a year ago. The weighted average interest rate of 91-day Treasury bill remained at 4.97 percent on Mid July 2019, whereas the same remained at 3.74 percent on Mid July 2018. Similarly, the weighted average interest rate on inter-bank transaction among commercial Banks remained at 4.52 percent on Mid July 2019 whereas the same remained at 2.96 percent on Mid July 2018.

DEPOSIT MOBILIZATION:
Deposits in banks and financial institutions increased by 18 percent for the period under review, as compared to an increase of 19.2 percent in the previous year. Out of total deposits of BFIs in the FY 2018/19; the share of current, savings and fixed deposit remained at 9.7 percent, 32.8 percent and 46.3 percent, whereas such share represented 9.3 percent, 34.5 percent and 44.8 percent in the previous year.

CREDIT DISBURSEMENT:
Credit to the private sector from BFIs increased by 19.4 percent during the FY 2018/19, compared to a growth of 22.5 percent in the previous year. Amongst the disbursement of loan to the private sector, credit from Commercial Banks increased by 17.5 percent, while that of Development Banks and Finance Companies increased by 35.7 percent and 17.9 percent respectively.

During the FY 2018/19, credit to the agricultural sector increased by 42.5 percent, industrial production sector increased by 20.3 percent, construction sector increased by 22.2 percent, transportation, communication and public sector increased by 32.8 percent, wholesale and retail sector increased by 15.7 percent, whereas service sector increased by 24.3 percent.

Likewise, out of the total loan investment of BFIs during the FY 2018/19, 64.4 percent of loans has been disbursed against collateral of land and building and 13.5 percent of loans has been disbursed against collateral of current assets. During the previous year, loans extended for the same collateral were 61.7 percent and 14.4 percent respectively.

In the financial year 2018/19, term loan increased by 32.8 percent, overdraft increased by 10.9 percent, trust receipt loan (import loan) increased by 11.7 percent, demand and working capital loan increased by 23.6 percent, real estate loan (including residential personal home loan) increased by 12.0 percent, margin nature loan increased by 10.5 percent, and hire purchase loan has increased by 5.8 percent.

2. SYNOPSIS OF FINANCIAL PERFORMANCE OF THE BANK

The financial statements for FY 2018/19 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 2017/18 and 2018/19 has been presented below:

NPR IN THOUSAND

RATIOS	FY2018/19	FY 2017/18	INCREASE OR (DECREASE)
Capital Adequacy Ratio	14.37%	13.84%	0.53%
STATEMENT OF FINANCIAL POSITION	**FY 2018/19**	**FY 2017/18**	**INCREASE OR (DECREASE)**
Total Assets	90,121,364	77,709,953	15.97%
Deposits	74,135,747	61,481,316	20.58%
Loans & Advances	65,072,422	57,954,997	12.28%
Investment	11,070,828	5,828,246	89.95%
General Reserves	4,076,746	2,980,242	36.79%
STATEMENT OF PROFIT OR LOSS	**FY 2018/19**	**FY 2017/18**	**INCREASE OR (DECREASE)**
Net Interest Income	2,688,462	2,222,068	20.99%
Non- Operating Interest Income	954,147	899,610	6.06%
Operating Expenses	1,535,400	1,257,943	22.06%
Operating Profit	2,100,403	1,685,627	24.61%
Net Profit	1,463,219	1,234,104	18.57%

CAPITAL STRUCTURE:
At the end of the current FY 2018/19, the paid up capital of the Bank remained at NPR 8,371,064,773.

CAPITAL ADEQUACY:
At the end of the FY 2018/19, the capital adequacy stands at 14.37 percent, whereas, the ratio was 13.84 percent in the FY 2017/18. The minimum requirement of Capital adequacy ratio as per NRB is 11 percent.

TOTAL ASSETS:
The total asset of the Bank stood at NPR 90,121,363,554 at the end of FY 2018/19, which is an increment of 15.97 percent, in comparison to the previous year, where the total asset amounted to NPR 77,709,952,994.

DEPOSIT COLLECTION:
The total deposit collection of the Bank for the FY 2018/19 stood at NPR 74,135,747,119, which has increased by 20.58 percent, in comparison to the previous year, where the total deposit collection was NPR 61,481,315,504. Among the total deposits collected by the Bank during the FY 2018/19, deposits from customers stood at NPR 70,509,084,649 and deposits from banks and financial institutions stood at NPR 3,626,662,470. Likewise, among the total deposits collected by the Bank, the share of current deposits stood at 4.82 percent, saving deposits stood at 22.65 percent, fixed deposits stood at 61.11 percent, call accounts stood at 10.85 percent and remaining other deposits stood at 0.57 percent.

LOANS AND ADVANCES:
The Bank has provided loans and advances of NPR 65,072,421,802 during the FY 2018/19, among which ,loans and advances of NPR 63,474,543,832 has been provided to customers and NPR 1,597,877,970 has been provided to Banks and Financial Institutions. The given loan of FY 2018/19 has increased by 12.28 percent in comparison to the FY 2017/18, where the total loans and advances of the Bank stood at NPR 57,954,996,712. Out of the total loans and advances of FY2018/19, 8.60 percent of the loan has been invested in real estate sector, 7.65 percent in housing sector, 4.27 percent in margin lending, 15.34 percent in overdraft loan and 64.13 percent in other loans. During the FY 2018/19, out of total loans and advances of the Bank, 32.18 percent of loans and advances has been made on prioritized sector, among which, 10.20 percent has been invested on agricultural sector.

The Bank has contributed towards the development of hydro-power sector by disbursing loan to the tune of NPR 4,349,602,363 out of the total approved limit of NPR 11,197,291,053. This has enabled the Bank contribute towards the generation of 376 MW of electricity by investing in the hydropower projects. Similarly, till Mid July of FY 2018/19, the Bank has provided NPR 4,334,400,000 to 966 beneficiaries under Small and Medium Enterprise Loan whereas to promote the agricultural sector, NPR 2,121,473,459 of loans has been provided to 6,191 beneficiaries under the title "Fast Track Loan".

In addition to that, for the further development of the agricultural sector, the Bank has invested NPR 140,910,611 in 152 projects as per the One Zone One Product policy of the Bank making total investment of NPR 3,998,896,486 in agricultural sector. Similarly, during the FY 2018/19, the Bank has invested NPR 449,884,785 in 80 projects as per the "Guidelines on interest subsidy on subsidized loan, 2075" issued by NRB.

TOTAL INVESTMENT:
The Bank has made a total investment of NPR 11,070,827,845 till Mid July of FY 2018/19. Out of the total investment made by the Bank, investment in government treasury bills and development bonds amounts to NPR 10,394,754,398, that represents 93.89 percent of the total investment whereby investment in shares of organized institution amounts to NPR 490,917,000 that represents 4.43 percent of the total investment. Also, the Bank has total investment of NPR 167,204,200 in its Subsidiaries and NPR 17,951,000 in its Associates.

NET INTEREST INCOME:
Till the end of FY 2018/19, the net interest income of the Bank stands at NPR 2,688,461,977, which is an attainment of an increase of 20.99 percent in comparison to previous FY 2017/18, where the net interest income of the Bank stood at NPR 2,222,067,679.

NON- INTEREST INCOME:
Till the end of FY 2018/19, the net non-interest income of the Bank stands at NPR 954,147,411, which is an attainment of an increase of 6.06 percent in comparison to previous FY 2017/18, where the net non-interest income of the Bank stood at NPR 899,610,306.

OPERATING EXPENSES:
During the FY 2017/18, the operating expense of the Bank was NPR 1,257,943,132, which increased by 22.06 percent to NPR 1,535,399,580 in the current FY 2018/19.

OPERATING PROFIT:
In FY 2017/18, the operating profit of the Bank was NPR 1,685,627,057, whereas, it increased by 24.61 percent amounting to NPR 2,100,403,106 in the current FY 2018/19.

NET PROFIT:
Lastly, In FY 2017/18, the net profit of the Bank was NPR 1,234,103,897, that increased by 18.57 percent amounting to NPR 1,463,218,780 in the current FY 2018/19.

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

The Bank holds 58.60 percent of ownership out of a total paid up capital of NPR 200 Million in its subsidiary company: CBIL Capital Limited, amounting to NPR 117,204,200. The main objective of the company is to provide merchant banking services, portfolio management services, services relating to management of mutual funds, share registration services, etc. The net profit earned by the company during the FY 2018/19 stands at NPR 34,938,099.

4. SYNOPSIS OF FINANCIAL PERFORMANCE OF SUBSIDIARY COMPANY: CBIL SECURITIES LIMITED

The Bank holds 100% controlling interest in its subsidiary company: CBIL Securities Limited, with an investment of NPR 50 Million. The principal objectives of the company are to provide brokerage services, services relating to depository participant, etc. Currently, the company is in the process of obtaining license for conducting brokerage services from Nepal Stock Exchange. The net profit earned by the company during the FY 2018/19 stands at NPR 33,562.

5. BRANCH NETWORK EXPANSION

With an enigma of complying to the unified directives issued by Nepal Rastra Bank and with a policy of expanding the business of the Bank, the Bank expanded its branch networks by opening two branches inside Kathmandy valley located at Thankot in Chandragiri municipality as 'Thankot Branch' and Tokha in Tokha municipality as 'Tokha Branch'. Additionally, the Bank opened one branch outside Kathmandu valley at Mohanyal VDC of Kailali district as 'Mohanyal Branch', bringing total branch count to 81 during the FY 2018/19. Further, in order to increase and develop the business of the Bank in the upcoming FY 2019/20, the Bank plans to add a minimum of 15 branches in its branch networks.

6. INFORMATION TECHNOLOGY

With an objective of providing banking services in accordance with the expectations of the customers, the Bank has been providing technology-based services such as mobile banking, internet banking and ABBS. Likewise, with an aim of timely upgradation and development of information technology, the Bank has upgraded its core banking system from PUMORI PLUS IV to FINACLE in the FY 2018/19. Similarly, the Bank currently has also been providing service relating to opening of Demat accounts for transaction of shares and also have provided facility to view dematerialized shares in online platform. Hence, in days to come and as per need of the Bank, the Bank shall implement the latest and finest innovation and focus on risk minimization in the field of Information and Technology.

7. CARD BUSINESS

With respect to taking care of the services provided to the customers, the Bank has been providing ATM and POS service to its valued customers. Under the context, the Bank has installed 8 ATMs and 170 POS in the FY 2018/19, bringing its total count of ATM and POS terminals to 78 and 181 respectively.

Likewise, with an aim to provide additional service to the customers, the Bank has planned to issue Master Card by tying up with Master Card International Inc. This shall provide an opportunity to customers to select their card services, making the card services of the Bank more effective. Similarly, the Bank has also planned to opt for required technology that shall help in overcoming the increasing security issues related to card transactions.

Also, in order to provide more effective card service, the Bank has planned to issue cards based on contactless technology from the current financial year. In addition, the Bank has also planned to replace paper base pin with Green pin that can be provided to the customers through mobile OTP. With this, the Bank believes to a convenient services to the customers along with its slight contribution towards environment protection.

8. REMITTANCE TRANSACTION

During the FY 2018/19, the Bank has catered to total inward remittance of USD 18,458,000, earning an income of NPR 22,504,000. In the process of making the remittance transaction more effective, the Bank has been expanding its remittance business by entering into contracts with remittance companies both inside and outside the country. In this process, the Bank has made additional remittance agreements with Muktinath Remit, Panas Remit, Cashway Money transfer, Bhatbhateni Money transfer and Remit to Nepal Limited. The agreement made with these agents has helped the customers of the Bank to collect the funds sent from different countries of the world; through a widespread network of all the branches of the Bank and through more than ten thousand subsidiary representatives located all across the country. Hence, in the coming days, along with making the remittance business highly profitable, the Bank has aimed to expand and grow the remittance business by entering into agreement with more number of potential exchange companies located at different countries of the world.

9. EXPANSION OF OTHER BANKING FACILITY

In FY 2018/19, the Bank expanded its branchless banking services in Kothekhola VDC - 2 of Baglung district with the approval of NRB. With this, the Bank has been providing services through 99 branchless banking units till date. Several services such as collection of deposits, payments services, fund transfer, payment of mobile phones bills and other services has been provided by the Bank through its BLB networks.

Likewise, as per the agreement with National Reconstruction Authority relating to the distribution of subsidy for reconstruction of personal homes destroyed by the powerful earthquake of 2015, the Bank has been distributing the subsidy amount through its 8 branches located in earthquake-affected areas of 6 districts i.e. Dolakha, Kavre, Makawanpur, Bhojpur, Kathmandu and Myagdi. But from this year onwards, the Bank has started to distribute the subsidy amount through its 9 branches of 7 districts i.e. Dolakha, Kavre, Makawanpur, Bhojpur, Myagdi, Kathmandu and Sindhuli. Hence, with an aim to assist Nepal Government for the distribution of subsidy for earthquake victims, the Bank has provided subsidy amount to 8,751 beneficiaries in several installments.

In addition, the Bank organized Cash camp programme in six VDC's including Pokhari, Saanagaun, Ladagaada, Ganjari, Gahiragaun, Khirsen and Kadamandu of Doti district from August 08, 2018 till August 25, 2018 under the project of World Food Program (WFO) and with the assistance of Good Neighbors International. A total amount of NPR 51,776,835 was distributed to 3,633 families under the programme. The cash has been distributed as "Cash for Work" program for the construction of local road.

10. CORPORATE GOVERNANCE AND COMPLIANCE

Complying with the Unified Directive issued by NRB and assimilating with an aim of sustainable development of Nepal, the Bank since its inception, has been conducting various programs under Corporate Social Responsibility that has helped to bring a positive change in social, financial, cultural, educational field and amongst others. Continuing with the same zeal, during the FY 2018/19, the Bank has provided financial assistance totaling to NPR 72 lakhs of which, NPR 15 lakhs was provided towards education, NPR 7.50 lakhs towards environment protection, NPR 6 lakhs towards health, NPR 1 lakh towards sports development, NPR 2.50 lakhs towards cultural awareness, NPR 11 lakhs towards livelihood affected by natural disaster, NPR 20 lakhs towards social development, NPR 1 lakh towards women empowerment and NPR 8 lakhs towards financial awareness.

11. HUMAN RESOURCE

The Bank has formed a Recruitment Committee under the lead of Deputy Chief Executive Officer, with Chief Credit Officer and Chief Operations Officer as members and Head Human Resource Department as member- secretary. The Recruitment Committee has been formed to manage the human resources of the Bank and the Functions, Power and Duties of the committee has been stated as per the Bank's policy.

By the end of the FY 2018/19, the total workforce of the Bank stands at 973; 954 permanent staffs and 19 contract staffs. A total of 234 new staffs were hired/ appointed, whereas a total of 159 employees resigned from the Bank's service during the year. Out of the total staffs, 429 staffs are female i.e. 44.09 percent of the total workforce. With the aim of achieving the business goals by providing excellent and speedy banking services to the customers, the Bank has strived to increase the efficiency of its manpower, by providing training programs to almost all of its staffs, in the topics related to Loan, Integrated Risk Management, AML/CFT, Digital Payment Systems, Risk Based Internal Audit, Treasury Products and SWIFT Security, Bancassurance, etc both on domestic and international fronts. The Bank has spent a total of NPR 15,982,722 for enhancing the efficiency of human resource, which is within the regulatory requirement of spending a minimum of 3% of previous year's total staff expenses in employees' trainings. The Bank has spent 3.06% of previous year's total staff expenses in employee training expenses in current year, that is in excess by 0.06% as per the regulatory requirement. Further, the Bank has adopted the policy to carry out similar training programs in the near future as well.

12. CONTRIBUTION TO THE GOVERNMENT EXCHEQUER

During the FY 2018/19, the Bank has deposited a total of NPR 1.24 Billion with Inland Revenue Office, that comprises of NPR 0.68 Billion as Advance Income Tax and NPR 0.56 Billion as Tax Deducted at Source against various payments made by the Bank.

13. INTERNAL CONTROL SYSTEM

The Bank has adopted the policy of implementing a strong internal control system in order to cater to the credit risks, market risks, operational risks and other risks inherent in the banking business. In relation to this, the Bank has formulated and implemented necessary rules, regulations and policies in every area of banking transactions. The Bank has also constituted an independent Internal Audit Department governed by the BOD's Audit Committee, which is involved in reviewing whether the banking operational works and procedures have been conducted complying to existing laws. Similarly, the Bank has formulated Risk Management Committee that is accountable to the Board of Directors, the members of whom are involved in the regular supervision of risks relating to banking transaction and providing appropriate suggestions to the Board of Directors. The Committee has been effectively working on the same. Likewise, separate Credit Risk Department has also been constituted for minimizing credit risks. Similarly, for analysis of compliance of the Bank as a whole, determining the level of risk of all the customers of the Bank and for monitoring and resolving any weakness observed while complying to given standards, Anti-Money Laundering Committee has been formed in the Bank.

In addition, internal policies, rules and guidelines have been issued and implemented to manage the operations related to various departments. Different committees of the Bank are operational, including Executive Committee comprising executive team who are involved in effective and timely decision making process at management levels; Asset Liability Management Committee (ALCO) comprising managerial level members who are involved in managing balance sheet based on risk and return analysis and managing the interest risk and liquidity risk of the Bank strategically; IT Steering Committee comprising members who are involved in the development and timely upgradation of information and technology systems required for daily works, investments, operations and strategic planning; Operational Risk Management Committee comprising of members under Chief Risk Officer, who are involved in establishing inter-departmental coordination and conducting timely investigation of the day-to-day operations of the bank for minimizing the operational risk and Purchase Committee comprising of members who are involved in calling bidders for arrangement of logistics required for daily operations of bank and making recommendations to the Chief Executive Officer for the purchase of logistics and others.

14. CORPORATE GOVERNANCE AND COMPLIANCE

Maintaining a higher level of Corporate Governance has always been of great importance for the Bank. The Bank has its own objectives, policies, internal control system, and code of conduct of employees placed for an effective implementation of the Corporate Governance. Codes of conduct of directors and employees have been planned and implemented by the Bank. The Bank has always remained active in strengthening the Corporate Governance by maintaining transparency in the functions of BOD and other members. Furthermore, the Bank has been complying with all the policies and directives issued by NRB and other related authorities issued on regular basis and shall strive to comply in the coming days as well.

15. CHANGES IN BOARD OF DIRECTORS AND ITS REASONS

There has not been any change in the Board of Directors during the FY 2018/19.

16. CHANGES IN MANAGEMENT AND ITS REASONS

With the completion of the tenure of the Chief Executive Officer, Mr. Rajan Singh Bandari on Dec 31, 2018, following his leave from Dec 16, 2018, Deputy Chief Executive Officer, Mr. Ganesh Raj Pokhrel had

been appointed as the Acting Chief Executive Officer from Dec 16, 2018. Later, Acting Chief Executive Officer, Mr. Ganesh Raj Pokharel has been appointed as the Chief Executive Officer from April 01, 2019 onwards. Hence, as the post of Deputy Chief Executive Officer remained vacant, Mr. Bodh Raj Devkota, working as Assistant Chief Executive Officer, has been promoted to the post of Deputy Chief Executive Officer from April 14, 2019. With the vacancy created for the post of Assistant Chief Executive Officer after the promotion of Mr. Bodh Raj Devkota to Deputy Chief Executive Officer, Mr. Samir Prasad Dahal, who was assigned to CBIL Capital Limited as Chief Executive Officer, has been promoted to the post of Officiating Assistant General Manager of the Bank, with designation of Assistant Chief Executive Officer from May 03, 2019.

17. OTHER COMMITEES

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

Likewise, the Bank has formed Merger and Acquisition sub-committee, Budget sub-committee, Chief Executive Officer selection sub-committee, Land and Building management sub-committee as per section 26 of Bank and Financial Institutions Act, 2017 and Unified Directive No 06/075(7)(1)(b) issued by Nepal Rastra Bank. The Budget sub-committee and Chief Executive Officer selection sub-committee have been dissolved as the prescribed mandate of such sub-committees have come to an end.

AUDIT COMMITTEE:

The Audit Committee has been formed comprising of Mr. Avanindra Kumar Shrestha- Director as coordinator, Dr. Chanda Karki- Director as member and Head of Internal Audit Department as Member Secretary. The committee gives necessary directions to the management after having thorough discussions on the assessment of the Bank's financial status, internal control system, audit program and findings.

During the FY 2018/19, meeting of the Audit Committee was held 16 times and meeting allowance of NPR 11,000 has been paid each. In the meeting, the Committee reviewed the Bank's entire financial condition, internal controls, audit plan and observations and comments pointed out in the audit report presented by both the internal and external auditor, and directed the management to take the corrective actions. Similarly, the Committee reviewed the implementation of the comments mentioned in the audit report of NRB, whereby the issues were also 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, economy, relevance, effectiveness in the Bank's operations and provided necessary suggestions to the Board of Directors. The committee also 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 non-executive director, Mr. Prakash Chandra Mainali. The committee also constitutes of Mr. Avanindra Kumar Shrestha - Director, Chief Operating Officer as members and the Head of Risk Management Department as member secretary. 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 of the Committee have been defined as per the directives of NRB.

During the FY 2018/19, the meeting of the Risk Management Committee was held for 6 times and meeting allowance of NPR 11,000 has been paid each. The Committee has been involved in tracing all forms of risks that might affect the performance of the Bank and is also involved in the adequate management of such risk portfolios. In relation to risk management, the Committee has been providing special attention in minimizing risk relating to credit risks, market risks, operational risks, liquidity risks, compliance risks, IT 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.

Various reports are discussed in the Risk Management Committee, including various quarterly reports, such as quarterly ICAAP report and extensive analysis and discussion on ALCO Minutes. Detailed discussions on the risk-taking capacity of the bank, analysis of existing conditions of compliance and periodic revision and alterationsin various policies and procedures are held under the Committee. Detailed analysis and discussions were held in the Committee with the reports submitted to the Committee relating to the Core Banking Migration Risk Assessment Report, IT Risk Assessment Survey Report and ATM Risk Report. Lastly, analysis and discussions were held relating to special precautionary measures to be implemented for the identification and eradication of the hacking processes in the Bank.

HUMAN RESOURCE COMPENSATION COMMITTEE:

The Board of Director has formed the Human Resource Compensation Committee under the coordination of non-executive director Mr. Bal Krishna Prasai along with Chief Executive Officer and Chief Finance Officer as members and Chief Administrative Officer as a member secretary of the Committee. The functions, duties and rights of this Committee are aligned with the directives of NRB.

For the FY 2018/19, the meeting of the Committee was held for 13 times and meeting allowance of NPR 11,000 has been paid each. The Committee has reviewed the employee service facilities and implemented the revised

Employee Services Bylaws 2075, after the approval of Nepal Rastra Bank. After the implementation of new Bylaws, facilities such as PM Allowance, BM Allowance, and Vault Key Allowance have been added and facilities relating to Festival Allowance, Holiday Allowance and Evening Allowance have been increased. The Committee has also recommended for revising the organizational structure and the staff requirements for FY 2019/20 and has also reviewed other policies of the Bank.

ANTI MONEY LAUNDERING COMMITTEE

As per the the Unified Directive of Nepal Rastra Bank (NRB), the Board of Directors has constituted Anti Money Laundering Committee under the coordination of Non-Executive Director, Mr. Pabitra Kumar Karki along with Mr. Bijaya Dhoj Karki – Director and Chief Risk Officer as members. The Head of Anti Money Laundering Department is the Member Secretary of the Committee.

A total of 4 meetings were held of the Anti Money Laundering Committee during the FY 2018/19 and meeting allowance of NPR 110,000 has been paid. The Committee analyzed the overall status of compliance of the Bank, assessed the risk level of all its customers, assisted management in proper monitoring and resolving weaknesses observed relating to other compliance issues and held regular discussions relating to the quarterly AML / CFT compliance report.

MERGER AND ACQUISITION COMMITTEE

Abiding with the rules and regulations of Merger and Acquisition Bylaws 2073 issued by Nepal Rastra Bank, the Bank has formed Merger and Acquisition Committee for the period starting from May 05, 2019 to October 17, 2019 in coordination with Non-Executive Director Mr. Pabitra Kumar Karki along with Mr. Bal Krishna Prasai - Director and Mr. Prakash Chandra Mainali as members and Chief Executive Officer - Mr. Ganesh Raj Pokharel as a member secretary of the Committee.

The meeting of the Merger and Acquisition Committee was held for 6 times during the FY 2018/19 and meeting allowance of NPR 11,000 has been paid each. The committee had completed the task relating to identification of suitable banks and financial institutions for mergers and acquisitions, and implementation of Terms of Reference after the preparation of strategic plan of mergers and acquisitions of the bank.

The Bank had entered into an initial agreement with Sahayogi Development Bank Limited on 2019/07/08 as a part of its strategic plan to increase branch network, increase individual's deposit and attain overall business growth policy. A joint Merger and Acquisition Committee comprising two representatives of the Sahayogi Development Bank Limited was formed and a joint application for acquisition of Sahayogi Development Bank Limited had been submitted to Nepal Rastra Bank, for Memorandum of Understanding.

BUDGET COMMITTEE

The Board of Directors has constituted the Budget Committee to formulate budget for the FY 2019/20 in coordination with non-executive director, Mr. Bal Krishna Prasai along with Mr. Bijaya Dhoj Karki - Director, Mr. Avanindra Kumar Shrestha – Director and Chief Executive Officer as members. The Chief Finance Officer is the member secretary of the Committee.

During the FY 2018/19, meeting of the Budget Committee was held for 2 times and meeting allowance of NPR 11,000 has been paid each. The committee reviewed the budget proposed by the management along with the 4-year strategic plan of the Bank and submitted it to the Board of Directors for approval. Currently, the committee has been dissolved due to the termination of the specified mandate of the Budget Committee.

LAND AND BUILDING MANAGEMENT COMMITTEE

The Board of Directors has constituted the land and building management sub-committee for the period starting from April 18, 2019 to October 17, 2019, in coordination with the Director Mr. Pabitra Kumar Karki. The other members of the committee include Mr. Prakash Chandra Mainali - Director, Mr. Avanindra Kumar Shrestha – Director as members and Chief Administrative Officer as Member Secretary.

During the FY 2018/19, the meeting of the Land and Building Management Committee was held for one time and meeting allowance of NPR 11,000 has been paid each. The Sub-Committee had recommended to the Board, to sell the land which was not in use by the bank.

CHIEF EXECUTIVE OFFICER SELECTION COMMITTEE

After the completion of tenure of Chief Executive Officer, Mr. Rajan Singh Bhandari, the Chief Executive Officer Selection Committee was constituted as a need for permeating the post of Chief Executive Officer within three months after the vacancy, as per Directive No. 06 issued by Nepal Rastra Bank. The Committee was constituted under the coordination of the Director - Mr. Bal Krishna Prasai along with other Directors Mr. Pabitra Kumar Karki, Mr. Prakash Chandra Mainali, Mr. Bijaya Dhoj Karki and Mr. Avanindra Kumar Shrestha as members.

In the FY 2018/19, the meeting of the Chief Executive Officer Selection Committee was held for 2 times and meeting allowance of NPR. 11,000 has been paid each. The Bank has dissolved the committee after Mr. Ganesh Raj Pokharel taking over as Chief Executive Officer of the Bank from April 01, 2018.

18. MAJOR FACTORS AFFECTING BANKING TRANSACTION

The major risks that might affect the business of the Bank are listed below:

a. Risks due to change in economic conditions of the country.
b. Potential risks arising due to change in Economic, Monetary and Financial policy of the country.
c. Potential risks arising due to change in policies by Nepal Government and NRB, relating to commercial banks.
d. Risks due to change in exchange rate during foreign exchange transactions.
e. Risks due to change in interest rate on deposit and credit caused due to fluctuations in liquidity and risks arising on business expansions due to shortage of investable funds.
f. Risks caused due to the shrink in the scope of deposit collection, investment and loans and advances of the Bank.
g. Risks due to untimely recovery of loans.
h. Potential risks arising in providing non-funded services such as letter of credit and bank guarantee.
i. Economical risks arising due to potential impacts in the Nepalese market caused due to recession in foreign market.
j. Risks due to fluctuations in capital markets.
k. Lack of alternative investment sector.
l. Risks arising out of negative impacts created in our economic system caused due to fluctuations in remittance income.
m. Effects due to political instability in the country.
n. Effects due to vigorous competition in the banking industry.
o. Risk due to unavailability of centralized data and sufficient technology in order to stop Money Laundering.
p. The challenge of consistently providing high return on investment when the source of income is has narrowed down maintaining capital related requirements.
q. Challenges relating to operational risk arising out of development of information technology.

19. APPOINTMENT OF AUDITOR

The 12th Annual General Meeting of the Bank had appointed M/S J.K. & S.S Associates, Chartered Accountants, for auditing books of account for FY 2018/19 and the audit has been completed by the firm. The appointment of auditor for the FY 2019/20, shall be done as per recommendation of Audit Committee.

20. FUTURE PLANS AND PROGRAMS

The future plans and programs of the Bank shall be as under:

- In order to reduce the average interest rate on deposits, the Bank plans to introduce and mobilize new deposit schemes and increase individual deposit base subsequently decreasing the dependency on institutional deposits.
- Taking merger and acquisition as a strategic plan to increase branch network, increase individual deposits and increase the overall business of the Bank.
- Increase Non-Fund Based Transactions to increase Non-Fund Based Incomes.
- Improve the quality of the loans & advances and increase the investment in Agriculture, Energy, Tourism and Cottage and Small Scale Industries, while expanding loan portfolios.
- Further strengthen the Internal Control System and compliance of the Bank.
- Enhancement of branding and increment of business of the Bank through advertisements and business promotion programs.
- Organize more programs under Corporate Social Responsibility to show the Bank as a responsible institution towards society and hence, enhance the brand of the Bank.
- Conduct Research and Analysis to identify new areas for expansion of the business of the Bank and manage foreign exchange market and fluctuation in interest rate in a more effective way, to have a positive impact on profit of the Bank.
- Provide regular training for employees to improve their skills and attain overall development of human resources.
- Further strengthen the Corporate Governance of the Bank.
- Further enhance the risk management system of the Bank.
- Special attention in increasingthe size of transaction of Subsidiary companies of the Bank.
- Special attention inincreasing loans and advancesin productive sector. For this, areas having business prospects shall be prioritized for expansion of branch networks of the Bank.
- Implementation of latest technologies in digital banking platform as deemed appropriate, keeping in mind the increased risk exhibited by such platforms.

21. AUDIT, STATEMENT OF FINANCIAL POSITION AND OTHER STATEMENT

The Consolidated Statement of Financial Position as on July 16, 2019, Consolidated Statement of Profit or Loss for FY 2018/19, Consolidated Statement of Other Comprehensive Income, Consolidated Statement of Cash Flows, related Schedules and Auditor's Report of the Bank and its subsidiaries have been included as part of this annual report.

DISTRIBUTABLE PROFIT

In the Fiscal Year 2018/19, the Bank has earned Net profit of NPR 1,463,218,780, out of which, 20 percent of the Net Profit i.e. 20 percent of NPR 1,463.219 Million, amounting to NPR 292.643 Million has been transferred to General Reserve Fund, in line with Section 44 of the Bank and Financial Institutions Act (BAFIA), 2017. Similarly, in line with the section 45 of BAFIA, 2017; the Bank has transferred NPR 8.766 Million from Exchange Fluctuation Fund to distributable profit, due to losses incurred on fluctuations on exchange rates of foreign currencies. As per the directives of NRB, the Bank has separated 1 percent of total Net profit i.e. NPR 14.632

Million in the Corporate Social Responsibility Fund and the amount spent under corporate social responsibility amounting NPR 7.217 Million during the given year has been returned to distributable profit from the same reserve. Also, the Bank has separated NPR 71.429 Million in Debenture Redemption Reserve for payment of bonds issued by the Bank.

In addition, as per the Directive of the Nepal Rastra Bank, the amount of Interest Accrued, Deferred Tax Assets and Actuary gain amounting to NPR 53.60 Million has been transferred to the Regulatory Reserve whereas, the amount realized from the sale of non-banking assets and gains on revaluation on market price of investment in mutual funds amounting to NPR 71.30 Million has been withdrawn from the Regulatory Reserve during the FY 2018/19. Likewise, the amount of Investment Adjustment Reserve amounting NPR 132.20 Million set up for investment made in the Bank's Subsidiary unit: CBIL Capital Limited and Nepal Electronic Payment System Limited has been transferred to Distributable Profit as per the new provision of Nepal Rastra Bank. Lastly, the Bank has proposed to distribute bonus shares from the amount of Share Premium amounting NPR 46.80 Million.

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

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

Note of Thanks

On behalf of the Board of Directors of the Bank, I would like to express my gratitude to all the shareholders, customers, institutions related with Nepal Government and Nepal Rastra Bank for their valuable assistance in meeting the objectives of the Bank. I would also like to thank the Chief Executive Officer, all the officers and employees of the Bank and stakeholders for their valuable contribution towards the progressive development and upliftment of the Bank. Also, I am deeply grateful to the world of media who have been relay all the activities of the Bank to the public in a positive way. Finally, I would like to thank all of our well-wishers who have supported the Bank directly and indirectly.

On behalf of the Board of Directors
Dr. Shankar Prasad Sharma
Chairman
Date: September 6, 2019

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

REPORT ON THE ACTIVITIES OF AUDIT COMMITTEE

Audit Committee has been constituted according to the regulatory provisions of NRB Unified Directives and the provisions of sections 164 and 165 of Companies Act, 2006. Audit Committee has been constituted under the chairmanship of non-executive director. The committee of the Board was constituted on July 10, 2007 (Ashadh 26, 2064) and was reconstituted on August 17, 2017 (Bhadra 05, 2074).

COMPOSITION OF AUDIT COMMITTEE

MEMBER OF COMMITTEE	DESIGNATION	MEMBERSHIP STATUS
Mr. Avanindra Kumar Shrestha	Director	Coordinator
Dr. Chanda Karki	Director	Member
Mr. Ramdhan Shrestha	Assistant Chief Executive Officer, Internal Audit Department	Member Secretary*

**Mr. Ramdhan Shrestha was appointed as member secretary of the committee on May 3, 2019, replacing Mr. Anit Sapkota.*

ROLES AND RESPONSIBILITIES

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 the financial reporting process, the audit process, the system of internal controls and compliance with laws and regulations which includes the following:

- The Committee reviews the adequacy of internal control system, structure of internal audit department, its staffing pattern and holds discussions with the internal auditors/inspectors and any significant finding and follow-up action thereon. It further reviews the financial and risk management policies of the Bank.
- Review significant accounting and reporting issues and recent professional and regulatory pronouncements to understand the potential impact on financial statements.
- Review the results of the audit with management and external auditors, including matters required to be communicated to the committee under Nepal Standards on Auditing.
- Consider internal controls and review their effectiveness.
- Review of report on, and management responses to, observations and significant findings.
- Control over the financial reporting, information technology security and operational matters.
- Supervises the review and approval of public financial statements.

ATTENDANCE IN FY 2018/19

During the year, 16 meetings of the committee were held to review the various matters connected with the internal control, systems and procedures and other aspects, as required in the terms of NRB directives.

MEMBER OF COMMITTEE	ATTENDANCE
Mr. Avanindra Kumar Shrestha, Director	16/16
Dr. Chanda Karki, Director	15/16
Mr. Ramdhan Shrestha, Assistant Chief Executive Officer-IAD	3/3
Mr. Anit Sapkota, Head-Internal Audit Department	13/13

**Mr. Ramdhan Shrestha was appointed as member secretary of the committee on May 3, 2019, replacing Mr. Anit Sapkota.*

MAJOR AGENDAS DISCUSSED & DECISIONS MADE IN THE MEETING OF AUDIT COMMITTEE.

- Approval of revised Internal Audit Manual 2019.
- Revision of audit plan for 2018/19 as per revised Internal Audit Manual 2019.
- Discussion on management response on Quarterly Review Reports of 2018/19.
- Recommendation for appointment and remuneration of external auditor for fiscal year 2019/20 to Annual General Meeting of the Bank.
- Discussion on Half Yearly INR Compliance Report of the Bank for FY 2018/19.

- Discussion on NRB –Report of Inspection Findings –CBIL 2018 as well as redirection provided by NRB on NRB Report of Inspection Finding 2018.

- Discussion on Internal Audit report of LC operation of the Bank, Corporate Credit and SME Banking Unit, New Products and transaction Banking Department and Recovery Department, Consumer banking Unit (CBU), Finance Department as well as NRB Reporting and Compliance Department , Treasury department , Card Department and remittance Department for FY 2018/19 submitted by internal Audit Department .

- Discussion on Performance Appraisal of Head –Internal Audit department.

- Discussion on Internal Audit Report of inside and outside valley branches for FY 2018/19.

- Discussion on appointment of Information System Auditors for FY 2018/19.

- Review of the annual audit plan of the Internal Audit Department.

- Discussion on preliminary findings of Targeted Inspection submitted to the Bank by Nepal Rastra Bank and management response thereon.

- Discussion on the Gold audit report of branches.

The observation and comments put forth by internal/ external auditors and regulators were reported to the Board of Director with appropriate recommendations to which, the Board of Directors provided necessary instruction to the management to regularize such observations and comments. Audit Committee ensured such instruction 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 SHRESTHA
Coordinator
Audit Committee

REPORT ON THE ACTIVITIES OF RISK MANAGEMENT COMMITTEE

The Committee is constituted with 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 Committee is chaired by a non- executive director with a total of four members in the committee.

MEMBER OF COMMITTEE	DESIGNATION	MEMBERSHIP STATUS
Mr. Prakash Chandra Mainali	Director	Coordinator
Mr. Avanindra Kumar Shrestha	Director	Member
Mr. Paras Kumar Kafle	Chief Operating Officer	Member
Mr. Rajendra Lal Shrestha*	Chief Operating Officer	Member Secretary

**Mr. Rajendra Lal Shrestha was appointed as Chief Risk Officer with effect from December 31, 2018 and was assigned the role of member secretary of the committee replacing Mr. Ravi Kumar Rauniyar, Executive Risk Officer from the same date.*

ROLES AND RESPONSIBILITIES

The Committee of the Bank is assigned with the following responsibilities:

- 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 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 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, improvement/ deterioration in assets quality, as well as performance of Assets Liabilities Committee (ALCO) and submit report to the Board.
- To review the authority delegation and analyze its appropriateness and submit report along with the recommendation 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 as situation.

ATTENDANCE IN FY 2018/19,

During FY 2018/19, 6 meetings were held by Audit Committee and the detail of member attendance are as follows:

MEMBER OF COMMITTEE	ATTENDANCE
Mr. Prakash Chandra Mainali, Director	6/6
Mr. Avanindra Kumar Shrestha, Director	6/6
Mr. Bijaya Dhoj Karki, Director*	3/5
Mr. Paras Kumar Kafle, Chief Operating Officer	6/6
Mr. Rajendra Lal Shrestha, Chief Risk Officer**	4/6
Mr. Ravi Kumar Rauniyar, Executive Risk Officer**	2/6

** Mr. Bijaya Dhoj Karki, Director was the member of the committee till May 3, 2019.*
*** Mr. Rajendra Lal Shrestha was appointed as Chief Risk Officer with effect from December 31, 2018 and was assigned the role of member secretary of the committee replacing Mr. Ravi Kumar Rauniyar, Executive Risk Officer from the same date.*

MAJOR ACTIVITIES UNDERTAKEN

- The committee reviewed and recommended various policies, reviewed/ amended/ drafted policies to define, assess, quantify and monitor the risk that the Bank is exposed to, as well as define the limit of tolerance acceptable as per the overall strategy of the Bank and recommended them 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.

- The Committee submitted various reports related to IT risk such as Core Banking Migration Risk Assessment, ATM Risk Assessment, IT Risk Assessment Survey, Hacking procedure and its prevention techniques, etc.

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. PRAKASH CHANDRA MAINALI
Coordinator
Risk Management Committee

REPORT ON THE ACTIVITIES OF HUMAN RESOURCE COMPENSATION COMMITTEE

The Committee is constituted with the terms of reference of the committee in line with the regulatory provisions of the Nepal Rastra Bank. The Chief Executive Officer, responsible for the overall management of the Bank participates in all the deliberations and discussions, except in matters of conflict of interest.

COMPOSITION OF THE COMMITTEE

MEMBER OF COMMITTEE	DESIGNATION	MEMBERSHIP STATUS
Mr. Bal Krishna Prasai	Director	Coordinator
Mr. Ganesh Raj Pokharel	Chief Executive Officer	Member
Mr. Pramesh Raj Kayastha	Chief Finance Officer	Member
Ms. Umang Sharma	Chief Administrative Officer	Member Secretary

ROLES AND RESPONSIBILITIES

The Committee is vested with the responsibility to undertake and comment on the following:

- 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 Chief Executive Officer in line with the industry and the Compensation and Benefit Determination Policy and if required proposes 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 policy and parameters related to recruitment and selection, appointment, placement, transfer, promotion, personnel development, performance evaluation, reward and punishment and recommend 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.
- 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.
- 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.

ATTENDANCE IN FY 2018/19

In FY 2018/19, 13 meetings were held and the details of the member attendance are as follows:

MEMBER OF COMMITTEE	MEETING ATTENDED
Mr. Bal Krishna Prasai, Director	13/13
Mr. Pavitra Kumar Karki, Director*	10/11
Mr. Rajan Singh Bhandari, Chief Executive Officer**	6/7
Mr. Ganesh Raj Pokharel, Chief Executive Officer***	6/6
Ms. Umang Sharma, Chief Administrative Officer	13/13
Mr. Pramesh Raj Kayastha, Chief Finance Officer	12/13

**Mr. Pavitra Kumar Karki ceased to be the member of the committee with effect from March 12, 2019.*
***Mr. Rajan Singh Bhandari ceased to be the member of the committee from December 31, 2018.*
****Mr. Ganesh Raj Pokharel was appointed as the member of the committee from December 17, 2018.*

In the FY 2018/19, following agenda were discussed in the committee meeting:

- Amendment in Organizational Structure as per the need of the Bank.
- Reformation of Capacity Development and Training Committee.
- Reformation of Recruitment Committee as per the need of the Bank.
- Annual Performance Appraisal review and recommendation for salary revision of Chief Executive Officer.
- Discussion and Amendment of Employee Byelaws, 2008.
- Amendment in Branch Managers Residence facility provided to Branch Managers of outside Valley.
- Amendment in Annexure 7- Staff Vehicle Facility of Employee Byelaws, 2008.
- Recommendation for providing Acting Chief Executive Officer Allowance to Acting Chief Executive Officer.
- Amendment of Employee Byelaws, 2018 as per NRB feedback and subsequent approval.
- Amendment of Capacity Development and Training Policy as per the requirement of the Bank.
- Discussion and amendment of Budget of Residence provided to Provincial Managers and Branch Managers of outside valley branches.
- Approving Manpower Plan for FY 2019/20.
- Providing additional allowance such as Province Manager Allowance, Branch Manager Allowance, Vault Key Allowance and amendment in Holiday and Festival Allowance provided to eligible staffs.

Conclusion

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

MR. BAL KRISHNA PRASAI
Coordinator
Human Resource Compensation Committee

A REPORT ON THE ACTIVITIES OF ANTI MONEY LAUNDERING COMMITTEE (AMLC)

COMPOSITION OF THE COMMITTEE

The Anti Money Laundering Committee is constituted as per the terms of reference in line with the regulatory provisions of the NRB. The AML Committee of the Bank comprises of 5 Members:

MEMBER OF COMMITTEE	DESIGNATION	MEMBERSHIP STATUS
Mr. Pavitra Kumar Karki	Director	Coordinator
Mr. Bijaya Dhoj Karki	Director	Member
Mr. Prakash Chandra Mainali	Director	Member
Mr. Rajendra Lal Shrestha*	Chief Risk and Recovery Officer	Member
Ms. Seema Basyal*	Senior Officer	Member Secretary

** Mr. Rajendra Lal Shrestha was appointed as Member of committee replacing Mr. Ravi Kumar Rauniyar, Executive Risk Officer with effect from January 14, 2019.*

The committee is chaired by one nominated member of Board of Directors as Co-ordinator. 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/rules (ALPA) and other applicable Acts.

ROLES AND RESPONSIBILITIES

The committee is fully responsible for ensuring effective operations of AML functions. The responsibilities of the Committee with respect to these risks include but not limited to the following:

- To present the review report of implementation status according to Assets (Money Laundering Prevention Act, 2008, Assets (Money) Laundering Prevention Rule, 2017 and NRB Directive 19 to the Board.
- To discourse on procedural implication of Assets (Money Laundering Prevention Act, 2008, Assets (Money) Laundering Prevention Rule, 2017, NRB Directive 19 and recommendation of Financial Action Task Force in internal policy and procedure and its implementation.
- To discourse on proper adequacy on management information system (MIS) on monitoring for prevention in money laundering and financing terrorism activities and provide necessary suggestions to the Board.
- To implement the customer identification and customer acceptance policy for proper identification of High Positioned Persons, Political Exposed Persons and Ultimate Beneficial Owner as well as categorization of customer according to inherited risk.
- To provide report regarding implementation status of the Bank's internal policy, Assets (Money Laundering Prevention Act, 2008, Assets (Money) Laundering Prevention Rule, 2017 and NRB Directive 19 to the Board on a quarterly basis.
- To obtain report from the management and discourse and recommend to the Board;
    a. Report on AML/CFT risk management
    b. Report on the effective use of Management Information System (MIS) regarding KYC update, CDD, ECDD, details of PEPs
    c. Review on AML/CFT related remarks by Internal Audit Report, External Audit
    d. Report on NRB inspection directives and correctives/ compliance actions to be taken amending policies and procedural documents of the Bank.
- The detail information regarding the analysis of ML/FT risk regarding introduction of new services, Procurement of IT system, Wire Transfer, e-banking and mobile banking (including QR code), fund transfer from mobile wallet and other transactions through online and its improvement in policy and procedure of the Bank.
- To recommend the Board on risk management on ML/FT with regard to the consequence of national and

international level AML/CFT news and incidents.

- To initiate and manage knowledge sharing programs on AML/CFT to Implementing Officer, Shareholder holding 2% or more shares of the Bank, Board of Directors, Management Team and staffs related to AML/CFT.

- To review and recommend periodic review of AML/CFT policy of the Bank to the Board.

- To ensure the proper functioning of AML/CFT system, risk management of ML/FT risk, suspicious action or transaction monitoring and necessary reporting to regulator and discourse the outcome to the Board.

- To discourse on a regular basis on reports submitted to FIU and NRB according to provision mentioned in Assets (Money) Laundering Prevention Act, 2064 section 44 Ka on regarding prevention on money laundering and financing terrorism.

The Committee is authorised to:

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

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

Major Activities Undertaken:

- Has reviewed and discussed the TOR of AML Committee.

- Has reviewed the AML/ CFT Policy of the Bank.

- Has reviewed, discussed and issued necessary instructions to management as per Quarterly AML/CFT-Compliance Review Report

In FY 2018/19, Anti Money Laundering Committee has held 4 meetings and the details of member attendance are as follows:

MEMBER OF COMMITTEE	ATTENDANCE
Mr. Pavitra Kumar Karki, Director	4/4
Mr. Bijaya Dhoj Karki, Director	4/4
Mr. Prakash Chandra Mainali, Director	3/4
Mr. Rajendra Lal Shrestha, Chief Risk Officer*	2/2
Mr. Ravi Kr. Rauniyar, Executive Risk Officer*	2/2
Ms. Seema Basyal, Senior Officer	4/4

** Mr. Rajendra Lal Shrestha was appointed as Member of committee replacing Mr. Ravi Kumar Rauniyar, Executive Risk Officer with effect from January 14, 2019.*

Major agendas discussed in Anti Money Laundering Committee (AMLC) meeting:

- Quarterly AML/CFT- Compliance Review Report

- Discussion on effective implementation of Go AML system in our bank for online reporting of Threshold Transaction Reporting/ Suspicious Transaction Reporting.

- Discussion on effective training and awareness to employees regarding importance of AML/KYC.

- Review and discussion on risk categorization of customers of the Bank.

Evaluation of the Committee:

An independent evaluation of the Committee was done by the Board of Directors of the Bank with regard to the effectiveness of the Committee while discharging its functions and its contribution on the overall performance of the Bank and was found to be satisfactory.

MR. PAVITRA KUMAR KARKI
Coordinator
Anti-Money Laundering Committee

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 INVESTMENT 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 includes 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 liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences. Deferred tax liabilities 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 been 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 profit 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 fee, 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 have 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.

Regd. (ICAN) No.: 407
JK & SS Associates
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF CITIZENS BANK INTERNATIONAL LIMITED

Opinion

We have audited the accompanying consolidated financial statements of Citizens Bank International Ltd and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at Ashadh 31, 2076 (July 16, 2019), and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and notes to the consolidated financial statement.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the group as at Ashadh 31, 2076 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Nepal Financial Reporting Standards (NFRSs).

Basis for Opinion

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

Other Matters

We did not audit the financial statements and other financial information of a subsidiaries. These financial statements and other financial information have been audited by other auditor whose report has been furnished to us by the management and our opinion on the financial statements in so far as it relates to the accounts and disclosures included in respect of these subsidiaries, are based solely on the report of the other auditor.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Nepal Financial Reporting Standards (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.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion , forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

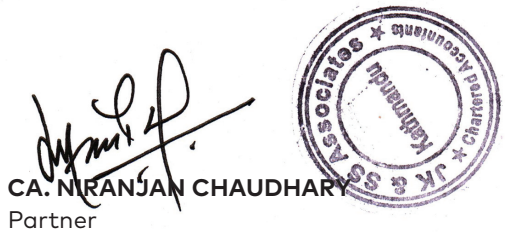
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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 to the best of our knowledge and belief were necessary for the purpose for audit,
ii. The accounts and records of the Bank has been maintained as required by law,
iii. Financial statements are in agreement with the books of account maintained by the Bank,
iv. The capital fund, risk bearing fund and the provision for possible impairment of asset of the Bank are adequate as per the Directives issued by Nepal Rastra Bank,
v. In our opinion and to the best of our information and according to the explanation given to us, the Board of Directors, the representative or any employee of the Bank has not acted contrary to the provision of law relating to accounts nor caused direct loss or damage to the Bank deliberately or acted in a manner that would jeopardize the interest and security of the Bank,
vi. The operations of the Bank were within its jurisdiction,
vii. The Bank has not acted in a manner to jeopardize the interest and security of the depositors and investors,
viii. 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
ix. 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: August 26, 2019
Place: Dillibazaar, Kathmandu
UDIN:190827CA008481UtQ4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at July 16, 2019 (Ashadh 31, 2076)

AMOUNT IN NPR

PARTICULARS	NOTE	GROUP		BANK	
		CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
ASSETS					
Cash and Cash Equivalents	4.1	6,742,724,913	5,148,467,404	6,740,702,460	5,046,237,676
Due from Nepal Rastra Bank	4.2	2,596,966,889	3,690,192,293	2,596,966,889	3,690,192,293
Placement with Bank and Financial Institutions	4.3	394,769,893	1,989,878,358	394,769,893	1,989,878,358
Derivative Financial Instruments	4.4	44,104,432	36,385,944	44,104,432	36,385,944
Other Trading Assets	4.5	653,480,338	142,662,000	567,253,478	76,236,446
Loans and Advances to B/FIs	4.6	1,581,899,190	1,420,646,197	1,581,899,190	1,420,646,197
Loans and Advances to Customers	4.7	62,911,970,484	55,598,967,114	62,911,970,484	55,601,766,580
Investment Securities	4.8	10,854,379,551	5,616,858,302	10,822,603,551	5,616,858,302
Current Tax Assets	4.9	12,016,364	114,653,791	14,624,427	114,653,791
Investment in Subsidiaries	4.10	-	-	167,204,200	117,200,000
Investment in Associates	4.11	29,728,445	23,903,192	17,951,500	17,951,500
Investment Property	4.12	222,547,153	287,547,060	222,547,153	287,547,060
Property and Equipment	4.13	2,308,095,479	2,127,954,165	2,302,848,710	2,121,592,854
Goodwill and Intangible Assets	4.14	93,699,311	71,173,137	93,353,427	70,534,031
Deferred Tax Assets	4.15	23,971,072	-	20,235,997	-
Other Assets	4.16	1,608,239,372	1,486,416,314	1,622,327,761	1,502,271,962
Total Assets		**90,078,592,885**	**77,755,705,271**	**90,121,363,554**	**77,709,952,994**
LIABILITIES					
Due to Bank and Financial Institutions	4.17	3,926,662,470	3,335,288,532	3,926,662,470	3,335,288,532
Due to Nepal Rastra Bank	4.18	1,212,586,471	695,041,370	1,212,586,471	695,041,370
Derivative Financial Instruments	4.19	-	-	-	-
Deposits from Customers	4.20	70,355,477,776	60,605,815,636	70,509,084,649	60,696,026,972
Borrowing	4.21	-	-	-	-
Current Tax Liabilities	4.9	-	-	-	-
Provisions	4.22	5,306,626	5,526,126	5,306,626	5,306,626
Deferred Tax Liabilities	4.15	-	15,292,307	-	17,677,499
Other Liabilities	4.23	1,482,679,855	1,554,811,510	1,473,951,481	1,447,977,647
Debt Securities Issued	4.24	499,145,186	498,722,911	499,145,186	498,722,911
Subordinated Liabilities	4.25	-	-	-	-
Total Liabilities		**77,481,858,384**	**66,710,498,391**	**77,626,736,883**	**66,696,041,556**
EQUITY					
Share Capital	4.26	8,371,064,773	8,033,236,400	8,371,064,773	8,033,236,400
Share Premium		46,816,126	433,526	46,816,126	433,526
Retained Earnings		1,267,705,675	117,421,902	1,251,267,361	132,228,780
Reserves	4.27	2,827,477,541	2,849,829,461	2,825,478,410	2,848,012,733
Total Equity Attributable to Equity Holders		**12,513,064,114**	**11,000,921,288**	**12,494,626,670**	**11,013,911,439**
Non-Controlling Interest		**83,670,387**	**44,285,592**	**-**	**-**
Total Equity		**12,596,734,501**	**11,045,206,880**	**12,494,626,670**	**11,013,911,439**
Total Liabilities and Equity		**90,078,592,885**	**77,755,705,271**	**90,121,363,554**	**77,709,952,994**
Contingent liabilities and commitment	4.28				
Net assets value per share		149.48	136.94	149.26	137.1

PRAMESH RAJ KAYASTHA
Chief Finance Officer

GANESH RAJ POKHAREL
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
CA NIRANJAN CHAUDHARY
Partner
JK & SS Associates
Chartered Accountants

Date: August 26, 2019
Place: Narayanhiti Path, Kathmandu

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended July 16, 2019 (Ashadh 31, 2076)

AMOUNT IN NPR

PARTICULARS	NOTE	GROUP		BANK	
		CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Interest Income	4.29	8,534,221,931	7,110,181,614	8,532,283,587	7,109,387,573
Interest Expenses	4.30	(5,833,397,635)	(4,881,474,938)	(5,843,821,610)	(4,887,319,894)
Net Interest Income		**2,700,824,296**	**2,228,706,676**	**2,688,461,977**	**2,222,067,679**
Fees and Commission Income	4.31	601,483,255	578,046,372	568,573,901	559,884,278
Fees and Commission Expenses	4.32	(73,069,970)	(52,321,855)	(67,393,405)	(50,836,108)
Net Fees and Commission Income		528,413,285	525,724,517	501,180,496	509,048,171
Net Interest, Fees and Commission Income		**3,229,237,581**	**2,754,431,193**	**3,189,642,473**	**2,731,115,850**
Net Trading Income	4.33	343,676,130	172,484,869	277,322,135	181,074,487
Other Operating Income	4.34	36,519,227	124,457,490	30,465,306	120,696,494
Total Operating Income		**3,609,432,937**	**3,051,373,552**	**3,497,429,914**	**3,032,886,830**
Impairment (Charge)/ Reversal for Loans and Other Losses	4.35	138,372,772	(89,316,642)	138,372,772	(89,316,642)
Net Operating Income		**3,747,805,710**	**2,962,056,910**	**3,635,802,686**	**2,943,570,188**
Operating Expenses					
Personnel Expenses	4.36	(910,939,209)	(789,970,588)	(900,244,354)	(784,057,981)
Other Operating Expenses	4.37	(472,413,890)	(375,165,455)	(464,654,072)	(347,358,417)
Depreciation & Amortisation	4.38	(172,470,757)	(128,350,655)	(170,501,154)	(126,526,734)
Operating Profit		**2,191,981,853**	**1,668,570,213**	**2,100,403,106**	**1,685,627,057**
Non Operating Income	4.39	28,260,200	27,402,047	77,786,069	37,955,047
Non Operating Expenses	4.40	(575,339)	(16,717,011)	(575,339)	(16,717,011)
Profit Before Income Tax		**2,219,666,714**	**1,679,255,249**	**2,177,613,836**	**1,706,865,093**
Income Tax Expenses	4.41				
Current Tax		(778,977,415)	(536,347,961)	(776,346,002)	(536,347,961)
Deferred Tax		63,316,326	65,686,933	61,950,946	63,586,765
Profit (Loss) for the Period		**1,504,005,625**	**1,208,594,221**	**1,463,218,780**	**1,234,103,897**
Profit Attributable To:					
Equity Holders of the Bank		1,491,780,965	1,217,377,305	1,463,218,780	1,234,103,897
Non-Controlling Interest		12,224,660	(8,783,084)	-	-
Profit for the Period		**1,504,005,625**	**1,208,594,221**	**1,463,218,780**	**1,234,103,897**
Earnings Per Share		17.98	15.05	17.49	15.37
Diluted Earnings Per Share		17.98	15.05	17.49	15.37

PRAMESH RAJ KAYASTHA
Chief Finance Officer

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PABITRA KUMAR KARKI
Director

DR. CHANDA KARKI
Director

AVANINDRA KUMAR SHRESTHA
Director

As per our report of even date
CA NIRANJAN CHAUDHARY
Partner
JK & SS Associates
Chartered Accountants

Date: August 26, 2019
Place: Narayanhiti Path, Kathmandu

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended July 16, 2019 (Ashadh 31, 2076)

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Profit or Loss for the Period	**1,504,005,625**	**1,208,594,221**	**1,463,218,780**	**1,234,103,897**
Other Comprehensive Income				
a) Items that will not be reclassified to Profit or Loss				
Gains/ (Losses) from Investments in Equity Instruments Measured at Fair Value	95,938,512	(9,000,000)	95,938,512	(9,000,000)
Gains/ (Losses) on Revaluation				
Actuarial Gains/ (Losses) on Defined Benefit Plans	(15,762,023)	(3,901,414)	(15,813,677)	(4,092,980)
Income Tax relating to above items	(24,052,947)	3,975,786	(24,037,451)	3,927,894
Net Other Comprehensive Income that will not be reclassified to Profit or Loss	**56,123,542**	**(8,925,629)**	**56,087,385**	**(9,165,086)**
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				
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	**56,123,542**	**(8,925,629)**	**56,087,385**	**(9,165,086)**
Total Comprehensive Income for the Period	**1,560,129,167**	**1,199,668,593**	**1,519,306,164**	**1,224,938,811**
Profit Attributable to:				
Equity Holders of the Bank	1,547,904,507	1,208,407,053	1,519,306,164	1,224,938,811
Non-Controlling Interest	12,224,660	(8,738,460)	-	-
Total Comprehensive Income for the Period	**1,560,129,167**	**1,199,668,593**	**1,519,306,164**	**1,224,938,811**

PRAMESH RAJ KAYASTHA
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As per our report of even date
CA NIRANJAN CHAUDHARY
Partner
JK & SS Associates
Chartered Accountants

Date: August 26, 2019
Place: Narayanhiti Path, Kathmandu

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended July 16, 2019 (Ashadh 31, 2076)

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest Received	8,195,778,060	6,649,776,365	8,193,995,376	6,648,982,323
Fees and Other Income Received	624,871,154	591,835,300	593,645,693	575,124,736
Dividend Received	3,556,406	174,460	220,434	174,460
Receipts from Other Operating Activities	340,774,944	299,186,843	390,072,146	312,922,343
Interest Paid	(5,936,284,190)	(4,761,399,670)	(5,951,919,486)	(4,767,244,626)
Commission and Fees Paid	(67,393,405)	(50,111,108)	(67,393,405)	(50,836,108)
Cash Payment to Employees	(830,334,290)	(676,171,999)	(823,759,526)	(670,488,221)
Other Expenses Paid	(201,628,993)	(511,497,036)	(189,876,502)	(486,690,820)
Operating Cash Flows before Changes in Operating Assets and Liabilities	**2,129,339,686**	**1,541,793,155**	**2,144,984,729**	**1,561,944,088**
(Increase)/ Decrease in Operating Assets				
Due from Nepal Rastra Bank	1,093,225,404	(1,499,295,590)	1,093,225,404	(1,499,295,590)
Placement with Bank and Financial Institutions	1,595,108,465	(421,863,940)	1,595,108,465	(421,863,940)
Other Trading Assets	(573,250,005)	(43,373,359)	(573,250,005)	(43,373,359)
Loans and Advances to Bank and Financial Institutions	(161,252,993)	46,480,779	(161,252,993)	46,480,779
Loans and Advances to Customers	(7,383,780,341)	(9,583,064,611)	(7,383,780,341)	(9,580,265,145)
Other Assets	(149,263,437)	(74,427,664)	(152,951,620)	19,577,296
Increase/ (Decrease) in Operating Liabilities				
Due to Bank and Financial Institutions	591,373,938	833,381,728	591,373,938	833,381,728
Due to Nepal Rastra Bank	517,545,101	661,463,293	517,545,101	661,463,293
Deposit from Customers	9,659,450,804	8,889,140,983	9,813,057,677	8,979,352,320
Borrowings	(2,799,466)	(5,568,272)	-	-
Other Liabilities	(17,293,641)	(494,675,411)	122,344,510	27,462,990
Net Cash Flow from Operating Activities before Taxes Paid	**7,298,403,516**	**(150,008,909)**	**7,606,404,866**	**584,864,460**
Income Taxes Paid	(676,326,707)	(354,138,124)	(676,316,639)	(354,138,124)
Net Cash Flow from Operating Activities	**6,622,076,809**	**(504,147,032)**	**6,930,088,227**	**230,726,336**
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Investment Securities	(5,053,592,491)	(68,600,000)	(5,188,592,491)	(36,400,000)
Receipts from Sale of Investment Securities	43,216,718	1,194,960,149	-	1,191,495,006
Purchase of Property and Equipment	(356,494,908)	(490,924,795)	(355,933,071)	(490,030,077)
Receipt from the Sale of Property and Equipment	3,451,579	5,227,247	3,451,579	5,227,247
Purchase of Intangible Assets	(22,819,397.0)	(65,674,655.0)	(22,819,397.0)	(65,674,655.0)
Receipt from the Sale of Intangible Assets	-	-	-	-
Purchase of Investment Properties	-	-	-	-
Receipt from the Sale of Investment Properties	70,572,412	102,519,002	70,572,412	102,519,002
Interest Received	322,555,770	300,908,953	322,400,111	300,908,953
Dividend Received	2,667,854	9,464,231	2,667,854	5,690,709
Net Cash used in Investing Activities	**(4,990,442,462)**	**987,880,132**	**(5,168,253,003)**	**1,013,736,186**
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	92,765,200	191,276,394	92,765,200	4,076,394
Dividends Paid	(117,635,632)	(50,467,973)	(117,635,632)	(45,467,973)
Interest Paid	(42,500,008)	(44,302,083)	(42,500,008)	(44,302,083)

Other Receipt/ Payment	29,993,602	-	-	-
Net Cash from Financing Activities	**(37,376,838)**	**96,506,338**	**(67,370,440)**	**(85,693,662)**
Net Increase (Decrease) in Cash and Cash Equivalents	**1,594,257,509**	**580,239,435**	**1,694,464,784**	**1,158,768,857**
Cash and Cash Equivalents Ashadh, 2075	5,148,467,404	4,568,227,968	5,046,237,676	3,887,468,818
Effect of Exchange Rate Fluctuations on Cash and Cash Equivalents Held	-	-	-	-
Cash and Cash Equivalents at Ashadh End 2076	**6,742,724,913**	**5,148,467,404**	**6,740,702,460**	**5,046,237,676**

PRAMESH RAJ KAYASTHA
Chief Finance Officer

GANESH RAJ POKHAREL
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
CA NIRANJAN CHAUDHARY
Partner
JK & SS Associates
Chartered Accountants

Date: August 26, 2019
Place: Narayanhiti Path, Kathmandu

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended July 16, 2019 (Ashadh 31, 2076)

AMOUNT IN NPR

PARTICULARS	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, 2017	**6,921,689,662**	**532,794,833**	**945,479,886**	**33,055,535**	**-**	**-**	**343,854,012**	**765,036,985**	**305,078,127**	**9,846,989,039**	**34,874,052**	**9,881,863,091**
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)	-	-	-	-	-	-
Gains/ (Losses) on Revaluation	-	-	-	-	-	-	-	-	-	-	-	-
Actuarial Gains/ (Losses) on Defined Benefit Plans	-	-	-	-	-	-	-	-	(2,766,035)	-	44,624	-
Gains/ (Losses) on Cash Flow Hedge	-	-	-	-	-	-	-	-	-	-	-	-
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 recognised in Equity												
Share Issued	-	-	-	-	-	-	-	-	-	-	19,800,000	19,800,000
Share Based Payments												
Dividends to Equity Holders											(1,650,000)	(60,105,413)
Bonus Shares Issued	1,107,470,346	(532,361,307)	-	-	-	-	-	(575,109,039)	-	-	-	-
Cash Dividend Paid	-	-	-	-	-	-	-	(58,455,413)	-	(58,455,413)	-	-
Other	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**
Balance at July 17, 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**

Comprehensive Income for the Year												
Profit for the Year	-	-	-	-	-	-	-	1,491,780,965	-	1,491,780,965	12,224,660	1,504,005,625
Other Comprehensive Income, Net of Tax												
Gains/ (Losses) from Investments in Equity Instruments Measured at Fair Value	-	-	-	-	-	67,156,958	-	-	-	67,156,958	-	-
Gains/ (Losses) on Revaluation	-	-	-	-	-	-	-	-	-	-	-	-
Actuarial Gains/ (Losses) on Defined Benefit Plans	-	-	-	-	-	-	-	-	(11,046,582)	(11,046,582)	13,166	-
Gains/ (Losses) on Cash Flow Hedge	-	-	-	-	-	-	-	-	-	-	-	-
Exchange Gains/ (Losses) (arising from translating Financial Assets of Foreign Operation)	-	-	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income for the Year	-	-	-	-	-	67,156,958	-	1,491,780,965	(11,046,582)	1,547,891,341	12,237,826	1,560,129,167
Transfer to Reserve during the Year	-	-	292,643,756	-	47,302,827	-	-	(293,807,342)	(46,139,241)	-		-
Transfer from Reserve during the Year	-	-	-	(8,766,181)	(64,999,907)	-	-	80,983,277	(7,217,189)	-		-
Transactions with Owners, directly recognised in Equity										-		
Share Issued	46,382,600	46,382,600	-	-	-	-	-	-	-	92,765,200	-	92,765,200
Share Based Payments	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to Equity Holders												
Bonus Shares Issued	291,445,773	-	-	-	(291,445,773)	-	-	-	-	-	29,995,800	29,995,800
Cash Dividend Paid	-	-	-	-	-	-	-	(131,356,143)	-	(131,356,143)	-	(131,356,143)
Other	-	-	-	-	-	-	-	2,683,017	159,411	2,842,428	(2,848,826)	(6,398)
Total Contributions by and Distributions	**337,828,373**	**46,382,600**	-	-	**(291,445,773)**	-	-	**(128,673,126)**	**159,411**	**(35,748,515)**	**27,146,974**	**(8,601,541)**
Balance at July 16, 2019	**8,371,064,773**	**46,816,126**	**1,484,944,421**	**41,009,338**	**486,287,496**	**60,856,958**	**343,854,012**	**1,267,705,675**	**410,525,314**	**12,513,064,114**	**83,670,387**	**12,596,734,501**

PARTICULARS	BANK											
	ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK										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, 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)	-	-	-	-		
Gains/ (Losses) on Revaluation	-	-	-	-	-	-	-	-	-	-		
Actuarial Gains/ (Losses) on Defined Benefit Plans	-	-	-	-	-	-	-	-	(2,865,086)	-		
Gains/ (Losses) on Cash Flow Hedge	-	-	-	-	-	-	-	-	-	-		
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 recognised in Equity										**-**		
Share Issued	-	-	-	-	-	-	-	-	-	-		
Share Based Payments	-	-	-	-	-	-	-	-	-	-		
Dividends to Equity Holders												
Bonus Shares Issued	1,107,470,346	(532,361,307)						(575,109,039)		-		
Cash Dividend Paid	-	-	-	-	-	-	-	(58,287,913)	-	(58,287,913)		
Other	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**		
Balance at July 17, 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**		
Comprehensive Income for the Year												
Profit for the Year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,463,218,780**	**-**	**1,463,218,780**		
Other Comprehensive Income, Net of Tax												
Gains/ (Losses) from Investments in Equity Instruments Measured at Fair Value	-	-	-	-	-	67,156,958	-	-	-	67,156,958		

Gains/ (Losses) on Revaluation	-	-	-	-	-	-	-	-	-	-	
Actuarial Gains/ (Losses) on Defined Benefit Plans	-	-	-	-	-	-	-	-	(11,069,574)	(11,069,574)	
Gains/ (Losses) on Cash Flow Hedge	-	-	-	-	-	-	-	-	-	-	
Exchange Gains/ (Losses) (arising from translating Financial Assets of Foreign Operation)	-	-	-	-	-	-	-	-	-	-	
Total Comprehensive Income for the Year	**-**	**-**	**-**	**-**	**-**	**67,156,958**	**-**	**1,463,218,780**	**(11,069,574)**	**1,519,306,164**	
Transfer to Reserve during the Year	-	-	292,643,756	-	47,302,827	-	-	(293,807,342)	(46,139,241)	-	
Transfer from Reserve during the Year	-	-	-	(8,766,181)	(64,999,907)	-	-	80,983,277	(7,217,189)	-	
Transactions with Owners, directly recognised in Equity											
Share Issued	46,382,600	46,382,600	-	-	-	-	-	-	-	92,765,200	
Share Based Payments	-	-	-	-	-	-	-	-	-	-	
Dividends to Equity Holders											
Bonus Shares Issued	291,445,773	-	-	-	(291,445,773)	-	-	-	-	-	
Cash Dividend Paid	-	-	-	-	-	-	-	(131,356,143)	-	(131,356,143)	
Other	-	-	-	-	-	-	-	-	-	-	
Total Contributions by and Distributions	**337,828,373**	**46,382,600**	**-**	**-**	**(291,445,773)**	**-**	**-**	**(131,356,143)**	**-**	**(38,590,943)**	
Balance at July 16, 2019	**8,371,064,773**	**46,816,126**	**1,484,944,421**	**41,009,338**	**486,287,496**	**60,856,958**	**343,854,012**	**1,251,267,361**	**408,526,184**	**12,494,626,670**	

PRAMESH RAJ KAYASTHA
Chief Finance Officer

GANESH RAJ POKHAREL
Chief Executive Officer

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Director

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Director

DR. CHANDA KARKI
Director

AVANINDRA KUMAR SHRESTHA
Director

As per our report of even date
CA NIRANJAN CHAUDHARY
Partner
JK & SS Associates
Chartered Accountants

Date: August 26, 2019
Place: Narayanhiti Path, Kathmandu

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended July 16, 2019 (Ashadh 31, 2076)

1. REPORTING ENTITY

Citizens Bank International Limited ('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 Bank and Financial Institution 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 and are trading under the code "CZBIL". 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 Limited and People's Finance Limited during the Fiscal Year 2014/15. The Bank started consolidated Banking transaction from May 8, 2015 (Baisakh 25, 2072). Similarly, the Bank has acquired Premier Finance Limited and started the consolidated transaction from July 17, 2016 (Shrawan 02, 2073).

SUBSIDIARIES

CBIL Capital Limited ('the Subsidiary') and CBIL Securities Limited ('the Subsidiary') are the subsidiary companies of the Bank.

CBIL Capital Limited 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 Limited on March 13, 2016 (Falgun 30, 2072). The principal activities of the Subsidiary (CBIL Capital Limited) 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 58.60% controlling interest in CBIL Capital Limited.

CBIL Securities Limited was incorporated on June 11, 2019 (Jestha 28, 2076) as public company under the Companies Act, 2006. The Bank made an equity investment in CBIL Securities Limited on July 5, 2019 (Ashadh 20, 2076). The principal activities of the Subsidiary (CBIL Securities Limited) are to provide brokerage service related to securities, margin trading, investment in securities and consultancy to its clients and other related services. The Bank as on date holds 100% controlling interest in CBIL Securities Limited.

ASSOCIATES

Nepal Electronic Payment Systems Limited (NEPS) and Nepal Clearing House Limited (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. The Bank as on date holds 8.52% of Share Capital of NEPS.

Nepal Clearing House Limited (NCHL) is a public limited 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 as on date holds 1.97% of Share Capital of NCHL.

The Bank, the Subsidiaries and the Associates are collectively referred to as "the Group".

2. BASIS OF PREPARATION

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

The financial statements comprise the Consolidated Statement of Financial Position, Consolidated Statement of Profit or Loss and Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated 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 consolidated 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 comprise components mentioned above have been prepared in accordance with Nepal Financial Reporting Standards (hereafter referred as NFRS) issued by Accounting Standards Board of Nepal, endorsed by the Institute of Chartered Accountants of Nepal and Nepal Rastra Bank 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 statements vide its resolution dated August 26, 2019 (Bhadra 09, 2076) 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 the Nepali calendar.

	Nepali Calendar	English Calendar
Current Year	2075/76	2018/19
Previous Year	2074/75	2017/18
Current Year Period	Shrawan 01, 2075 to Ashadh 31, 2076	July 17, 2018 to July 16, 2019
Previous Year Period	Shrawan 01, 2074 to Ashadh 32, 2075	July 16, 2017 to July 16, 2018

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

The Standards issued but not effective upto the date of issuance of Group's Financial Statement is disclosed below:

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 of Nepal incorporates them within NFRS.

2.7. DISCOUNTING

The Group calculates amortized cost of a financial asset 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 asset 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. GOING CONCERN

The financial statements are prepared on a going concern basis, as the management of the Bank is satisfied that the Bank has the resources to continue in business for the foreseeable future. In making this assessment, the Board of Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources.

2.12. 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.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the consolidated 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.
- Any other requirements or options provided by standards.

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 formed 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 the NFRS 10 Consolidated Financial Statements.

3.2.1. SUBSIDIARIES

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

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 accounts 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 classified as financial assets and 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 07 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 asset measured at fair value

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

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 purpose or are designated at fair value through profit or loss. Upon initial recognition, transaction costs 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 costs 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 though profit or loss are classified as subsequently measured at amortized cost using effective interest rate 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 that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

Financial assets classified at fair value are subsequently measured 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 cancelled or expired. Where an existing financial liability is replaced by another, from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as 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 on 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 financial 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 Bank and Financial Institution Act, 2017.

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 labor;
- 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.

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

Assets costing less than NPR 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.

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 Loan 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 off, 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 comprise 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 by 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 incomes recognition are as below:

a) Interest income

As per the requirement of NFRS, interest income is recognized in profit or loss using effective interest method, except for those classified at fair value through profit or loss. 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 effective interest rate is calculated on initial recognition of the financial asset or liability, by estimating the future cash flows after considering all the contractual terms of the instrument, but not future credit losses. 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 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.

Interest income on Loans and Advances is recognized as per the Guideline on Recognition of Interest Income, 2019 issued by NRB.

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 NPR 10 thousand, which is recognized at the time of its issue.

- Commission on sight Letters of Credit (LC) issued by the Group is recognized as income, at the time of issue of the LC, whereas income from time LC is recognized over its period on accrual basis.

- 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 losses

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 service 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.

Gratuity is the defined benefit plans provided by the Group to its employees:

- *Gratuity*
  Group provides for gratuity on actuarial basis covering eligible employees joining prior to August 17, 2017 (Bhadra 01, 2074) and on accrual basis covering employees joining on or after August 17, 2017 (Bhadra 01, 2074) as per terms of Employee Service Byelaws of the Group.

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 are expensed 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 Byelaws 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 fulfilment 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.

3.20. 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.

3.21. 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.

3.22. 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.

3.23. 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's (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.

3.24. 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 10 Events After the Reporting Period.

ANNEXURES TO THE FINANCIAL STATEMENTS

As at July 16, 2019 (Ashadh 31, 2076)

CASH AND CASH EQUIVALENTS 4.1

AMOUNT IN NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Cash in Hand	2,236,939,153	1,646,982,935	2,234,916,700	1,646,979,441
Balances with B/FIs	910,949,175	1,828,024,800	910,949,175	1,725,798,567
Money at Call and Short Notice	1,358,779,393	303,309,452	1,358,779,393	303,309,452
Other*	2,236,057,192	1,370,150,216	2,236,057,192	1,370,150,216
Total	**6,742,724,913**	**5,148,467,404**	**6,740,702,460**	**5,046,237,676**

* Other Cash and cash equivalents includes bank balance held with Nepal Rasta 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	2,596,966,889	3,690,192,293	2,596,966,889	3,690,192,293
Securities purchased under Resale Agreement	-	-	-	-
Other deposit and receivable from NRB	-	-	-	-
Total	**2,596,966,889**	**3,690,192,293**	**2,596,966,889**	**3,690,192,293**

PLACEMENT WITH BANK 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	-	43,110,784
Placement with Foreign B/FIs	394,769,893	1,946,767,574	394,769,893	1,946,767,574
Less: Allowances for Impairment	-	-	-	-
Total	**394,769,893**	**1,989,878,358**	**394,769,893**	**1,989,878,358**

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	44,104,432	36,385,944	44,104,432	36,385,944
Others	-	-	-	-
Held for Risk Management				
Interest Rate Swap	-	-	-	-
Currency Swap	-	-	-	-
Forward Exchange Contract	-	-	-	-
Others	-	-	-	-
Total	**44,104,432**	**36,385,944**	**44,104,432**	**36,385,944**

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	149,295,454	142,662,000	63,068,594	76,236,446
Other	504,184,884	-	504,184,884	-
Total	**653,480,338**	**142,662,000**	**567,253,478**	**76,236,446**
Pledged	-	-	-	-
Non-Pledged	149,295,454	142,662,000	567,253,478	76,236,446

Amount in NPR

PARTICULARS	GROUP				BANK			
	CURRENT YEAR		PREVIOUS YEAR		CURRENT YEAR		PREVIOUS YEAR	
Other Trading Assets in Equities of the Bank	**COST**	**FAIR VALUE**	**COST**	**FAIR VALUE**	**COST**	**FAIR VALUE**	**COST**	**FAIR VALUE**
1. Investment in quoted equity of the Bank								
1.1 Soaltee Hotel Ltd. 141 equity shares (including 39.54 bonus shares) of Rs 100 each.	44,498	34,404	44,498	31,047	44,498	34,404	44,498	31,047
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	769,090
1.3 Nepal Life Insurance Co. Ltd. 3,750.69 equity share (including 2,035.44 bonus shares) of Rs 100 each	4,090,908	3,379,375	5,924,667	4,562,833	4,090,908	3,379,375	5,924,667	4,562,833
1.4 Asian Life Insurance Co. Ltd. 13,974.72 equity shares (including 325.72 bonus shares) of Rs 100 each	8,963,033	5,352,318	8,260,395	5,766,378	8,963,033	5,352,318	8,260,395	5,766,378
1.5 National Life Insurance Co. Ltd. 3,078.12 equity shares (including 1,161.12 bonus shares) of Rs 100 each	3,419,905	1,800,700	3,318,205	2,166,888	3,419,905	1,800,700	3,318,205	2,166,888
1.6 Shikhar Insurance Co. Ltd. 2,650 equity shares (including 1202 bonus shares) of Rs 100 each	4,464,694	2,043,150	4,464,694	2,610,250	4,464,694	2,043,150	4,464,694	2,610,250
1.7 Neco Insurance Co. Ltd. 3019.12 equity shares (including 349 bonus shares) of Rs 100 each	1,974,022	1,494,464	1,974,022	1,684,669	1,974,022	1,494,464	1,974,022	1,684,669
1.8 Prabhu Insurance Ltd. 4,200.74 equity shares (including 556.69 bonus shares) of Rs 100 each	279,974	1,529,070	279,974	2,247,397	279,974	1,529,070	279,974	2,247,397
1.9 Prabhu Insurance Ltd. - Promoter 30,728 equity shares (including 7152 bonus shares) of Rs 100 each	1,702,967	5,592,496	1,702,967	10,696,922	1,702,967	5,592,496	1,702,967	10,696,922
1.10 Siddhartha Insurance Ltd. 9,482.43 equity share (including 2,594.43 bonus shares) of Rs 100 each	8,194,454	4,314,507	7,981,554	5,665,811	8,194,454	4,314,507	7,981,554	5,665,811
1.11 Prudential Insurance Co. Ltd. 6,611.88 equity shares (including 1,129.88 bonus shares) of Rs 100 each	6,752,963	3,669,593	6,752,963	5,157,266	6,752,963	3,669,593	6,752,963	5,157,266
1.12 Life Insurance Co. Nepal 714.43 equity shares (including 203.31 bonus shares) of Rs 100 each	14,935	1,143,088	14,935	1,034,648	14,935	1,143,088	14,935	1,034,648
1.13 Premier Insurance Co. Ltd. 3028.71 equity shares (including 1,578.71 bonus shares) of Rs 100 each	2,481,039	1,484,070	2,481,039	1,851,795	2,481,039	1,484,070	2,481,039	1,851,795
1.14 NLG Insurance Company Ltd. 1,850 equity shares (including 250 bonus shares) of Rs 100 each	2,239,795	1,409,700	1,708,787	1,162,500	2,239,795	1,409,700	1,708,787	1,162,500

1.15 Lumbini General Insurance Co. Ltd.	1,244	430	1,244	550	1,244	430	1,244	550
1 bonus share								
1.16 Chilime Hydropower Company Ltd.	-	582,600	-	736,171	-	582,600	-	736,171
1,118.23 bonus shares								
1.17 Ridi Hydropower Development Company Ltd.	752,886	190,323	752,886	245,385	752,886	190,323	752,886	245,385
2,114.70 equity shares (including 339.09 bonus shares) of Rs 100 each								
1.18 Chhimek Laghubitta Bikas Bank Ltd.	246,339	206,248	1,605,674	1,051,733	246,339	206,248	1,605,674	1,051,733
217.10 equity shares (including 215.86 bonus shares) of Rs 100 each								
1.19 First Micro Finance Development Bank Ltd.	2,223,465	1,342,592	2,223,465	1,933,332	2,223,465	1,342,592	2,223,465	1,933,332
3,580.25 equity shares (including 311.25 bonus shares) of Rs 100 each								
1.20 Deprosc Development Bank Ltd.	3,034,592	2,369,604	3,034,592	2,237,727	3,034,592	2,369,604	3,034,592	2,237,727
3,282 equity shares (including 1,328 bonus shares) of Rs 100 each								
1.21 Swabalamban Bikas Bank Ltd.	1,027,468	675,938	1,027,468	766,320	1,027,468	675,938	1,027,468	766,320
772.50 bonus shares								
1.22 Nerude Laghubita Bikas Bank Ltd.	13,831	624,278	13,831	735,735	13,831	624,278	13,831	735,735
1,328.25 equity shares (including 424.86 bonus shares) of Rs 100 each								
1.23 Sana Kisan Bikas Bank Ltd.	1,277,431	1,147,969	1,277,431	1,123,750	1,277,431	1,147,969	1,277,431	1,123,750
1,210.94 equity shares (including 590.94 bonus shares) of Rs 100 each								
1.24 Summit Micro Finance Development Bank Ltd.	-	-	-	-	-	-	-	-
1.25 Nirdhan Utthan Bank Ltd.	2,099,744	1,683,716	2,099,744	1,708,408	2,099,744	1,683,716	2,099,744	1,708,408
2,002.04 equity shares (including 1,001.04 bonus shares) of Rs 100 each								
1.26 NMB Hybrid Fund L-1	3,154,800	3,164,264	3,154,800	3,057,001	3,154,800	3,164,264	3,154,800	3,057,001
315,480 units of Rs 10 each								
1.27 Nabil Equity Fund	2,252,990	2,102,040	2,252,990	2,221,448	2,252,990	2,102,040	2,252,990	2,221,448
225,299 units of Rs 10 each								
1.28 NIBL Pragati Fund	3,424,800	2,548,051	3,424,800	3,082,320	3,424,800	2,548,051	3,424,800	3,082,320
342,480 units of Rs 10 each								
1.29 Laxmi equity fund	2,924,780	2,231,607	2,924,780	2,369,072	2,924,780	2,231,607	2,924,780	2,369,072
292,478 units of Rs 10 each								
1.30 Siddhartha Equity Fund	8,000,000	8,072,000	8,000,000	7,648,000	8,000,000	8,072,000	8,000,000	7,648,000
800,000 units of Rs 10 each								
1.31 Sanima Equity Fund	2,000,000	1,880,000	2,000,000	1,912,000	2,000,000	1,880,000	2,000,000	1,912,000
200,000 units of Rs 10 each								

1.32 Nabil Balance Fund 2 100,000 Equity Shares of Rs 10 each	1,000,000	1,000,000	-	-	1,000,000	1,000,000	-	-
2. Investment in Quoted Equity of the Subsidiary								
2.1 Bank of Kathmandu Ltd.	-	-	388	-				
2.2 Century Commercial Bank Ltd. 5 equity shares (including bonus shares) of Rs 100 each.	595.32	885	64,708	121,173				
2.3 Civil Bank 1636 equity shares (including bonus shares) of Rs 100 each.	328,716.62	258,488	3,378,129	2,293,929				
2.4 Everest Bank	-	-	96,140	87,516				
2.5 Global IME Bank Ltd.	-	-	83,052	58,580				
2.6 Kumari Bank Ltd.	-	-	411,103	402,930				
2.7 Laxmi Bank Ltd. 7 equity shares of Rs 100 each.	6,077.25	1,582.00	6,077	1,806				
2.8 Machhapuchhre Bank Ltd.		-	623,598	270,446				
2.9 Mega Bank Ltd.		-	210,400	131,215				
2.10 Nabil Promotor Share		-	9,285,822	6,420,702				
2.11 Nepal Bangladesh Bank Ltd.		-	36,578	95,016				
2.12 Nepal Bank Ltd. 466 equity shares of Rs 100 each.	130,480	156,576						
2.13 Nepal Investment Bank Ltd. 5 equity shares (including bonus shares) of Rs 100 each.	2	2,595.00		2,484				
2.14 Nepal Investment Bank Promoter Share		-	3,597,057	3,725,700				
2.15 NIC ASIA Bank Ltd. 3 equity shares (including bonus shares) of Rs 100 each.	2	1,344.00	-	632				
2.16 Prabhu Bank (Grand Bank)		-	241,255	171,666				
2.17 Prime Commercial Bank Ltd. 2 equity shares (including bonus shares) of Rs 100 each.	0.02	556						
2.18 Sanima Bank Ltd.		-	86	-				
2.19 Standard Chartered Nepal Ltd. 1 equity share (including bonus shares) of Rs 100 each.	867.33	682	1,735	755				
2.20 Sunrise Bank Ltd.		-	13,459	94,760				
2.21 Hamro Bikash Bank		-	112,501	240,730				
2.22 Jyoti Bikas Bank		-	1,425,000	1,163,250				

2.23 Kailash Bikash Bank 142 equity shares (including bonus shares) of Rs 100 each.	5,756.45	33,796	6,324	3,206				
2.24 Soalte Hotel Ltd. 13 equity shares (including bonus shares) of Rs 100 each.	3,431	3,172	3,430	2,916				
2.25 API Hydropower Ltd. 41 equity shares (including bonus shares) of Rs 100 each.	27,147.02	5,863	574,721	234,868				
2.26 Khanikhola Hydropower 16 equity shares of Rs 100 each.	1,600.00	1,056	1,600	-				
2.27 Ridi Hydropower Com. Ltd. 15 equity shares (including bonus shares) of Rs 100 each.	1.14	1,350	0	1,722				
2.28 Universal Power Company Ltd. 10 equity shares of Rs 100 each.	2,890	890						
2.29 Life Insurance Com. Nepal 5,796 equity shares (including bonus shares) of Rs 100 each.	11,379,946.27	9,273,600	9,857,306	6,771,850				
2.30 National Life Insurance Co. Ltd. 9,015 equity shares (including bonus shares) of Rs 100 each.	9,584,279.58	5,273,775	8,622,835	5,129,580				
2.31 Nepal Life Insurance Co. Ltd. 13,353 equity shares (including bonus shares) of Rs 100 each.	16,443,326.99	12,031,053	16,447,944	11,087,916				
2.32 Surya Life Insurance 71 equity shares (including bonus shares) of Rs 100 each.	4,694.12	32,376	43,701	354,000				
2.33 Neco Insurance Co. Ltd.		-	364,033	847,485				
2.34 Premier Insurance Co. Ltd.		-		-				
2.35 Prudential Insurance Company Ltd. 940 equity shares of Rs 100 each.	582,800	521,700	1,240,000	1,560,000				
2.36 Chhimek Laghubitta Bikas Bank Ltd. 204 equity shares (including bonus shares) of Rs 100 each.	62,363.48	193,800	383,351	932,251				
2.37 First Micro Finance Development Bank Ltd.		-	392,800	2,248,020				
2.38 Swabalamban Bikash Bank 7 equity shares (including bonus shares) of Rs 100 each.	2	6,125.00		7,440				
2.39 Sanakisan Bikash Bank		-	132,391	118,862				
2.40 Vijaya Laghubitta Sanstha Ltd.		-	239,029	115,515				
2.41 Shivam Cements Ltd. 10 equity shares of Rs 100 each.	4,640	6,080						
2.42 Laxmi Value Fund 1 3,778 Units of Rs 10 each	40,034.60	38,535.60	40,035	40,047				

2.43 Nabil Equity Fund 210,777 Units of Rs 10 each	2,146,542.43	1,966,549.41	2,146,543	2,078,261				
2.44 NIBL Pragati Fund 74,163 Units of Rs 10 each	605,911.71	551,772.72						
2.45 NIBL Samriddhi Fund 1 192,279 Units of Rs 10 each	2,065,887.88	1,780,503.54	2,065,892	2,065,076				
2.46 NMB Hybrid Fund L-1 293,250 Units of Rs 10 each	2,924,215.69	2,941,297.50	1,989,563	1,988,670				
2.47 NMB Suval Investment Fund 1 746,911 Units of Rs 10 each	8,566,486.58	8,081,577.02	8,566,487	8,567,069				
2.48 Sanima Equity Fund 50,000 Units of Rs 10 each	500,000	470,000	500,000	500,000				
2.49 Siddhartha Equity Fund 50,000 Units of Rs 10 each	474,000	504,500						
2.50 Siddhartha Equity Oriented Scheme 559,268 Units of Rs 10 each	6,745,745.21	6,051,279.76	6,745,745	6,487,509				
3. Investment in Unquoted Equity								
3.1 Banking Finance & Insurance Institute of Nepal- Pro 10,000 equity shares of Rs 100 each.	1,000,000	1,000,000						
3.2 Citizens Mutual Fund-II 3,253,350 Units of Rs 10 each	32,533,500	32,533,500						
3.3 Nabil Balance Fund-II 250,000 Units of Rs 10 each	2,500,000	2,500,000						
Total	**176,729,500**	**149,295,455**	**158,732,221**	**142,662,000**	**78,057,557**	**63,068,595**	**78,781,405**	**76,236,446**

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	1,597,877,970	1,434,996,159	1,597,877,970	1,434,996,159
Other	-	-	-	-
Less: Allowances for Impairment	15,978,780	14,349,962	15,978,780	14,349,962
Total	**1,581,899,190**	**1,420,646,197**	**1,581,899,190**	**1,420,646,197**

4.6.1 : ALLOWANCES FOR IMPAIRMENT

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Balance at July 17, 2018	14,349,962	14,819,464	14,349,962	14,819,464
Impairment Loss for the Year:	-	-	-	-
Charge for the Year	-	-	1,628,818	-
Recoveries/ Reversal	1,628,818	(469,503)	-	(469,503)
Amount written off	-	-	-	-
Balance at July 16, 2019	**15,978,780**	**14,349,962**	**15,978,780**	**14,349,962**

LOANS AND ADVANCES TO CUSTOMERS 4.7

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Loan and Advances Measured at Amortized Cost	64,201,996,123	57,030,539,049	64,201,996,123	57,033,338,515
Less: Impairment Allowances	-	-	-	-
Collective Impairment	602,363,785	529,066,089	602,363,785	529,066,089
Individual Impairment	687,661,853	902,505,845	687,661,853	902,505,845
Net amount	**62,911,970,484**	**55,598,967,114**	**62,911,970,484**	**55,601,766,580**
Loan and Advances Measured at FVTPL	-	-	-	-
Total	**62,911,970,484**	**55,598,967,114**	**62,911,970,484**	**55,601,766,580**

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	14,608,398,618	10,897,372,312	14,608,398,618	10,897,372,312
Overdraft	9,984,013,464	8,256,514,857	9,984,013,464	8,256,514,857
Trust Receipt/ Import Loans	2,228,681,804	1,566,776,091	2,228,681,804	1,566,776,091
Demand and Other Working Capital Loans	8,963,052,494	5,872,539,210	8,963,052,494	5,872,539,210
Personal Residential Loans	4,978,206,779	3,697,908,849	4,978,206,779	3,697,908,849
Real Estate Loans	5,596,282,652	6,716,167,342	5,596,282,652	6,716,167,342
Margin Lending Loans	2,781,670,229	2,817,552,114	2,781,670,229	2,817,552,114
Hire Purchase Loans	6,050,873,796	4,795,332,441	6,050,873,796	4,795,332,441
Deprived Sector Loans	1,877,073,310	1,541,362,905	1,877,073,310	1,541,362,905
Bills Purchased	111,138,540	115,711,540	111,138,540	115,711,540
Staff Loans	470,725,955	303,200,446	470,725,955	303,200,446
Other	6,295,152,145	10,239,963,426	6,295,152,145	10,242,762,892
Sub total	**63,945,269,786**	**56,820,401,533**	**63,945,269,786**	**56,823,200,999**
Interest Receivable	256,726,336	210,137,516	256,726,336	210,137,516
Grand total	**64,201,996,123**	**57,030,539,049**	**64,201,996,123**	**57,033,338,515**

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	63,908,243,365	56,902,652,694	63,908,243,365	56,905,452,160
Indian Rupee	-	-	-	-
United State Dollar	293,752,758	127,886,355	293,752,758	127,886,355
Great Britain Pound	-	-	-	-
Euro	-	-	-	-
Japanese Yen	-	-	-	-
Chinese Yuan	-	-	-	-
Other	-	-	-	-
Total	**64,201,996,123**	**57,030,539,049**	**64,201,996,123**	**57,033,338,515**

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	53,307,573,558	28,025,485,605	53,307,573,558	28,025,485,605
Gold and Silver	1,179,966,990	3,336,460,618	1,179,966,990	3,336,460,618
Guarantee of Domestic B/FIs	-	-	-	-
Government Guarantee	1,471,977	2,448,133	1,471,977	2,448,133
Guarantee of International Rated Bank	-	-	-	-
Collateral of Export Document	85,512,540	97,846,296	85,512,540	97,846,296
Collateral of Fixed Deposit Receipt	598,146,592	553,264,212	598,146,592	556,063,678
Collateral of Governement Securities	-	-	-	-
Counter Guarantee	-	-	-	-
Personal Guarantee	82,573,574	80,524,989	82,573,574	80,524,989
Other Collateral	8,904,850,040	24,896,755,384	8,904,850,040	24,896,755,384
Sub total	**64,160,095,272**	**56,992,785,236**	**64,160,095,272**	**56,995,584,702**
Unsecured	41,900,851	37,753,813	41,900,851	37,753,813
Grand total	**64,201,996,123**	**57,030,539,049**	**64,201,996,123**	**57,033,338,515**

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 17, 2018	**902,505,845**	**883,662,353**	**902,505,845**	**883,662,353**
Impairment Loss for the Year:				
Charge for the Year	-	18,843,492	-	18,843,492
Recoveries/ Reversal during the Year	(214,843,992)	-	(214,843,992)	-
Write-offs	-	-	-	-
Exchange Rate variance on Foreign Currency Impairment	-	-	-	-
Other Movement	-	-	-	-
Balance at July 16, 2019	**687,661,853**	**902,505,845**	**687,661,853**	**902,505,845**
Collective Allowances for Impairment				
Balance at July 17, 2018	**529,066,089**	**458,123,438**	**529,066,089**	**458,123,438**
Impairment Loss for the Year:	73,297,696	-	73,297,696	-
Charge/ (Reversal) for the Year	-	70,942,652	-	70,942,652
Exchange Rate variance on Foreign Currency Impairment	-	-	-	-
Other Movement	-	-	-	-
Balance at July 16, 2019	**602,363,785**	**529,066,089**	**602,363,785**	**529,066,089**
Total Allowances for Impairment	**1,290,025,639**	**1,431,571,934**	**1,290,025,639**	**1,431,571,934**

INVESTMENT SECURITIES 4.8

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Investment Securities Measured at Amortized Cost	10,426,530,938	5,457,642,301	10,394,754,938	5,457,642,301
Investment in Equity Measured at FVTOCI	427,848,613	159,216,001	427,848,613	159,216,001
Total	**10,854,379,551**	**5,616,858,302**	**10,822,603,551**	**5,616,858,302**

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	6,803,581,024	3,402,854,939	6,803,581,024	3,402,854,939
Government Treasury Bills	3,591,173,914	2,054,787,363	3,591,173,914	2,054,787,363
Nepal Rastra Bank Bonds	-	-	-	-
Nepal Rastra Bank Deposits Instruments	-	-	-	-
Other	31,776,000	-	-	-
Less: Specific Allowances for Impairment	-	-	-	-
Total	**10,426,530,938**	**5,457,642,301**	**10,394,754,938**	**5,457,642,301**

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	273,432,612	154,800,000	273,432,612	154,800,000
Unquoted Equity Securities	154,416,001	4,416,001	154,416,001	4,416,001
Total	**427,848,613**	**159,216,001**	**427,848,613**	**159,216,001**

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-I	150,000,000	152,700,000	150,000,000	141,000,000	150,000,000	152,700,000	150,000,000	141,000,000
15,000,000 units of Rs 10 each								
1.2 Mero Microfinance Bittiya Sanstha Ltd. (B)	36,494,100	120,732,612	13,800,000	13,800,000	36,494,100	120,732,612	13,800,000	13,800,000
453,882 Equity Shares (including 88941 bonus shares) of Rs 100 each								
2. Investment in Unquoted Equity of the Bank								
2.1 National Banking Institute Ltd. (NBI) (B)	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
12,000 Equity Shares of Rs 100 each								
2.2 Credit Information Bureau ** (B)	216,001	216,001	216,001	216,001	216,001	216,001	216,001	216,001
14,963 Equity Shares (including 8313.50 bonus shares) of Rs 100 each								
2.3 Prabhu Capital Ltd.	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
30,000 Equity Shares of Rs 100 each								
2.4 Citizens Mututal Fund 2	150,000,000	150,000,000	-	-	150,000,000	150,000,000	-	-
15,000,000 units of Rs 10 each								
Total	**340,910,101**	**427,848,613**	**168,216,001**	**159,216,001**	**340,910,101**	**427,848,613**	**168,216,001**	**159,216,001**

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	662,083,354	651,001,752	662,070,073	651,001,752
Tax Assets of Prior Periods	-	-	-	-
Current Tax Liabilities				
Current Year Income Tax Liabilities	650,066,990	536,347,961	647,445,646	536,347,961
Tax Liabilities of Prior Periods	-	-	-	-
Total	**12,016,364**	**114,653,791**	**14,624,427**	**114,653,791**

INVESTMENT IN SUBSIDIARIES 4.10

Amount in NPR

PARTICULARS	BANK	
	CURRENT YEAR	PREVIOUS YEAR
Investment in Quoted Subsidiaries	-	-
Investment in Unquoted Subsidiaries	167,204,200	117,200,000
Total Investment	**167,204,200**	**117,200,000**
Less: Impairment Allowances	-	-
Net Carrying Amount	**167,204,200**	**117,200,000**

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.	117,204,200	117,204,200	-	-
1,172,042 shares of Rs. 100 each				
CBIL Securities Ltd. 5,00,000 of Rs 100 each	50,000,000	50,000,000	-	-
Previous Year CBIL Capital Ltd.	-	-	117,200,000	117,200,000
1,172,000 shares of Rs. 100 each				
.....				
Total	**167,204,200**	**167,204,200**	**117,200,000**	**117,200,000**

4.10.3 : INFORMATION RELATING TO SUBSIDIARIES OF THE BANK

Amount in NPR

PARTICULARS	BANK	
	PERCENTAGE OF OWNERSHIP HELD BY THE BANK	
	CURRENT YEAR	PREVIOUS YEAR
CBIL Capital Ltd.	58.60%	68.94%
CBIL Securities Ltd.	100.00%	0.00%
..... 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 (%)	41.40%	
Profit/ (Loss) Allocated during the Year		
Accumulated Balances of NCI as on Ashadh end 2076		
Dividend Paid to NCI		
	PREVIOUS YEAR	
	CBIL Capital Ltd	..... Ltd.
Equity Interest Held by NCI (%)	31.06%	
Profit/ (Loss) Allocated during the Year		
Accumulated Balances of NCI as on Ashadh end 2075		
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	29,728,445	23,903,192	17,951,500	17,951,500
Total Investment	**29,728,445**	**23,903,192**	**17,951,500**	**17,951,500**
Less: Impairment Allowances	-	-	-	-
Net Carrying Amount	**29,728,445**	**23,903,192**	**17,951,500**	**17,951,500**

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.	2,951,500	13,432,547	2,951,500	9,340,893	2,951,500	2,951,500	2,951,500	2,951,500
42,502 Equity Shares (including 12987 bonus shares) of Rs 100 each								
2. Nepal Electronic Payment System Ltd.	15,000,000	16,295,899	15,000,000	14,562,299	15,000,000	15,000,000	15,000,000	15,000,000
150,000 Equity Shares of Rs 100 each								
Total	**17,951,500**	**29,728,445**	**17,951,500**	**23,903,192**	**17,951,500**	**17,951,500**	**17,951,500**	**17,951,500**

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.	1.97%	1.64%

4.11.4 : EQUITY VALUE OF ASSOCIATES

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
1. Nepal Electronic Payment System Ltd.	1,733,599.84			
2. Nepal Clearing House Ltd.	4,729,122.28			
.....				
Total	**6,462,722.12**			

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 17, 2018				
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 17, 2018	287,547,060	390,066,062	287,547,060	390,066,062
Addition/ Disposal during the Year	(64,999,907)	(102,519,002)	(64,999,907)	(102,519,002)
Adjustment/ Transfer	-	-	-	-
Accumulated Depreciation	-	-	-	-
Accumulated Impairment Loss	-	-	-	-
Net Amount	**222,547,153**	**287,547,060**	**222,547,153**	**287,547,060**
Total	**222,547,153**	**287,547,060**	**222,547,153**	**287,547,060**

PROPERTY AND EQUIPMENT

4.13

Amount in NPR

PARTICULARS	GROUP									
	LAND	BUILDING	LEASEHOLD PROPERTIES	COMPUTER & ACCESSORIES	VEHICLES	FURNITURE & FIXTURE	MACHINERY	EQUIPMENT & OTHERS	TOTAL ASHADH END 2076	TOTAL ASHADH END 2075
Cost										
As on July 16, 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
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**	**442,672,298**	**172,494,687**	**172,539,644**	**172,601,175**	**147,492,811**	**-**	**247,387,853**	**-**	**2,654,479,199**
Addition during the Year										
Acquisition	49,410,962	43,410,454	41,997,504	25,644,500	83,385,033	31,659,192	-	51,824,394	327,332,038	-
Capitalization	-	-	-	-	-	-	-	-	-	-
Disposal during the Year	-	-	(6,613,571)	(9,006,346)	(11,365,876)	(6,968,533)	-	(14,318,145)	(48,272,470)	-
Adjustment/ Revaluation	-	-	-	-	-	-	-	-	-	-
Balance as on July 16, 2019	**1,348,701,692**	**486,082,753**	**207,878,620**	**189,177,798**	**244,620,331**	**172,183,471**	**-**	**284,894,102**	**2,933,538,767**	**2,654,479,199**
Depreciation and Impairment										
As on July 16, 2017	-	27,590,864	92,095,556	77,786,775	27,411,406	83,368,761	-	130,932,359	-	439,185,721
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
Impairment for the Year										
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**
Impairment for the Year										
Depreciation charge for the Year	-	23,863,069	17,232,934	29,776,997	30,494,594	18,502,360	-	38,009,759	157,879,713	-
Disposals	-	-	(5,904,452)	(8,485,279)	(8,399,752)	(6,681,464)	-	(13,089,060)	(42,560,006)	-
Adjustment	-	-	-	-	-	-	-	-	-	-
Balance as on July 16, 2019	**-**	**72,417,271**	**115,059,685**	**119,303,014**	**62,399,235**	**109,488,322**	**-**	**174,762,330**	**653,429,856**	**538,110,149**
Capital Work in Progress	**-**	**18,727,694**	**22,124**	**9,236,750**	**-**	**-**	**-**	**-**	**27,986,568**	**11,585,115**
Net Book Value										
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**
As on July 16, 2019	**1,348,701,692**	**413,665,482**	**92,818,935**	**69,874,784**	**182,221,097**	**62,695,149**	**-**	**110,131,772**	**2,308,095,479**	**2,127,954,165**

BANK										
PARTICULARS	LAND	BUILDING	LEASEHOLD PROPERTIES	COMPUTER & ACCESSORIES	VEHICLES	FURNITURE & FIXTURE	MACHINERY	EQUIPMENT & OTHERS	TOTAL ASHADH END 2076	TOTAL ASHADH END 2075
Cost										
As on July 16, 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
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**	**442,672,298**	**171,707,488**	**170,678,012**	**168,195,907**	**146,231,202**	**-**	**245,839,839**	**2,644,615,476**	**2,644,615,476**
Addition during the Year										
Acquisition	49,410,962	43,410,454	41,593,662	25,644,500	83,385,033	31,536,434	-	51,789,157	326,770,201	-
Capitalization	-	-	-	-	-	-	-	-	-	-
Disposal during the Year	-	-	(6,613,571)	(9,006,346)	(11,365,876)	(6,968,533)	-	(14,318,145)	(48,272,470)	-
Adjustment/ Revaluation	-	-	-	-	-	-	-	-	-	-
Balance as on July 16, 2019	**1,348,701,692**	**486,082,753**	**206,687,579**	**187,316,166**	**240,215,064**	**170,799,103**	**-**	**283,310,852**	**2,923,113,207**	**2,644,615,476**
Depreciation and Impairment										
As on July 16, 2017	-	27,590,864	92,006,651	77,505,163	27,173,590	82,754,728	-	130,315,935	-	437,346,931
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
Impairment for the Year	-	-	-	-	-	-	-	-	-	-
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	**-**	**48,554,203**	**103,565,338**	**97,290,186**	**39,438,350**	**96,833,321**	**-**	**148,926,340**	**534,607,738**	**534,607,738**
Impairment for the Year	-	-	-	-	-	-	-	-	-	-
Depreciation charge for the Year	-	23,863,069	17,140,753	29,427,941	29,841,513	18,321,533	-	37,608,525	156,203,334	-
Disposals	-	-	(5,904,452)	(8,485,279)	(8,399,752)	(6,681,464)	-	(13,089,060)	(42,560,006)	-
Adjustment	-	-	-	-	-	-	-	-	-	-
Balance as on July 16, 2019	**-**	**72,417,272**	**114,801,639**	**118,232,848**	**60,880,111**	**108,473,390**	**-**	**173,445,805**	**648,251,065**	**534,607,738**
Capital Work in Progress	**-**	**18,727,694**	**22,124**	**9,236,750**	**-**	**-**	**-**	**-**	**27,986,568**	**11,585,115**
Net Book Value										
As on July 16, 2018	**1,299,290,731**	**403,243,262**	**70,602,098**	**73,387,826**	**128,757,557**	**49,397,881**	**-**	**96,913,499**	**-**	**2,121,592,854**
As on July 16, 2019	**1,348,701,692**	**432,393,175**	**91,908,064**	**78,320,068**	**179,334,952**	**62,325,713**	**-**	**109,865,047**	**2,302,848,710**	**-**

GOODWILL AND INTANGIBLE ASSETS 4.14

Amount in NPR

GROUP						
PARTICULARS	GOODWILL	SOFTWARE		OTHER	TOTAL ASHADH END 2076	TOTAL ASHADH END 2075
		PURCHASED	DEVELOPED			
Cost						
As on July 16, 2017	-	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	**-**	**46,657,057**	**-**	**-**	**-**	**46,657,057**
Addition during the Year						
Acquisition	-	91,620,062	-	-	91,620,062	-
Capitalization	-	-	-	-	-	-
Disposal during the Year	-	(53,308)	-	-	(53,308)	-
Adjustment/ Revaluation	-	-	-	-	-	-
Balance as on July 16, 2019	**-**	**138,223,810**	**-**	**-**	**138,223,810**	**46,524,847**
Amortization and Impairment						
As on July 16, 2017	-	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**
Amortization charge for the Year	-	14,591,044	-	-	14,591,044	-
Impairment for the Year	-	-	-	-	-	-
Disposals	-	(44,993)	-	-	(44,993)	-
Adjustment	-	-	-	-	-	-
Balance as on July 16, 2019	**-**	**44,524,500**	**-**	**-**	**44,524,500**	**29,978,448**
Capital Work in Progress	**-**	**-**	**-**	**-**	**-**	**54,494,529**
Net Book Value						
As on July 16, 2018	**-**	**71,173,137**	**-**	**-**	**-**	**71,173,137**
As on July 16, 2019	**-**	**93,699,311**	**-**	**-**	**93,699,311**	**-**

BANK						
PARTICULARS	GOODWILL	SOFTWARE		OTHER	TOTAL ASHADH END 2076	TOTAL ASHADH END 2075
		PURCHASED	DEVELOPED			
Cost						
As on July 16, 2017	-	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**	**45,772,696**
Addition during the Year						
Acquisition	-	91,620,062	-	-	91,620,062	-
Capitalization	-	-	-	-	-	-
Disposal during the Year	-	(-53,308)	-	-	(-53,308)	-
Adjustment/ Revaluation	-	-	-	-	-	-
Balance as on July 16, 2019	**-**	**137,339,450**	**-**	**-**	**137,339,450**	**-**
Amortization and Impairment						
As on July 16, 2017	-	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**	**29,733,195**
Amortization charge for the Year	-	14,297,820	-	-	14,297,820	-
Impairment for the Year	-	-	-	-	-	-
Disposals	-	(44,963)	-	-	(44,963)	-
Adjustment	-	-	-	-	-	-
Balance as on July 16, 2019	-	43,986,023	-	-	43,986,023	-
Capital Work in Progress	-	-	-	-	-	54,494,529
Net Book Value						
As on July 16, 2018	**-**	**70,534,030**	**-**	**-**	**-**	**70,534,030**
As on July 16, 2019	**-**	**93,353,427**	**-**	**-**	**93,353,427**	**-**

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 Temporory Differences on following items						
Loan and Advances to B/FIs	-	-	-	-	-	-
Loan and Advances to Customers	-	-	-	-	-	-
Investment Properties	-	-	-	-	-	-
Investment Securities	3,733,525	(21,584,865)	(17,851,340)	-	(21,584,865)	(21,584,865)
Property & Equipment	-	(5,790,230)	(5,790,230)	-	(5,766,539)	(5,766,539)
Employees' Defined Benefit Plan	2,355,145	-	2,355,145	2,329,903	-	2,329,903
Lease Liabilities	4,796,850	-	4,796,850	4,796,850	-	4,796,850
Provisions	-	-	-	-	-	-
Other Temporary Differences	-	(256,444)	(256,444)	-	(256,444)	(256,444)
Deferred Tax on Temporary Differences	**10,885,520**	**(27,631,540)**	**(16,746,020)**	**7,126,753**	**(27,607,848)**	**(20,481,095)**
Deferred Tax on Carry Forward of Unused Tax Losses	40,717,092	-	40,717,092	40,717,092	-	40,717,092
Deferred Tax Due to Changes in Tax Rate	-	-	-	-	-	-
Net Deferred Tax Asset/ (Liabilities) as on July 16, 2019	**-**	**-**	**23,971,072**	**-**	**-**	**20,235,997**
Deferred Tax (Asset)/ Liabilities as on July 17, 2018	-	-	15,292,308	-	-	17,677,499
Origination/ (Reversal) during the Year	**-**	**-**	**(39,263,379)**	**-**	**-**	**(37,913,496)**
Deferred Tax Expense/ (Income) recognised in Profit or Loss	**-**	**-**	**(63,316,326)**	**-**	**-**	**(61,950,946)**
Deferred Tax Expense/ (Income) recognised in Other Comprehensive Income	**-**	**-**	**24,052,947**	**-**	**-**	**24,037,451**
Deferred Tax Expense/ (Income) recognised 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 Temporory Differences on following items						
Loan and Advances to B/FIs	-	-	-	-	-	-
Loan 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 & 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	**9,032,602**	**(90,473,796)**	**(81,441,195)**	**6,611,865**	**(90,438,251)**	**(83,826,386)**
Deferred Tax on Carry Forward of Unused Tax Losses	66,148,888	-	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, 2019	-	-	(15,292,307)	-	-	(17,677,499)
Deferred Tax (Asset)/ Liabilities as on July 17, 2018	-	-	(85,477,182)	-	-	(85,192,158)
Origination/ (Reversal) during the Year	**-**	**-**	**70,184,875**	**-**	**-**	**67,514,659**
Deferred Tax Expense/ (Income) recognised in Profit or Loss	**-**	**-**	**(70,184,875)**	**-**	**-**	**(63,586,765)**
Deferred Tax Expense/ (Income) recognised in Other Comprehensive Income	**-**	**-**	**(3,927,894)**	**-**	**-**	**(3,927,894)**
Deferred Tax Expense/ (Income) recognised 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	-	-	-	-
Other Non Banking Assets	-	-	-	-
Bills Receivable	-	-	-	-
Accounts Receivable	1,022,695,412	1,142,556,928	1,054,902,398	1,179,801,652
Accrued Income	4,729,049	1,322,166	4,729,049	519,557
Prepayments and Deposit	137,191,095	121,145,347	119,254,878	113,602,658
Income Tax Deposit	18,769,113	18,769,113	18,769,113	18,769,113
Deferred Employee Expenditure	409,019,093	180,958,590	409,019,093	180,958,590
Other	15,835,611	21,664,170	15,653,231	8,620,392
Total	**1,608,239,372**	**1,486,416,314**	**1,622,327,761**	**1,502,271,962**

DUE TO BANK AND FINANCIAL INSTITUTIONS 4.17

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Money Market Deposits	-	-	-	-
Interbank Borrowing	300,000,000	2,550,000,000	300,000,000	2,550,000,000
Other Deposits from B/FIs	3,626,662,470	785,288,532	3,626,662,470	785,288,532
Settlement and Clearing Accounts	-	-	-	-
Other Deposits from B/FIs	-	-	-	-
Total	**3,926,662,470**	**3,335,288,532**	**3,926,662,470**	**3,335,288,532**

DUE TO NEPAL RASTRA BANK 4.18

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Refinance from NRB	1,212,586,471	695,041,370	1,212,586,471	695,041,370
Standing Liquidity Facility	-	-	-	-
Lender of Last Resort Facility from NRB	-	-	-	-
Securities Sold under Repurchase Agreements	-	-	-	-
Other Payable to NRB	-	-	-	-
Total	**1,212,586,471**	**695,041,370**	**1,212,586,471**	**695,041,370**

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	29,294,776,238	25,766,302,199	29,379,776,238	25,851,302,199
Call Deposits	5,126,971,582	3,030,366,310	5,146,053,092	3,035,572,647
Current Deposits	3,083,595,540	2,224,805,322	3,133,120,904	2,224,810,322
Other	422,319,349	272,840,189	422,319,349	272,840,189
Individual Customers:				
Term Deposits	15,116,813,115	15,081,157,061	15,116,813,115	15,081,157,061
Saving Deposits	16,794,191,131	13,611,255,643	16,794,191,131	13,611,255,643
Current Deposits	363,368,395	331,024,877	363,368,395	331,024,877
Other	153,442,427	288,064,035	153,442,427	288,064,035
Total	**70,355,477,776**	**60,605,815,636**	**70,509,084,649**	**60,696,026,972**

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	69,170,586,464	60,042,579,187	69,324,193,338	60,132,790,529
Indian Rupee	-	-	-	-
United State Dollar	1,173,512,924	554,120,409	1,173,512,924	554,120,409
Great Britain Pound	305,247	30,555	305,247	30,555
Euro	10,872,457	8,892,620	10,872,457	8,892,620
Japanese Yen	200,684	192,859	200,684	192,859
Chinese Yuan	-	-	-	-
Other	-	-	-	-
Total	**70,355,477,776**	**60,605,815,630**	**70,509,084,649**	**60,696,026,972**

BORROWING 4.21

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Domestic Borrowing				
Nepal Government	-	-	-	-
Other Institutions	-	-	-	-
Other	-	-	-	-
Sub total	-	-	-	-
Foreign Borrowing				
Foreign Bank and Financial Institutions	-	-	-	-
Multilateral Development Banks	-	-	-	-
Other Institutions	-	-	-	-
Sub total	-	-	-	-
Total	-	-	-	-

PROVISIONS 4.22

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Provisions for Redundancy	-		-	-
Provisions for Restructuring	-	-	-	-
Pending Legal Issues and Tax Litigation	-	-	-	-
Onerous Contracts	-	-	-	-
Other - Previous Year's Income Tax Provision	5,306,626	5,526,126	5,306,626	5,306,626
Total	**5,306,626**	**5,526,126**	**5,306,626**	**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 17, 2018	**5,526,126**	**3,078,973**	**5,306,626**	**-**
Provisions Made during the Year	-	2,447,152	-	5,306,626
Provisions Used during the Year	-	-	-	-
Provisions Reversed during the Year	(219,500)	-	-	-
Unwind of Discount		-	-	-
Balance at July 16, 2019	**5,306,626**	**5,526,126**	**5,306,626**	**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	5,497,624	2,179,886	5,413,486	2,142,623
Liability for Long-Service Leave	2,352,859	7,181,863	2,352,859	7,181,863
Short-Term Employee Benefits	4,570,530	28,307	4,570,530	28,307
Bills Payable	139,341,142	79,850,035	139,341,142	79,850,035
Creditors and Accruals	40,796,949	23,150,522	39,909,226	20,201,332
Interest Payable on Deposit	7,094,386	162,563,714	7,094,386	162,563,714
Interest Payable on Borrowing	23,311,930	18,862,763	23,311,930	18,862,763
Liabilities on Deferred Grant Income	4,214,586	-	4,214,586	-
Unpaid Dividend	85,656,720	71,936,209	84,744,388	71,023,877
Lease Liabilities	15,989,500	3,468,935	15,989,500	3,468,935
Employee Bonus Payable	245,978,655	189,651,677	241,957,093	189,651,677
Other	-	-	-	-
Card Payables	29,259,528	27,710,430	29,259,528	27,710,430
Unearned Commissions	73,928,838	48,857,046	73,928,838	48,857,046
Tax Payable	120,361,463	120,335,580	120,141,149	120,186,013
Retention Money	8,619,774	18,437,618	8,619,774	18,437,618
Provision for Expenses	23,460,802	15,577,126	22,304,052	15,577,126
Account Payable Others	652,244,571	765,019,799	650,799,016	662,234,287
Total	**1,482,679,855**	**1,554,811,510**	**1,473,951,481**	**1,447,977,647**

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	5,413,486	2,142,623	5,413,486	2,142,623
Present Value of Funded Obligations	66,343,987	51,373,775	66,343,987	51,373,775
Total Present Value of Obligations	71,757,473	53,516,399	71,757,473	53,516,399
Fair Value of Plan Assets	66,343,987	51,373,775	66,343,987	51,373,775
Present Value of Net Obligations	5,413,486	2,142,623	5,413,486	2,142,623
Recognised Liability for Defined Benefit Obligations	71,757,473	53,516,399	71,757,473	53,516,399

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	66,343,987	51,373,775	66,343,987	51,373,775
Total	**66,343,987**	**51,373,775**	**66,343,987**	**51,373,775**

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 17, 2018	53,516,399	38,738,060	53,516,399	38,738,060
Actuarial Losses	14,514,154	756,288	14,514,154	756,288
Benefits Paid by the Plan	(17,276,585)	(3,475,622)	(17,276,585)	(3,475,622)
Current Service Costs and Interest	21,003,505	17,497,673	21,003,505	17,497,673
Defined Benefit Obligations at Mid July, 2019	**71,757,473**	**53,516,399**	**71,757,473**	**53,516,399**

Current Service Cost and Defined Benefit Obligations include NPR. 6,775,104 on account of provision made for gratuity equivalent to 1 month for the staffs joining after Bhadra, 2074.

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 17, 2018	51,373,776	34,604,096	51,373,776	34,604,096
Contributions Paid into the Plan	29,958,390	20,146,818	29,958,390	20,146,818
Benefits Paid during the Year	(17,276,585)	(3,475,622)	(17,276,585)	(3,475,622)
Actuarial (Losses) Gains	(1,299,523)	(3,336,692)	(1,299,523)	(3,336,692)
Expected Return on Plan Assets	3,587,929	3,435,176	3,587,929	3,435,176
Fair Value of Plan Assets as on July 16, 2019	**66,343,987**	**51,373,776**	**66,343,987**	**51,373,776**

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	17,413,256	14,537,653	17,413,256	14,537,653
Interest on Obligation	3,590,249	2,960,020	3,590,249	2,960,020
Expected Return on Plan Assets	(3,587,929)	-	(3,587,929)	(3,435,176)
Total	**17,415,576**	**17,497,673**	**17,415,576**	**14,062,497**

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	15,813,677	(756,288)	15,813,677	(756,288)
Total	**15,813,677**	**(756,288)**	**15,813,677**	**(756,288)**

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%	8.00%
Future Salary Increase	7.50%	5.00%	7.50%	8.00%
Withdrawal Rate	13.00%	10.50%	13.00%	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	499,145,186	498,722,911	499,145,186	498,722,911
Total	**499,145,186**	**498,722,911**	**499,145,186**	**498,722,911**

SUBORDINATED LIABILITIES 4.25

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Redeemable Preference Shares				
Irredemable 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	8,371,064,773	8,033,236,400	8,371,064,773	8,033,236,400
Convertible Preference Shares (Equity Component Only)	-	-	-	-
Irredemable Preference Shares (Equity Component Only)	-	-	-	-
Perpetual Debt (Equity Component Only)	-	-	-	-
Total	**8,371,064,773**	**8,033,236,400**	**8,371,064,773**	**8,033,236,400**

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		
83,710,647.73 Ordinary shares of Rs. 100 each	8,371,064,773	
(Previous Year 80,332,364 Ordinary Shares of Rs. 100 each)		8,033,236,400
Subscribed and paid up capital		
83,710,647.73 Ordinary shares of Rs. 100 each	8,371,064,773	
(Previous Year 80,332,364 Ordinary Shares of Rs. 100 each)		8,033,236,400
Total	**8,371,064,773**	**8,033,236,400**

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 Intitutions	-	-	-	-
Other Institutions	5.31%	444,130,963	5.37%	431,187,400
Public	49.00%	4,101,818,773	48.70%	3,912,630,700
Other	45.69%	3,825,114,937	45.93%	3,689,418,300
Foreign Ownership	-	-	-	-
Total	**100.00%**	**8,371,064,673**	**100.00%**	**8,033,236,400**

RESERVES 4.27

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Statutory General Reserve	1,484,944,422	1,192,300,666	1,484,944,422	1,192,300,666
Exchange Equilisation Reserve	41,009,337	49,775,519	41,009,337	49,775,519
Corporate Social Responsibility Reserve	19,756,038	12,341,039	19,756,038	12,341,039
Capital Redemption Reserve	392,857,143	321,428,571	392,857,143	321,428,571
Regulatory Reserve	486,287,496	795,430,349	486,287,496	795,430,349
Investment Adjustment Reserve	3,000,000	135,200,000	3,000,000	135,200,000
Capital Reserve	-	-	-	-
Assets Revaluation Reserve	343,854,012	343,854,012	343,854,012	343,854,012
Fair Value Reserve	60,856,958	(6,300,000)	60,856,958	(6,300,000)
Dividend Equalisation Reserve	-	-	-	-
Actuarial Gain	(6,964,954)	4,081,628	(7,086,997)	3,982,577

Special Reserve	-	-	-	-
Other Reserve	1,877,088	1,717,677	-	-
Total	**2,827,477,541**	**2,849,829,461**	**2,825,478,410**	**2,848,012,733**

CONTINGENT LIABILITIES AND COMMITMENTS 4.28

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Contingent Liabilities	4,292,360,575	4,325,083,670	3,809,869,675	3,145,222,710
Undrawn and Undisbursed Facilities	42,965,478,554	25,273,416,802	42,965,478,554	25,273,416,802
Capital Commitment	44,540,852	49,177,561	44,540,852	49,177,561
Lease Commitment	435,794,290	333,127,762	435,794,290	320,013,298
Litigation	63,557,281	63,557,281	63,557,281	63,557,281
Total	**47,801,731,552**	**30,044,363,076**	**47,319,240,652**	**28,851,387,652**

4.28.1: CONTINGENT LIABILITIES

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Acceptance and Documentary Credit	1,531,284,415	1,562,257,180	1,531,284,415	1,562,257,180
Bills for Collection	446,980,546	83,382,584	446,980,546	83,382,584
Forward Exchange Contracts	-	-	-	-
Guarantees	1,680,804,472	1,464,529,092	1,680,804,472	1,464,529,092
Underwriting Commitment	457,490,900	1,153,860,960	-	-
Other Commitments	175,800,242	61,053,854	150,800,242	35,053,854
Total	**4,292,360,575**	**4,325,083,670**	**3,809,869,675**	**3,145,222,710**

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	18,198,338,227	13,224,868,234	18,198,338,227	13,224,868,234
Undrawn Limits of Overdrafts	3,509,177,478	3,185,902,518	3,509,177,478	3,185,902,518
Undrawn Limits of Credit Cards	167,236,481	106,677,323	167,236,481	106,677,323
Undrawn Limits of Letter of Credit	10,404,319,804	5,028,317,351	10,404,319,804	5,028,317,351
Undrawn Limits of Guarantee	10,686,406,565	3,727,651,375	10,686,406,565	3,727,651,375
Total	**42,965,478,554**	**25,273,416,802**	**42,965,478,554**	**25,273,416,802**

4.28.3: CAPITAL COMMITMENTS

Capital Expenditures are approved by relevant authority of the Bank 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	43,285,422	35,851,451	43,285,422	35,851,451
Approved but not Contracted for	-	-	-	-
Sub total	**43,285,422**	**35,851,451**	**43,285,422**	**35,851,451**
Capital Commitments in relation to Intangible Assets				
Approved and Contracted for	1,255,430	12,196,109	1,255,430	12,196,109
Approved but not Contracted for	-	1,130,000	-	1,130,000
Sub total	**1,255,430**	**13,326,109**	**1,255,430**	**13,326,109**
Total	**44,540,852**	**49,177,561**	**44,540,852**	**49,177,561**

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	54,891,711	44,531,348	54,891,711	42,912,121
Later than 1 year but not later than 5 years	225,991,179	167,158,529	225,991,179	160,681,621
Later than 5 years	154,911,400	121,437,885	154,911,400	116,419,556
Sub total	**435,794,290**	**333,127,762**	**435,794,290**	**320,013,298**
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	**435,794,290**	**333,127,762**	**435,794,290**	**320,013,298**

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 32nd Ashadh, 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 Liabilties 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	108,409,305	15,862,141	108,537,386	21,707,097
Due from Nepal Rastra Bank	-	-	-	-
Placement with Bank and Financial Institutions	63,710,183	67,930,816	63,710,183	67,930,816
Loan and Advances to Bank and Financial Institutions	104,745,073	155,980,578	104,745,073	155,980,578
Loan and Advances to Customers	7,889,220,279	6,488,332,187	7,889,293,249	6,488,757,635
Investment Securities	324,539,507	271,084,524	322,400,112	264,725,524
Loan and Advances to Staff	43,597,584	110,285,922	43,597,584	110,285,922
Other	-	705,446	-	-
Total Interest Income	**8,534,221,931**	**7,110,181,614**	**8,532,283,587**	**7,109,387,573**

INTEREST EXPENSES 4.30

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Due to Bank and Financial Institutions	281,145,054	161,346,494	281,145,054	161,346,494
Due to Nepal Rastra Bank	62,465,266	9,920,460	62,465,266	9,920,460
Deposits from Customers	5,446,865,030	4,667,133,887	5,457,289,005	4,672,978,843
Borrowing	-	-	-	-
Debt Securities Issued	42,922,284	43,074,097	42,922,284	43,074,097
Subordinated Liabilities	-	-	-	-
Other	-	-	-	-
Total Interest Expense	**5,833,397,635**	**4,881,474,938**	**5,843,821,610**	**4,887,319,894**

FEES AND COMMISSION INCOME 4.31

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Loan Administration Fees	201,913,592	289,565,738	201,913,592	289,565,738
Service Fees	36,839,095	10,309,652	36,839,095	10,309,652
Consortium Fees	58,324,047	29,026,862	58,324,047	29,026,862
Commitment fees	9,388,807	3,705,509	9,388,807	3,705,509
DD/ TT/ Swift Fees	17,387,203	14,883,059	17,387,203	14,883,059
Credit Card/ ATM Issuance and Renewal Fees	50,956,988	40,027,593	50,956,988	40,027,593
Prepayment and Swap fees	15,781,654	19,652,389	15,781,654	19,652,389
Investment Banking Fees	-	-	-	-
Asset Management Fees	18,653,051	7,184,359	-	-
Brokerage Fees	-	-	-	-
Remittance Fees	28,282,330	22,438,154	28,282,330	22,438,154
Commission on Letter of Credit	40,357,043	39,497,017	40,357,043	39,497,017
Commission on Guarantee Contracts Issued	62,217,777	46,269,284	62,217,777	46,269,284
Commission on Share Underwriting/ Issue	10,937,822	8,653,957	-	-
Locker Rental	4,659,400	4,434,125	4,659,400	4,434,125
Other Fees and Commission Income	45,784,446	42,398,676	42,465,965	40,074,898
Total Fees and Commission Income	**601,483,255**	**578,046,372**	**568,573,901**	**559,884,278**

FEES AND COMMISSION EXPENSES 4.32

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
ATM Management Fees	2,042,159	2,665,030	2,042,159	2,665,030
VISA/ Master Card Fees	16,859,922	15,801,735	16,859,922	15,801,735
Guarantee Commission	5,133,157	16,542,600	5,133,157	16,542,600
Brokerage	3,146,204	-	-	-
DD/ TT/ Swift Fees	7,526,349	6,615,312	7,526,349	6,615,312
Remittance Fees and Commission	100,745	-	100,745	-
Other Fees and Commission Expenses	38,261,434	10,697,178	35,731,074	9,211,430
Total Fees and Commission Expenses	**73,069,970**	**52,321,855**	**67,393,405**	**50,836,108**

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	(11,049,224)	(27,169,362)	(12,129,404)	(18,579,744)
Gain/ Loss on Disposal of Trading Assets	62,367,227	257,405	429,383	257,405
Interest Income on Trading Assets	-	-	-	-
Dividend Income on Trading Assets	3,556,406	174,460	220,434	174,460
Gain/ Loss Foreign Exchange Transaction	288,801,722	199,222,366	288,801,722	199,222,366
Other	-	-	-	-
Net Trading Income	**343,676,130**	**172,484,869**	**277,322,135**	**181,074,487**

OTHER OPERATING INCOME 4.34

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Foreign Exchange Revaluation Gain	(8,766,181)	66,879,937	(8,766,181)	66,879,937
Gain/ Loss on Sale of Investment Securities	-	(3,359,258)	-	-
Fair Value Gain/ Loss on Investment Properties	-	-	-	-
Dividend on Equity Instruments	2,030,385	5,750,461	2,667,854	5,690,709
Gain/ Loss on Sale of Property and Equipment	(724,482)	1,563,213	(724,482)	1,563,213
Gain/ Loss on Sale of Investment Property	5,572,504	2,054,301	5,572,504	2,054,301
Operating Lease Income	-	-	-	-
Gain/ Loss on Sale of Gold and Silver	7,106,138	8,458,850	7,106,138	8,458,850
Locker Rent	-	-	-	-
Other	31,300,863	43,109,985	24,609,473	36,049,483
Total	**36,519,227**	**124,457,490**	**30,465,306**	**120,696,494**

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 Loan and Advances to B/FIs	-	-	-	-
Impairment Charge/ (Reversal) on Loan and Advances to Customer	(139,917,477)	89,316,642	(139,917,477)	89,316,642
Impairment Charge/ (Reversal) on Financial Investment	-	-	-	-
Impairment Charge/ (Reversal) on Placement with Bank and Financial Institutions	-	-	-	-
Impairment Charge/ (Reversal) on Property and Equipment	1,544,705	-	1,544,705	-
Impairment Charge/ (Reversal) on Goodwill and Intangible Assets	-	-	-	-
Impairment Charge/ (Reversal) on Investment Properties	-	-	-	-
Total	**(138,372,772)**	**89,316,642**	**(138,372,772)**	**89,316,642**

PERSONNEL EXPENSES 4.36

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Salary	256,701,213	201,219,340	253,280,265	198,209,379
Allowances	230,623,624	150,053,517	228,721,667	172,227,889
Gratuity Expenses	17,542,605	14,062,497	17,415,576	14,062,497
Provident Fund	24,618,312	16,862,364	24,362,365	16,600,772
Uniform	8,577,540	8,444,697	8,577,540	8,444,697
Training & Development expenses	15,982,722	15,493,317	15,982,722	15,493,317
Leave encashment	58,346,497	61,905,622	58,346,497	61,905,622
Medical	2,203,446	-	2,203,446	-
Insurance	1,804,440	2,679,984	1,804,440	2,679,984
Employees incentive	900,000	10,421,478	-	10,421,478
Cash-Settled Share-Based Payments	-	-	-	-
Pension Expense	-	-	-	-
Finance Expense under NFRS	21,195,332	72,823,672	21,195,332	72,549,771
Other Expenses Related to Staff	26,464,822	46,352,423	26,397,410	21,810,897
Sub total	**664,960,554**	**600,318,911**	**658,287,261**	**594,406,304**
Employees Bonus	245,978,655	189,651,677	241,957,093	189,651,677
Grand total	**910,939,209**	**789,970,588**	**900,244,354**	**784,057,981**

OTHER OPERATING EXPENSES 4.37

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Directors' Fee	3,745,000	3,306,500	3,090,000	2,896,000
Directors' Expenses	7,642,598	2,706,449	7,642,598	2,703,894
Auditors' Remuneration	2,548,150	1,864,500	2,378,650	1,695,000
Other Audit Related Expenses	1,500,000	416,898	1,500,000	341,500
Professional and Legal Expenses	899,813	1,617,855	857,213	1,529,255
Office Administration Expenses	338,272,380	258,584,266	335,216,620	231,790,008
Operating Lease Expenses	59,671,556	53,340,319	59,671,556	53,074,092
Operating Expense of Investment Properties	-	-	-	-
Corporate Social Responsibility Expenses	7,217,189	12,126,888	7,217,189	12,126,888
Onerous Lease Provisions	-	-	-	-
Other	50,917,206	41,201,780	47,080,248	41,201,780
Total	**472,413,890**	**375,165,455**	**464,654,072**	**347,358,417**

DEPRECIATION & AMORTIZATION 4.38

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Depreciation on Property and Equipment	157,879,713	124,983,243	156,203,334	123,319,621
Depreciation on Investment Property	-	-	-	-
Amortisation of Intangible Assets	14,591,044	3,367,412	14,297,820	3,207,114
Total	**172,470,757**	**128,350,655**	**170,501,154**	**126,526,734**

NON OPERATING INCOME 4.39

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Recovery of Loan Written Off	939,411	5,711,207	939,411	5,711,207
Other income	27,320,789	21,690,840	76,846,658	32,243,840
Total	**28,260,200**	**27,402,047**	**77,786,069**	**37,955,047**

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	-	16,717,011
Redundancy Provision	-	-	-	-
Expense of Restructuring	-	-	-	-
Other Expenses	575,339	-	575,339	-
Total	**575,339**	**16,717,011**	**575,339**	**16,717,011**

INCOME TAX EXPENSES 4.41

Amount in NPR

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Current Tax Expenses	778,977,415	536,347,961	776,346,002	536,347,961
Current Year	650,077,059	536,347,961	647,445,646	536,347,961
Adjustments for Prior Years	128,900,356	-	128,900,356	-
Deferred Tax Expenses	(63,316,326)	(65,686,933)	(61,950,946)	(63,586,765)
Origination and Reversal of Temporary Differences	(63,316,326)	(76,035,399)	(61,950,946)	(73,935,231)
Changes in Tax Rate	-	-	-	-
Recognition of Previously Unrecognised Tax Losses	-	10,348,466	-	10,348,466
Total Income Tax Expenses	**715,661,088**	**470,661,028**	**714,395,056**	**472,761,196**

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	**2,213,841,461**	**1,676,486,057**	**2,177,613,836**	**1,706,865,093**
Tax amount at Tax Rate of 30%	664,152,438	512,059,528	653,284,151	512,059,528
Add: Tax effect of expenses that are not deductible for tax purpose				
Capital Items Cost upto Rs 5,000 Written Off	620,293	551,814	620,293	551,814
Unabsorbed Repairs and Maintenance	-	842,033	-	901,264
Staff Bonus pertaining to Final Dividend	-	-	-	-
Loan W/off	-	-	-	-
Depreciation & Amortization	-	1,823,921	-	-
Amortization of Fixed Assets	463,411	-	463,411	-
Gratuity & Leave Expense Provision	-	3,108,383	-	3,108,383
Carry forward of Unabsorbed Loss on Shares	3,638,821	6,966,728	3,638,821	6,966,728
Bond Amortization Expenses	147,356		147,356	
Other Expenses	8,146,538	29,188,480	8,146,538	4,647,878
Effect of NFRS Adjustments from Profit Reconciliation	-	14,055,724	-	14,055,724
Less: Tax effect on exempt income				
Dividend Income	(866,486)	(5,533,073)	(866,486)	(1,759,551)
Add/ Less: Tax effect on other items				
Loss/ (Profit) on Sale of Fixed Asset	217,345	(468,964)	217,345	(468,964)
Gratuity & Leave Expense Excess Contribution	(5,211,546)	-	(5,211,546)	-
Depreciation & Amortization	(1,667,613)	(11,058,211)	(1,667,613)	(9,593,109)
Recovery of Loan w/off	(281,823)	(1,713,362)	(281,823)	(1,713,362)
Excesss LLP Claimed over GAAP LLP	281,824	(14,021,715)	281,824	(22,611,333)
Carried Forward Unabsorbed Lossess	(19,563,498)	(14,615,193)	(11,326,623)	(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)
Actuarial Gain/ Loss	-	-	-	-
Prior Period Error effect	128,900,356	-	128,900,356	-
Total Income Tax Expenses	**778,977,415**	**536,347,960**	**776,346,002**	**536,347,960**
Effective Tax Rate	**35.19%**	**31.99%**	**35.65%**	**31.42%**

CITIZENS BANK INTERNATIONAL LIMITED

Statement of Distributable Profit or Loss
For the year ended July 16, 2019 (Ashadh 31, 2076)

Amount in NPR

PARTICULARS	BANK	
	CURRENT YEAR	PREVIOUS YEAR
NET PROFIT OR (LOSS) AS PER STATEMENT OF PROFIT OR LOSS	**1,463,218,780**	**1,234,103,897**
APPROPRIATIONS:		
a. General Reserve	(292,643,756)	(246,820,779)
b. Foreign Exchange Fluctuation Fund	-	(16,719,984)
c. Capital Redemption Reserve	(71,428,571)	(121,428,571)
d. Corporate Social Responsibility Fund	(14,632,188)	(12,341,039)
e. Employees' Training Fund	-	-
f. Other	-	(49,924,000)
PROFIT OR (LOSS) BEFORE REGULATORY ADJUSTMENT	**1,084,514,265**	**786,869,523**
REGULATORY ADJUSTMENT :		
a. Interest Receivable (-)/ Previous Accrued Interest Received (+)	(26,279,833)	(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 (+)	64,999,907	(287,547,060)
e. Deferred Tax Assets Recognized (-)/ Reversal (+)	(20,235,997)	-
f. Goodwill Recognized (-)/ Impairment of Goodwill (+)	-	-
g. Bargain Purchase Gain Recognized (-)/ Reversal (+)	-	(291,445,773)
h. Actuarial Loss Recognized (-)/ Reversal (+)	(7,086,997)	-
i. Other (+/-)	-	-
- Gain from Investments in Equity Instruments measured at Fair Value to the extent of Loss of Previous Year	6,300,000	(6,300,000)
Distributable Profit or (Loss)	**1,102,211,345**	**(8,560,826)**

CITIZENS BANK INTERNATIONAL LIMITED

Comparison of Unaudited and Audited Financial Statements as of FY 2018/2019

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	6,614,884,630	6,740,702,460	(125,817,830)	-1.90%	Reclassification from Due from Nepal Rastra Bank
Due from Nepal Rastra Bank	2,722,776,841	2,596,966,889	125,809,952	4.62%	Reclassification to Cash and Cash Equivalents
Placement with Bank and Financial Institutions	394,769,893	394,769,893	-	0.00%	
Derivative Financial Instruments	44,104,432	44,104,432	-	0.00%	
Other Trading Assets	68,173,020	567,253,478	(499,080,458)	-732.08%	Due to Fair Value Adjustment of Investment Securities & Reclassification from Other Assets
Loan and Advances to B/FIs	1,581,899,190	1,581,899,190	-	0.00%	
Loan and Advances to Customers	62,909,240,652	62,911,970,484	(2,729,832)	0.00%	Due to change in Impairment Provision
Investment Securities	10,738,116,795	10,822,603,551	(84,486,756)	-0.79%	Due to change in Fair Value of Investment
Current Tax Assets	15,944,373	14,624,427	1,319,946	8.28%	Recomputation and Readjustment of Tax
Investment in Subsidiaries	167,204,200	167,204,200	-	0.00%	
Investment in Associates	17,951,500	17,951,500	-	0.00%	
Investment Property	222,547,153	222,547,153	-	0.00%	
Property and Equipment	2,302,741,443	2,302,848,710	(107,267)	0.00%	Due to change in Depreciation
Goodwill and Intangible Assets	93,361,744	93,353,427	8,316	0.01%	Due to change in Depreciation
Deferred Tax Assets	48,221,039	20,235,997	27,985,042	58.03%	Dueto change in Deferred Tax calculation
Other Assets	2,138,129,842	1,622,327,761	515,802,081	24.12%	Due to Rectification as per Audit Observation
Total Assets	**90,080,066,748**	**90,121,363,554**	**41,296,806**	**0.05%**	
LIABILITIES					
Due to Bank and Financial Institutions	3,926,662,470	3,926,662,470	-	0.00%	
Due to Nepal Rastra Bank	1,212,586,471	1,212,586,471	-	0.00%	
Derivative Financial Instruments	-	-	-	0.00%	
Deposits from Customers	70,509,084,649	70,509,084,649	-	0.00%	
Borrowing	-	-	-	0.00%	
Current Tax Liabilities	-	-	-	0.00%	
Provisions	-	5,306,626	(5,306,626)	100.00%	Previous Year's Provision Reversed
Deferred Tax Liabilities	-	-	-	0.00%	
Other Liabilities	1,470,442,121	1,473,951,481	(3,509,360)	-0.24%	Due to Rectification as per Audit Observation & Reclassification to Other Trading Assets
Debt Securities Issued	499,145,186	499,145,186	-	0.00%	

Subordinated Liabilities	-	-	-	0.00%	
Total Liabilities	**77,617,920,898**	**77,626,736,883**	**8,815,985**		
EQUITY					
Share Capital	8,371,064,773	8,371,064,773	-	0.00%	
Share Premium	46,816,126	46,816,126	-	0.00%	
Retained Earnings	1,267,879,918	1,251,267,361	16,612,557	1.31%	Due to change in Net Profit and Equity Movement from Reserves to Retained Earnings
Reserves	2,776,385,034	2,825,478,410	(49,093,376)	-1.77%	Due to change in Regulatory Reserves and Other Reserves after change in Recognition of Accrued Interest Income and Deferred Tax
Total Equity	**12,462,145,850**	**12,494,626,670**	**32,480,819**	**0.26%**	
Total Liabilities and Equity	**90,080,066,748**	**90,121,363,553**	**41,296,805**	**0.05%**	
STATEMENT OF PROFIT OR LOSS					
Interest Income	8,662,822,687	8,532,283,587	130,539,100	1.51%	Change in Recognition of Interest Income on Accrual Basis
Interest Expenses	(5,846,377,573)	(5,843,821,610)	(2,555,963)	0.04%	Due to change in Investment and Other Interest Expense
Net Interest Income	**2,816,445,114**	**2,688,461,977**	**(127,983,137)**	**-4.54%**	
Fees and Commission Income	570,240,866	568,573,901	1,666,965	0.29%	Reclassification and Remeasurement of Fees and Commission Income
Fees and Commission Expenses	(67,387,885)	(67,393,405)	5,520	0.00%	Reclassification and Remeasurement of Fees and Commission Expenses
Net Fees and Commission Income	**502,852,980**	**501,180,496**	**(1,672,485)**	**-0.33%**	
Net Interest, Fee and Commission Income	**3,319,298,094**	**3,189,642,473**		**0.00%**	
Net Trading Income	282,426,561	277,322,135	5,104,426	1.81%	Due to change in Fair Value of Investment
Other Operating Income	5,855,833	30,465,306	(24,609,473)	-420.26%	Regrouping and Recalssification of Other Operating Income
Total Operating Income	**3,607,580,488**	**3,497,429,914**	**(110,150,575)**	**-3.05%**	
Impairment Charge/ (Reversal) for Loans and Other Losses	130,407,669	138,372,772	(7,965,104)	-6.11%	Due to change in Loan Loss Provision
Net Operating Income	**3,737,988,157**	**3,635,802,686**	**(102,185,471)**	**-2.73%**	
Operating Expenses			-		
Personnel Expenses	(989,605,474)	(900,244,354)	(89,361,120)	9.03%	Due to change in Staff Finance Cost and Staff Bonus Provision
Other Operating Expenses	(464,940,838)	(464,654,072)	(286,766)	0.06%	Due to Regrouping of Operating Expenses
Depreciation & Amortization	(170,541,617)	(170,501,154)	(40,463)	0.02%	Due to change in Depreciation
Operating Profit	**2,112,900,228**	**2,100,403,106**	**(12,497,122)**	**-0.59%**	
Non Operating Income	80,029,828	77,786,069	2,243,759	2.80%	Regrouping and Reclassification of Income
Non Operating Expenses	-	(575,339)	575,339		
Profit Before Income Tax	**2,192,930,055**	**2,177,613,836**	**(15,316,220)**	**-0.70%**	

Income Tax Expenses			-		
Current Tax	(769,718,791)	(776,346,002)	6,627,212	-0.86%	Due to change in various Income and Expenses as stated above
Deferred Tax	65,213,201	61,950,946	3,262,255	5.00%	Due to change in Valuation of Investment Securities and Gratuity Expenses
Profit/ (Loss) for the Period	1,488,424,466	1,463,218,780	(25,205,686)	-1.69%	
Other Comprehensive Income	(1,599,121)	56,087,385	(57,686,505)	100.00%	Due to change in Fair Value of Investment Securities Measured at FVTOCI
Total Comprehensive Income	**1,486,825,345**	**1,519,306,164**	**32,480,819**	**2.18%**	
Distributable Profit					
Net Profit/ (Loss) as per Profit or Loss	1,488,424,466	1,463,218,780	(25,205,686)	-1.69%	
Add/ Less: Regulatory Adjustment as per NRB Directive	(368,958,234)	(361,007,435)	(7,950,798)	2.15%	Due to change in Profit and changes in Appropriation to Regulatory Reserves
Free Profit/ (Loss) after Regulatory Adjustments	**1,119,466,232**	**1,102,211,345**	**(17,254,888)**	**-1.54%**	

5. DISCLOSURES AND ADDITIONAL NOTES

5.1. RISK 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.

1. Overview of Risk

Risk refers to the chance of financial and reputational losses due to random changes (uncertainty) in underlying risk factors. It is the discipline which makes us identify, measure, mitigate and control the risks and returns arising from various portfolios and transactions in order to design optimal business strategies.

2. 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 has been fixed to the Executives of the Bank. Product policies and programs are duly approved before any new product launches and are reviewed regularly.

3. Credit Risk Management Department analyzes the inherent risks 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 both of these units, one business generating, the other risk monitoring and controlling. The Bank has standard Credit Policies Guidelines that define the Bank's credit policies, risk mitigating measures and the single obligor limit.

4. Credit risk mitigants used by the Bank are deposit of the borrower within the Bank, cash margin and deposit with other banks and financial institutions, applying supervisory haircut of 20% for capital adequacy. Such mitigants have minimum impact on the overall capital adequacy of the Bank.

5. Credit risk

Credit risk is the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms. Credit risk is most likely caused by loans, acceptances, interbank transactions, trade financing, foreign exchange transactions, financial futures, swaps, bonds, equities, options, and in the extension of commitments and guarantees, and the settlement of transactions. In simple words, if person A borrows loan from a bank and is not able to repay the loan because of inadequate income, loss in business, death, unwillingness or any other reasons, the bank faces credit risk. Similarly, if you do not pay your credit card bill, the bank faces credit risk. Hence, to minimize the credit risk on the Bank's end, the rate of interest will be higher for borrowers, if they are associated with high credit risk. Factors like unsteady income, low credit score, employment type, collateral assets and others determine the credit risk associated with a borrower. As stated earlier, credit risk can be associated with interbank transactions, foreign transactions and other types of transactions happening outside the bank. If the transaction at one end is successful but unsuccessful at the other end, loss occurs. If the transaction at one end is settled but there are delays in settlement at the other end, there might be lost investment opportunities.

6. Market Risk

Market risk is the risk of losses in the bank's trading book due to changes in equity prices, interest rates, credit spreads, foreign-exchange rates, commodity prices and other indicators, whose values are set in a public market. It is the risk of losses in on or off-balance sheet positions that arise from movement in market prices. Market risk is prevalent mostly amongst banks that are into investment banking, since they are active in capital markets.

- Market risk can be better understood by dividing it into 4 types, depending on the potential cause of the risk:
- Interest rate risk: Potential losses due to fluctuations in interest rate
- Equity risk: Potential losses due to fluctuations in stock price
- Currency risk: Potential losses due to international currency exchange rates (closely associated with settlement risk)
- Commodity risk: Potential losses due to fluctuations in prices of agricultural, industrial and energy commodities like wheat, copper and natural gas respectively.

7. Operational risk:

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes legal risk, but excludes strategic and reputation risk. Operational risk can widely occur in banks due to human errors or mistakes.

Operational risk is the risk of negative effects on the financial result and capital of the Bank, caused by omissions in the work of employees, inadequate internal procedures and processes, inadequate management of information and other systems, and unforeseeable external events.

Risk events are associated with people; process and technology involved with the product and may be recognized by:
i) Experience of past events
ii) Judgements
iii) Linked events such as loss from market/ credit risks
iv) Intuition
v) Regulatory requirement of recognition of specified events
vi) Breaches in systems and procedures

8. Liquidity Risk:

Liquidity risk is the risk that a bank may be unable to meet short term financial demands. This usually occurs due to the inability to convert a security or hard asset to cash without a loss of capital and/ or income in the process. Financial institutions are also scrutinized to determine whether they can meet their debt obligations without realizing great losses. Institutions face strict compliance requirements and stress tests that indicate their financial stability.

In other words, liquidity is crucial to the ongoing viability of any financial institution. The capital positions can have a telling effect on institution's ability to obtain liquidity, especially in a crisis. Each bank must have adequate systems for measuring, monitoring and controlling liquidity risk. Banks should evaluate the adequacy of capital given their own liquidity profile and the liquidity of the markets in which they operate. Banks are also encouraged to make use of stress testing to determine their liquidity needs and the adequacy of capital.

5.2. CAPITAL MANAGEMENT

Qualitative Disclosures

In compliance with the regulatory requirement of increasing the capital base as prescribed by the Central Bank, the Bank is comfortable in meeting the minimum capital requirements and is strongly positioned to meet the performance benchmarks.

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	8,371,064,773
Equity Share Premium	46,816,126
Proposed Bonus Equity Shares	-
Statutory General Reserves	1,484,944,422
Retained Earnings	1,251,267,361
Un-audited current year cumulative profit/ (loss)	-
Capital Redemption Reserve	392,857,143
Capital Adjustment Reserve	-
Dividend Equalization Reserves	-
Bargain Purchase Gain	-
Other Free Reserve	-
Less: Goodwill	-
Less: Intangible Assets	(93,353,427.37)
Less: Deferred Tax Asset	(20,235,996.80)
Less: Fictitious Assets	-

Less: Investment in Equity in licensed Financial Institutions	-
Less: Investment in Equity in institutions with financial interests	(167,204,200)
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	(39,925,384.06)
Less: Cash Flow Hedge	-
Less: Defined Benefit Pension Assets	-
Less: Unrecognized Defined Benefit Pension Liabilities	-
Less: Negative Balance of Reserve Account	-
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)	**11,226,230,817**

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	100,000,000
Hybrid Capital Instruments	-
Stock Premium	-
General Loan Loss Provision	613,655,530
Exchange Equalization Reserve	41,009,337
Investment Adjustment Reserve	-
Assets Revaluation Reserve	-
Other Reserves	-
Supplementary Capital (Tier 2)	**754,664,868**

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, 2077	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)	100,000,000

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 Poush, 2070. The current balance of Redemption Reserve stands at NPR 392.86 Million.

D. DEDUCTION FROM CAPITAL

The Bank has deducted the following items in calculation of Tier 1 Capital:

- NPR 93.35 Million Intangible Assets.
- NPR 20.23 Million Deferred Tax Asset.
- NPR 167.20 Million invested in equity capital of subsidiary company. Out of NPR 167.20 Million, NPR 117.20 Million is invested in CBIL Capital Limited and NPR 50 Million is invested in CBIL Securities Limited.
- NPR 39.92 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)	11,226,230,817
Tier 1 Capital	11,226,230,817
Tier 2 Capital	754,664,868
Total Capital Fund (Tier 1 and Tier 2)	**11,980,895,684**
Risk Weighted Exposures	**80,548,378,390**

F. CAPITAL ADEQUACY RATIO

DESCRIPTION	AMOUNT IN NPR
Leverage Ratio	10.05%
Common Equity Tier 1 Capital to Total Risk Weighted Exposures Ratio	13.46%
Tier 1 Capital to Total Risk Weighted Exposures Ratio	13.46%
Total Capital to Total Risk Weighted Exposures Ratio	14.37%

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	76,579,691,514
Risk Weighted Exposure for Operational Risk	3,923,016,403
Risk Weighted Exposure for Market Risk	45,670,473
Add: 2% of RWE as Supervisory Haircut	1,610,967,568
Add: 4% of Operational Risk as Supervisory Haircut	1,221,699,673
Total Risk Weighted Exposures (after Bank's adjustments of Pillar II)	**83,381,045,630**

H. RISK WEIGHTED EXPOSURES UNDER EACH 11 CATEGORIES OF CREDIT RISK

RISK WEIGHTED EXPOSURES	AMOUNT IN NPR
Categories of Credit Risk	
Claims on Government and Central Bank	-
Claims on Other Official Entities	-
Claims on Banks	1,213,748,736
Claims on Corporate and Securities Firms	35,927,571,556
Claims on Regulatory Retail Portfolio	8,926,660,120
Claims secured by Residential Properties	2,721,202,200
Claims secured by Commercial Real Estate	3,320,781,489
Past Due Claims	655,393,435
High Risk Claims	8,958,107,659
Other Assets	6,296,501,161
Off Balance Sheet Items	8,559,725,156
Total Credit Risk Weighted Exposures	**76,579,691,514**

I. TOTAL RISK WEIGHTED EXPOSURE CALCULATION TABLE

RISK WEIGHTED EXPOSURES	AMOUNT IN NPR
Credit Risk Exposure	76,579,691,514
Operational Risk Exposure	3,923,016,403
Market Risk Exposure	45,670,473
Adjustments under Pillar II	
Add: 2% of RWE as Supervisory Haircut	1,610,967,568
Add: 4% of Operational Risk as Supervisory Haircut	1,221,699,673
Total Risk Weighted Exposures	**83,381,045,630**
Total Core Capital (CET1 + AT1)	11,226,230,817
Total Capital Fund (Tier 1 and Tier 2)	11,980,895,684
Common Equity Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	**13.46%**
Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	**13.46%**
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	**14.37%**

J. AMOUNT OF NON-PERFORMING ASSETS AS PER REGULATORY CLASSIFICATION

Amount in NPR

PARTICULARS	GROSS AMOUNT	PROVISION	NET AMOUNT
Rescheduled / Restructured	-	-	-
Sub Standard	84,497,708	19,540,618	64,957,090
Doubtful	87,456,011	43,215,576	44,240,436
Loss	561,117,551	560,367,551	750,000
Total	**733,071,270**	**623,123,744**	**109,947,525**

K. RATIO OF NON PERFORMING ASSETS AS PER REGULATORY CLASSIFICATION

PARTICULARS	PERCENTAGE
Total NPL to Total Loans & Advances	1.13%
Net NPL to Net Loans & Advances	0.17%

L. MOVEMENT OF NON PERFORMING ASSETS AS PER REGULATORY CLASSIFICATION

Amount in NPR

Particulars	Previous Year	Current Year	Change
Rescheduled / Restructured	-	-	-
Sub Standard	56,122,763	84,497,708	50.56%
Doubtful	28,891,191	87,456,011	202.71%
Loss	775,529,486	561,117,551	-27.65%
Total	**860,543,440**	**733,071,270**	**-14.81%**

M. WRITE OFF OF LOANS AND INTEREST SUSPENSE

Amount in NPR

Particulars	Previous Year	Current Year	Change
Loan written off	16,717,011	-	-100.00%
Interest Suspense written off	137,837,027	124,544,429	-9.64%

N. MOVEMENTS IN LOAN LOSS PROVISION AND INTEREST SUSPENSE

Amount in NPR

PARTICULARS	PREVIOUS YEAR	CURRENT YEAR	CHANGE	
			AMOUNT	%
Loan Loss Provision	1,445,921,895	1,306,004,418	(139,917,477)	-9.68%
Interest Suspense	759,326,664	883,179,181	123,852,517	16.31%

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 IN %
Pass Loan	543,416,051	618,342,565	74,926,514	13.79%
Watchlist	100,322,950	64,538,109	(35,784,841)	-35.67%
Rescheduled / Restructured	-	-	-	-
Sub Standard	13,520,864	19,540,618	6,019,754	44.52%
Doubtful	14,258,096	43,215,576	28,957,480	203.09%
Loss	774,403,934	560,367,551	(214,036,383)	-27.64%
Additional			-	
Total	**1,445,921,895**	**1,306,004,418**	**(139,917,477)**	**-9.68%**

P. SEGREGATION OF INVESTMENTS PORTFOLIO

PARTICULARS	AMOUNT IN NPR
Investment securities measured at amortized cost	10,394,754,938
Investment in equity measured at FVTOCI	427,848,613
Trading Assets	567,253,478
Total	**11,389,857,029**

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 8,371,064,773.

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 Bank are unconditional. The Bank has Subordinated Debt of 500,000 8.5% Citizens Bank Bond, 2077, the main features of which are as under:

NAME	8.5% CITIZENS BANK BOND, 2077
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 392.86 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		44,104,432		**44,104,432**		44,104,432		**44,104,432**
Other Trading Assets								
Quoted Equities	63,068,594			**63,068,594**	149,295,454			**149,295,454**
Unquoted Equities								
Investment Securities								
Investment securities measured at amortized cost								
Treasury Bills			3,591,173,914	**3,591,173,914**			3,591,173,914	**3,591,173,914**
Government Securities			6,803,581,024	**6,803,581,024**			6,803,581,024	**6,803,581,024**
Investment in equity measured at FVTOCI								

Quoted Equities	273,432,612			273,432,612	273,432,612			273,432,612
Unquoted Equities			154,416,001	154,416,001			154,416,001	154,416,001
Total	**336,501,206**	**44,104,432**	**10,549,170,939**	**10,929,776,577**	**422,728,066**	**44,104,432**	**10,549,170,939**	**11,016,003,437**
Financial Liabilities								
Derivative Financial Instruments								
Total								

**Investments made in promoter shares of Prabhu Insurance Limited and Mero Microfinance Laghubitta Bittiya Sanstha Limited have been valued at 50% of price of ordinary share.

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	6,740,702,460	6,742,724,913
Due from Nepal Rastra Bank	2,596,966,889	2,596,966,889
Placement with Bank and Financial Institutions	394,769,893	394,769,893
Loans and Advances to B/FIs	1,581,899,190	1,581,899,190
Loans and Advances to Customers	62,911,970,484	62,911,970,484
Current Tax Assets	14,624,427	12,016,364
Investment in Subsidiaries	167,204,200	-
Investment in Associates	17,951,500	29,728,445
Investment Property	222,547,153	222,547,153
Property and Equipment	2,302,848,710	2,308,095,479
Goodwill and Intangible Assets	93,353,399	93,699,311
Deferred Tax Assets	20,235,997	23,971,072
Other Assets	1,622,327,761	1,608,239,372
Total	**78,687,402,092**	**78,526,628,565**

FINANCIAL LIABILITIES	BANK	GROUP
Due to Bank and Financial Institutions	3,926,662,470	3,926,662,470
Due to Nepal Rastra Bank	1,212,586,471	1,212,586,471
Deposits from Customers	70,509,084,649	70,355,477,776
Borrowing	-	-
Current Tax Liabilities	-	-
Provisions	5,306,626	5,306,626
Deferred Tax Liabilities	-	-
Other Liabilities	1,473,951,481	1,482,679,855
Debt Securities Issued	499,145,186	499,145,186
Subordinated Liabilities	-	-
Total	**77,626,736,883**	**77,481,858,384**

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 that 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 and
- Remittance

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, income from sale of gold, gain on foreign exchange and gain on the revaluation of investments, etc.

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.

2. INFORMATION ABOUT PROFIT OR LOSS, ASSETS AND LIABILITIES

Amount in NPR '000

S.N.	PARTICULARS	BANKING	TREASURY	CARD	REMITTANCE	TOTAL
(a)	Revenues from External Customers	516,554	109	33,729	13,963	564,354
(b)	Expenses to External Customers	(36,313)	(7,099)	(19,921)	(3,168)	(66,500)
(c)	Intersegment Revenues	-	-	-	-	-
(d)	**Net Revenue**	**480,241**	**(6,990)**	**13,808**	**10,795**	**497,854**
(e)	Interest Revenue	8,004,977	518,991	8,316	-	8,532,284
(f)	Interest Expense	(5,617,754)	(226,067)	-	-	(5,843,822)
(g)	**Net Interest Revenue (b)**	**2,387,223**	**292,924**	**8,316**	**-**	**2,688,462**
(h)	Other Income	56,827	296,150	118	5,973	359,067
(i)	Depreciation and Amortization	(80,361)	(710)	(369)	(51)	(81,491)
(j)	Other Expenses	(614,198)	(6,241)	(7,961)	(4,513)	(632,913)
(k)	**Segment Profit**	**2,229,731**	**575,133**	**13,911**	**12,204**	**2,830,979**
(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	138,373	-	-	-	138,373
(o)	**Segment Assets**	**68,141,615**	**19,485,688**	**81,798**	**13,985**	**87,723,087**
(p)	**Segment Liabilities**	**74,564,353**	**2,429,716**	**28,744**	**3,722**	**77,026,535**

Notes having brief description for above items are provided below:

a) **Revenues from External Customers:** Revenue from external customers have been segregated according to the nature of segment.
b) **Expenses to External Customers:** Expenses to external customers have been segregated according to the nature of segment.
c) **Intersegment Revenues:** Bank accounts for intersegment revenue as per predetermined inter branch transaction rate.
d) **Net Revenue:** Net revenue is revenue from external customers less expenses to external customers.
e) **Interest Revenue:** Interest revenue has been presented separately for revenue from loans and advances and interest income from investments.
f) **Interest Expense:** Interest expense has been apportioned on the basis of interest revenue.
g) **Net Interest Revenue:** Net interest revenue is interest revenue less interest expenses.
h) **Other Income:** Income other than income from regular operations.
i) **Depreciation and Amortization:** Depreciation and amortization have been segmented according to the types of segments.
j) **Other Expenses:** Expenses other than direct operational expenses.
k) **Segment Profit:** Net profit derived from segments other than allocated to specific segments.
l) **Entity's Interest in the Profit or Loss of Associates accounted for using Equity Method:** Separately disclosed in notes.
m) **Other material non-cash item:** Bank does not have any non-cash assets.
n) **Impairment of Assets:** Impairment has been allocated to specific segments.
o) **Segment Assets:** Allocated in accordance with nature of assets.
p) **Segment Liabilities:** Allocated in accordance with nature of liabilities.

3. MEASUREMENT OF OPERATING SEGMENT PROFIT OR LOSS, ASSETS AND LIABILITIES

a) Basis of accounting for any transactions between reportable segments

The intersegment 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 intersegment revenue. No any other notional intersegment 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	3,186,316
	Other revenues	359,067
	Elimination of intersegment revenues	-
	Entity's Revenue	**3,545,383**

(B)	PROFIT OR LOSS	AMOUNT IN NPR '000
	Total profit or loss for reportable segments	2,830,979
	Other profit or loss	138,373
	Elimination of intersegment profits	-
	Unallocated amounts	(791,738)
	Profit Before Income Tax	**2,177,614**

(C)	ASSETS	AMOUNT IN NPR '000
	Total assets for reportable segments	87,723,087
	Other assets	-
	Unallocated amounts	2,398,277
	Entity's Assets	**90,121,364**

(D)	LIABILITIES	AMOUNT IN NPR '000
	Total liabilities for reportable segments	77,026,535
	Other liabilities	-
	Unallocated liabilities	600,202
	Entity's Liabilities	**77,626,737**

5. INFORMATION ABOUT PRODUCTS AND SERVICES

Revenue from each type of product and services described in point no. 1(a) above:

S.N.	PARTICULARS	AMOUNT IN NPR '000
(a)	Banking	2,924,290
(b)	Treasury	582,084
(c)	Card	22,241
(d)	Remittance	16,768
	Total	**3,545,383**

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 SHARE OPTIONS AND SHARE BASED PAYMENT

The Bank has not issued share options and share based payments during the reporting period.

5.6 CONTINGENT LIABILITIES AND COMMITMENT

Contingent liabilities are given in Note 4.28 of Statement of Financial Position.

5.7 RELATED PARTY DISCLOSURE

5.7.1 RELATED PARTY DISCLOSURE OF THE BANK

The related parties of the Bank which meets the definition of related parties as defined in "NAS 24 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 were as follows:

NAME OF THE KEY MANAGEMENT PERSONNEL	POST
Dr. 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. Rajan Singh Bhandari	Former Chief Executive Officer
Mr. Ganesh Raj Pokharel	Chief Executive Officer
Mr. Bodh Raj Devkota	Deputy Chief Executive Officer
Mr. Ramdhan Shrestha	Assistant Chief Executive Officer
Mr. Samir Prasad Dahal	Assistant Chief Executive Officer
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.	58.60%
b.	CBIL Securities Ltd.	100%

Associate Companies

S.N.	PARTICULARS	SHAREHOLDING %
a.	Nepal Electronic Payment Systems Ltd.	8.52%
b.	Nepal Clearing House Ltd.	1.97%

Fund Sponsor

S.N.	PARTICULARS	SHAREHOLDING %
a.	Citizens Mutual Fund- I	
b.	Citizens Mutual Fund- II	

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 members of KMP are governed by Employee Byelaws 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) were as follows:

PARTICULARS	CURRENT YEAR (NPR)
Meeting Fees	3,090,000
Other Board Facility	852,000
Other Expenses	6,951,533
Total	**10,893,533**

The details relating to compensation paid to key management personnel (CEO only) were as follows:

PARTICULARS	CURRENT YEAR (NPR)
Short term employee benefits	9,707,948
Post employment benefits*	415,736
Other long term benefits**	1,013,333
Total	**11,137,017**

The details relating to compensation paid to key management personnel other than directors and CEO were as follows:

PARTICULARS	CURRENT YEAR (NPR)
Short term employee benefits	49,974,936
Post employment benefits*	1,524,459
Other long term benefits**	1,426,747
Total	**52,926,142**

* Post employment benefits include 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 Byelaws of the Bank.

*** KMP also gets accidental and medical insurance, vehicle, fuel, lunch and mobile facilities as per Employee Byelaws of the Bank.

ii. Transaction with Subsidiary

CBIL Capital Limited

The Bank has made strategic investment to broaden the scope of service and source of income by investing in share capital of CBIL Capital Limited, which is the Subsidiary company of the Bank. The Bank holds 58.60% controlling interest in the Subsidiary. Similarly, the Bank had deputed the managerial level staff as the Chief Executive Officer of the Subsidiary till May 02, 2019 and ACEO of the Bank is the Chairman of CBIL Capital Ltd. 2 Senior managers 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 arms-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 NPR 600,000:
   a) The Bank has the right to appoint the CEO of CBIL Capital Ltd.
   b) The Bank provides technical assistance required for computer hardware, software and network maintenance.
   c) Internal audit team of the Bank will handle all audit work of its Subsidiary and will submit quarterly report to its Audit Committee.
   d) Bank has also agreed to provide legal consultancy and vehicle facility to the Subsidiary Company.
   e) The Bank also provides investment management services through the Bank's branch network.

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 were made net of TDS. TDS has been duly deposited at Tax Office.

5. CBIL Capital Ltd. holds deposit accounts with the Bank, which has a balance of NPR 103,591,509 as on July 16, 2019 (Ashadh 31, 2076).

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	1,452,000
Management Fee Income	7,200,000
Server & Database Rental Income	2,191,667
Dividend Income	-
Interest Income	72,970
Interest on advance to Subsidiary	38,682,203
Fees and Commission	147,000
Total Income	**49,745,840**
Interest Paid to Subsidiary	10,268,315
RTS fee to Subsidiary	725,000
Total Expenses	**10,993,315**
Statement of Financial Position	
Deposit of Subsidiary	103,591,509
Advance to Subsidiary	-
Dividend payable to Shareholders of the Bank held on behalf of the Bank by the Subsidiary	55,700,240

The following table summarizes the financial information of CBIL Capital Limited in its own financial statements:

PARTICULARS	NPR
Non Current Assets	116,103,726
Current Assets	158,424,191
Non Current Liabilities	84,138
Current Liabilities	66,932,170
Net Assets Attributable to Share Holders	**207,511,608**
Revenue	33,781,353
Profit from Continuing Operations	34,938,099
Other Comprehensive Income	36,158
Total Comprehensive Income	**34,974,257**

CBIL SECURITIES LIMITED

The Bank has made strategic investment to broaden the scope of service and source of income by investing in share capital of CBIL Securities Limited, which is the Subsidiary company of the Bank. The Bank holds 100% controlling interest in the Subsidiary. Similarly, the Bank has deputed ACEO of the Bank as the Chairman of the Subsidiary and 3 senior level staffs of the Bank has been deputed as promoters of the Subsidiary.

The Subsidiary is engaged in Securities Brokerage Services.

1. An agreement has been made between the Bank and the Subsidiary Company to provide following facilities to Subsidiary Company by the Bank:

a) Bank has nominated its ACEO as the Chairman and 3 senior level staffs as the directors of the Subsidiary company.

2. Similarly, Bank has rented out its building located in Kupondole, Lalitpur to the Subsidiary Company, with the agreement to pay Monthly Rent of NPR 60,000, which will be increased by 10% in every 2 years, effective from the date of commencement of operation of CBIL Securities Limited.

3. All receipt and payment transactions entered into by the Bank with Subsidiary were made net of TDS. TDS has been duly deposited at Tax Office.

4. CBIL Securities Ltd. holds a deposit account with the Bank, which has a balance of NPR 50,132,312 as on July 16, 2019 (Ashadh 31, 2076).

5. The overall transactions with the Subsidiary included in financial statements of the Bank has been tabulated below:

PARTICULARS	NPR
Statement of Profit or Loss	
Total Income	-
Interest Paid to Subsidiary (Net of Tax)	132,312
Total Expenses	132,312
Statement of Financial Position	
Deposit of Subsidiary	50,132,312

The following table summarizes the financial information of CBIL Securities Ltd. in its own financial statements:

PARTICULARS	NPR
Non Current Assets	-
Current Assets	50,057,144
Non Current Liabilities	-
Current Liabilities	28,250
Net Assets Attributable to Share Holders	50,023,494
Revenue	155,661
Profit from Continuing Operations	23,494
Other Comprehensive Income	-
Total Comprehensive Income	23,494

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 Limited (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 NPR 15,000,000 in share capital of NEPS, which comes to 8.52% 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 amount 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	7,795,893

The investment in NEPS has been accounted for at cost in separate financial statement of the Bank and as per equity method in consolidated financial statement.

Nepal Clearing House Limited (NCHL)

Nepal Clearing House Ltd. (NCHL) is a public limited 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 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 NPR 4,250,200 in share capital of NCHL, which comes to 1.97 % 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 Interbank Payment System (IPS), for which, Bank makes the payment at an arm's length price. The aggregate amount 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	7,351,655
Dividend Received net of tax	637,469

The investment in NCHL has been accounted for at cost in separate financial statement of the Bank and as per equity method in consolidated financial statement.

iv. Transaction with Citizens Mutual Fund- I

The Bank is the shareholder holding substantial interest and the sponsor of the Citizens Mutual Fund- I, 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 5,000 as on Balance Sheet date with the Bank and the total interest earned from the Bank for fiscal year 2018/19 is NPR 13,371,860.64.

v. Transaction with Citizens Mutual Fund- II

The Bank is the shareholder holding substantial interest and the sponsor of the Citizens Mutual Fund- II, 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 July 7, 2019 (Ashadh 22, 2076), with the maturity period of 7 years (i.e. up to Ashadh 21, 2083).

The Bank has invested NPR 150,000,000 in Citizens Mutual Fund- II.

The Scheme has Bank Balance of NPR 441,769,713 as on Balance Sheet date with the Bank and the total interest earned from the Bank for fiscal year 2018/19 is NPR 16,58,935.49.

5.7.2 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 were as follows:

a) CBIL Capital Limited

NAME OF THE KEY MANAGEMENT PERSONNEL	POST
Mr. Samir Prasad Dahal	Chairman
Mr. Paras Kumar Kafle	Acting Chairman
Mr. Rajendra Lal Shrestha	Board Member
Mr. Dhruba Prasad Adhikari	Board Member
Mr. Prajwal Jung Pandey	Board Member (Independent Director)
Ms. Rita Subedi	Board Member (Independent Director)

The details relating to compensation paid to key management personnel (directors only) were as follows:

PARTICULARS	CURRENT YEAR (NPR)
Meeting Fees	400,000
Total	400,000

The details relating to compensation paid to key management personnel other than directors were as follows:

Chief Executive Officer of CBIL Capital Limited had been receiving monthly salary from Citizens Bank International Ltd. (parent company) till May 02, 2019. 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. The company has provided NPR 900,000 as an incentive to CEO during the fiscal year 2018/19.

ii. Parent Company

During the fiscal year following receipts and payments were made to/ from the Parent Company, Citizens Bank International Limited by CBIL Capital Limited:

PARTICULARS	TOTAL AMOUNT (NPR)
Office Rental Expenses	1,452,000
Technical Fee Paid	7,200,000
Server & Database Rental Expenses	2,191,667
Dividend payment for FY 2017/18	-
Interest on Loan against FDR	72,970
Interest on Investment	38,682,203
Demat Expense	147,000
Total Expenses	**49,745,840**
Interest Received on Deposits	10,268,315
Share Registrar Fees Received	725,000
Total Income	**10,993,315**

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	55,700,240
RTS Sharing payable	-
Total	**55,700,240**

During the fiscal year, following receipts and payments were made to/ from the Parent Company, Citizens Bank International Limited by CBIL Securities Limited:

PARTICULARS	TOTAL AMOUNT (NPR)
Office Rental Expenses	-
Interest on Loan against FDR	-
Total Expenses	-
Interest Received on Deposits	132,312
Total Income	**132,312**

5.8 MERGER AND ACQUISITION

The Bank has signed Memorandum of Understanding on July 8, 2019 (Ashadh 23, 2076), for acquisition of Sahayogi Bikash Bank Limited, 'B Class financial institution'.

5.9 ADDITIONAL DISCLOSURES OF NON CONSOLIDATED ENTITIES

The Bank has no any unconsolidated entities during the reporting period.

5.10 OPERATIONAL LEASE EXPENSES

The details of Actual Lease Liability and Future Minimum Lease Payments of the Bank are tabulated below:

ACTUAL LEASE LIABILITY	2018/19 (NPR)
Less than one year	54,891,711
Between one to five years	225,991,179
More than five years	154,911,400
Total	**435,794,290**

FUTURE LEASE EXPENSE	2018/19 (NPR)
Less than one year	61,549,763
Between one to five years	223,047,529
More than five years	135,207,499
Total	**419,804,791**

5.11 DETAIL OF LOANS AND ADVANCES

PARTICULARS	TO CUSTOMERS	TO BFIS
Loans and Advances	63,474,543,831	1,597,877,970
Interest Receivables on Loans and Advances	256,529,745	-
Staff Loans and Advances	470,725,955	-
Interest Receivables on Staff Loans and Advances	196,591	-
Total Loans and Advances [a]	**64,201,996,122**	**1,597,877,970**
Impairment Provision charge		
Individual Impairment		-
Collective Impairment		-
i. Total Impairment as per NAS 39	**502,021,041**	**-**
Individual Impairment (Specific Provision)	118,210,919	
Collective Impairment (General Loan Loss Provision)	383,810,122	
ii. Impairment as per norms of NRB in loan loss provision	**1,290,025,638**	**15,978,780**
Collective Impairment	602,363,785	15,978,780
Individual Impairment	687,661,853	
Impairment charge for the year, higher of i. and ii. [b]	**1,290,025,638**	**15,978,780**
Net Loans and Advances [a-b]	**62,911,970,484**	**1,581,899,190**

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 45.19% 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 4 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.

5.12 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 Byelaws 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 Byelaws of the Bank.

The carrying amount as at the balance sheet date was as under:

Amount in NPR

PARTICULARS	2018/19	2017/18
Staff Vehicle Loan	60,923,242	61,745,843
Staff Home Loan	342,232,169	174,026,643
Employee Advances	63,596,887	64,895,380
Credit Card Receivable	3,973,657	2,532,580
Total	**470,725,955**	**303,200,446**

5.13 INVESTMENT PROPERTY

The details of Investment property of the Bank are as follows:

PARTICULARS	2018/19	2017/18
Investment Properties Measured At Cost		
Balance as on July 17, 2018	287,547,060	388,020,448
Addition During The Year	17,854,842	37,130,000
Disposal During The Year	(82,854,749)	(137,603,388)
Total	**222,547,153**	**287,547,060**

The total fair value of investment property as on mid July, 2019 (Ashadh end, 2076) amounts to NPR 240,998,696.

5.14 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	2,436,996	7,219,126	2,352,858	7,181,863
Present Value of Funded Obligations	97,476,298	74,511,433	97,476,298	74,511,433
Total Present Value of Obligations	99,913,294	81,730,559	99,829,156	81,693,296
Fair Value of Plan Assets	97,476,298	74,511,433	97,476,298	74,511,433
Present Value of Net Obligations	2,436,996	7,219,126	2,352,858	7,181,863
Recognized Liability for Defined Benefit Obligations	99,913,294	81,730,559	99,829,156	81,693,296

Plan Assets

PLAN ASSETS COMPRISE	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Equity Securities				
Government Bonds				
Bank Deposit				
Other	97,476,298	74,511,433	97,476,298	74,511,433
Total	**97,476,298**	**74,511,433**	**97,476,298**	**74,511,433**

Movement in the Present Value of Defined Benefit Obligations

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Defined Benefit Obligations at July 17, 2018	81,730,559	36,624,279	81,693,296	36,624,279
Actuarial Losses	37,976,012	47,623,232	38,027,666	47,814,798
Benefits Paid by the Plan	(42,588,619)	(17,117,095)	(42,560,119)	(17,072,023)
Current Service Costs and Interest	22,795,342	14,600,143	22,668,313	14,326,242
Defined Benefit Obligations at July 16, 2019	**99,913,294**	**81,730,559**	**99,829,156**	**81,693,296**

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 July 17, 2018	74,511,433	36,624,280	74,511,433	36,624,280
Contributions Paid into the Plan	63,175,502	54,935,912	63,175,502	54,935,912
Benefits Paid during the Year	(42,560,119)	(17,072,023)	(42,560,119)	(17,072,023)
Actuarial (Losses) Gains	(1,290,479)	-	(1,290,479)	-
Expected Return on Plan Assets	3,639,961	23,264	3,639,961	23,264
Fair Value of Plan Assets at July 16, 2019	**97,476,298**	**74,511,433**	**97,476,298**	**74,511,433**

Amount Recognized in Profit or Loss

PARTICULARS	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Current Service Costs	17,960,442	12,353,082	17,835,254	12,079,181
Interest on Obligation	4,834,900	2,247,061	4,833,059	2,247,061
Actuarial (Gain)/ Losses	39,266,491	52,044,466	39,318,145	52,236,032
Expected Return on Plan Assets	(3,639,961)	(4,444,498)	(3,639,961)	(4,444,498)
Total	**58,421,872**	**62,200,111**	**58,346,497**	**62,117,776**

5.15 TAXATION

Status of Tax Assessment

In the current fiscal year, the tax assessment of the Bank of FY 2014/15 (2071/72) is under progress by Large Taxpayers Office (LTO). Similarly, tax assessment of former Nepal Housing & Merchant Finance Limited (NHMFL) for FY 2014/15 (2071/72) has been completed during the current fiscal year.

Further, the Bank has filed for the administrative review for the Bank for FY 2011/12 (2068/69), 2012/13 (2069/70) and 2013/14 (2070/71) against additional Tax demand of NPR 8,346,517, NPR 12,396,861 and NPR 10,103,138 respectively. The Bank has also filed for appeal in Revenue Tribunal against tax assessment of FY 2010/11 (2067/68) against additional income tax demand of NPR 2,885,729. Similarly, tax assessment of acquired institution, People's Finance Limited of FY 2010/11 (2067/68) and Nepal Housing and Merchant Finance Limited of FY 2011/12 (2068/69) are under Administrative Review, against 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 2015/16 (2072/73) to 2017/18 (2074/75) have 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 are given in Note 4.15 of Statement of Financial Position.

5.16 STATUTORY RESERVES AND FUNDS

The reserves of the Bank include statutory reserves and funds set aside for specific purpose, as per Bank and Financial Institution 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 Bank and Financial Institution 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 292,643,756 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 Bank and Financial Institution 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 current year, the Bank has transferred the revaluation loss incurred amounting to NPR 8,766,181 from Exchange Fluctuation Reserve to Retained Earnings.

The balance of exchange fluctuation reserve fund after transfer of revaluation loss incurred of current year to retained earnings is NPR 41,009,338. 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 amounting to NPR 132,200,000 has been transferred to Retained Earnings, as per the NRB circular no Bai. Bi. Ni. Bi./Niti/Paripatra/ka kha ga/20/075/76.

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 392,857,143 to Capital Redemption Reserve on time proportion basis by transferring additional NPR 71,428,571 to Capital Redemption Reserve in the FY 2018/19.

v. Employees Training Cost and Employees Capacity Development Fund

Employees training cost of NPR 15,982,722 has been incurred during the year, which is above the 3% of the employee cost of the previous year 2017/18 (excluding staff finance cost and staff bonus), 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 7,217,189 on CSR activities. Hence, the sum of NPR 7,217,189 has been transferred from CSR fund created in previous year to retained earnings in the current year.

Similarly, additional CSR Fund of NPR 14,632,188 has been created as per NRB Directive No. 06/2075. 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 17, 2018	**472,952,187**
Other comprehensive income, net of tax	
Actuarial gains/(losses) on defined benefit plans	(11,069,574)
Transfer to Reserve	
Corporate Social Responsibility	14,632,188
Bond Redemption Reserve	71,428,572
Transfer from Reserve	
Corporate Social Responsibility	(7,217,189)
Investment Adjustment Reserve	(132,200,000)
Balance as on July 16, 2019	**408,526,184**

vii. Regulatory Reserve

The regulatory reserve has been created of NPR 486,287,496 up to 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.

As per the NRB circular no. Bai. Bi. Ni. Bi/Niti/Paripatra/ka kha ga/27/075/76, BFIs are not required to transfer to the regulatory reserve for the interest income recognized on accrual basis and recovered in cash within 1 month from the end of current fiscal year. Accordingly, the Bank has recovered interest income of NPR 20,308,987 within 1 month after the end of current fiscal year, for which, no any regulatory reserve has been created.

Out of total interest accured of NPR 883,179,181 as on mid July, 2019, amount of NPR 256,726,336 has been recognized as income on accrual basis, as per "Guideline on recognition of internet income, 2019", issued by Nepal Rastra Bank and NPR 26,279,833 has been transfered to Regulatory Reserve.

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	1,192,300,666	292,643,756	-	-	1,484,944,422
Exchange Equalization Reserve	49,775,519	-	(8,766,181)	-	41,009,338
Corporate Social Responsibility Reserve	12,341,039	14,632,188	(7,217,189)	-	19,756,038
Capital Redemption Reserve	321,428,571	71,428,571	-	-	392,857,142
Regulatory Reserve	795,430,349	53,602,827	(71,299,907)	(291,445,773)	486,287,496
Investment Adjustment Reserve	135,200,000	-	(132,200,000)	-	3,000,000
Capital Reserve	-	-	-	-	-
Assets Revaluation Reserve	343,854,012	-	-	-	343,854,012
Fair Value Reserve	(6,300,000)	-	6,300,000	60,856,958	60,856,958
Dividend Equalization Reserve	-	-	-	-	-
Actuarial Gain	3,982,577	-		(11,069,574)	(7,086,997)
Special Reserve	-	-	-	-	-
Other Reserve	-	-	-		-
TOTAL	**2,848,012,733**	**432,307,341**	**(213,183,277)**	**(241,658,388)**	**2,825,478,409**

5.17 SHARE PREMIUM

During the year, the Bank has issued 463,826 no. of shares as Further Public Offering at a premium of NPR 100.

The Bank has a share premium amounting to NPR 46,816,126 at the reporting date.

5.18 PROPOSED BONUS SHARE

The Board of Directors of the Bank has proposed 3 percent bonus share on paid up share capital of the Bank, subject to approval from Nepal Rastra Bank and ratification of Annual General Meeting of the shareholders of the Bank.

5.19 PROPOSED DIVIDEND

The Board of Directors of the Bank has proposed Cash Dividend of 12 percent on paid up share capital of the Bank, subject to approval from Nepal Rastra Bank and ratification of Annual General Meeting of the shareholders of the Bank.

5.20 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 2018/19, the Bank has made provision of NPR 241,957,093 towards staff bonus.

5.21 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.

5.22 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 USD 26.79 Million has been marked to market at exchange rate of INR/USD = 68.57/1 as on reporting date.

5.23 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:

AMOUNT IN NPR

PARTICULARS	2018/19	2017/18
Profit attributable to ordinary shareholders NPR	1,463,218,780	1,234,103,897
Weighted average number of ordinary shares	83,668,713	80,307,348
Basic Earnings Per Share NPR	**17.49**	**15.37**
Restated Basic Earnings Per Share NPR	**-**	**14.83**

Weighted average number of ordinary shares calculation

AMOUNT IN NPR

FY 2018/19	NUMBER OF SHARES	TOTAL SHARES OUTSTANDING	PORTION OF THE YEAR	WEIGHTED AVERAGE NUMBER OF SHARES
Opening Balance	80,332,364	80,332,364	1.0000	80,332,364
Fractional Shares (Bonus Portion)	463,826	80,796,190	0.9096	421,891
Bonus Share of FY 2017/18	2,914,458	83,710,648	1.0000	2,914,458
	8,371,064,773			**83,668,713**

FY 2017/18	NUMBER OF SHARES	TOTAL SHARES OUTSTANDING	PORTION OF THE YEAR	WEIGHTED AVERAGE NUMBER OF SHARES
Reported No. of shares	80,332,364	80,332,364	1.0000	80,332,364
Bonus Share of FY 2017/18	2,914,458	83,246,822	1.0000	83,246,822
	83,246,822			**83,246,822**

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.

5.24 INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements of the Group have been prepared and published on quarterly basis, in accordance with NRB Directive 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.

5.25 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 2018/19.

ii. Nepal Rastra Bank

NPR in '000

TIME DURATION	LEDGER DEBIT	LEDGER CREDIT	STATEMENT DEBIT	STATEMENT CREDIT
1 month and below	-	17,202	764	-
1 - 3 months	-	361	-	-
3 - 6 months	-	85	-	-
6 - 12 months	-	267	-	-
1 - 2 years	-	222	-	-
Total	**-**	**18,136**	**764**	**-**

iii. Local Financial Institutions

NPR in '000

TIME DURATION	LEDGER DEBIT	LEDGER CREDIT	STATEMENT DEBIT	STATEMENT CREDIT
1 month and below	10,103	238	1,265	24,748
1 - 3 months	-	-	-	-
3 - 6 months	-	-	-	-
6 - 12 months	-	-	-	-
1 - 2 years	-	-	-	-
Total	**10,103**	**238**	**1,265**	**24,748**

iv.Foreign Bank

NPR in '000

TIME DURATION	LEDGER DEBIT	LEDGER CREDIT	STATEMENT DEBIT	STATEMENT CREDIT
1 month and below	-	32,086	258,676	49,668
1 - 3 months	-	4,614	-	-
3 - 6 months	-	37	-	-
6 - 12 months	-	56	-	-
1 - 2 years	-	1,370	-	4
Total	**-**	**38,164**	**258,676**	**49,672**

5.26 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:

5.26.1 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:

Particulars	Amount in NPR
Gross Loans and Advances (To customers and BFIs)	65,799,874,092
Impairment Loss as per NFRS	502,021,041
Impairment Loss as per norms of NRB	1,306,004,418

The higher of two above i.e. NPR 1,306,004,418 has been taken into account for impairment loss on loan and advances in the preparation of consolidated interim financial reports.

5.26.2 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 (see NAS 18 Revenue), 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 2019-20 financial statements or later.

5.26.3 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 2019-20 financial statements or later.

5.27 TABLE OF ASSETS AND LIABILITIES ACCORDING TO THE LIQUIDITY POSITION

NPR in '000

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								
Cash Balance	2,234,916,700							2,234,916,700
Balance with Banks & FIs	3,507,916,064							3,507,916,064
Investment in Foreign Banks	-	505,830,044	411,375,000	-	-	-	-	917,205,044
Call Money	1,358,779,393							1,358,779,393
Government Securities	-	-	1,278,363,360	698,848,289	1,464,828,468	130,616,540	6,700,663,631	10,273,320,289
Nepal Rastra Bank Bonds								-
Inter Bank & FI Lending	-	329,100,000	1,368,881,464	-	-	-	-	1,697,981,464
Loans & Advances	1,522,428,993	4,109,925,067	9,699,455,298	8,921,563,885	7,534,731,850	6,091,827,770	27,919,941,230	65,799,874,093
Interest Receivable	5,757,504	10,028,047	28,370,110	9,128,745	22,051,144	712,657	61,027,018	137,075,227
Reverse Repo								-
Acceptance Receivable								-
Payments under S.No. 20, 21 & 22	2,698,317,189	1,382,046,466	3,063,394,083	4,648,326,806	2,888,100,399	4,355,821,869	1,872,271,561	20,908,278,372
Others	1,622,327,760		281,276,012			-	3,596,695,926	5,500,299,698
Total (A)	**12,950,443,603**	**6,336,929,623**	**16,131,115,328**	**14,277,867,725**	**11,909,711,861**	**10,578,978,836**	**40,150,599,366**	**112,335,646,343**
LIABILITIES								
Current Deposits	958,381,201						3,036,086,909	3,994,468,111
Saving Deposits (including call)	3,690,968,147	2,011,548,635	804,619,454	1,609,238,908	804,619,454	804,619,454	15,114,775,604	24,840,389,656
Fixed Deposits	736,545,737	2,500,355,345	5,472,481,640	9,721,666,632	5,870,878,936	8,559,922,005	12,439,039,058	45,300,889,353
Debentures/ Bonds							499,145,186	499,145,186
Borrowings	300,000,000	590,070,689	20,390,307	540,011,211	31,634,175	30,480,089	-	1,512,586,471
Call/ Short Notice								-
Inter-bank/ Financial Institutions	300,000,000	-	-	-	-	-	-	300,000,000
Refinance	-	590,070,689	20,390,307	540,011,211	31,634,175	30,480,089	-	1,212,586,471
Others								-
Other Liabilities and Provisions	1,473,951,481	-	-	-	-	-	-	1,473,951,481
Sundry Creditors	39,909,226							39,909,226
Bills Payable	139,341,142							139,341,142
Interest Payable	30,406,316	-	-	-	-	-	-	30,406,316
Provisions	22,304,052							22,304,052
Others	1,241,990,745							1,241,990,745
Acceptance Liabilities	90,997,304	434,698,567	698,471,135	265,988,731	41,128,677	-	-	1,531,284,415
Irrevocable Loan Commitment	1,024,442,739	512,221,369	512,221,369	2,561,106,847	2,048,885,478	3,585,549,586	-	10,244,427,388

Letter of Credit/ Guarantee	1,582,877,146	435,126,529	1,852,701,578	1,821,231,228	798,086,244	770,272,283	1,872,271,561	9,132,566,569
Repo								-
Payable under S.N. 11	-	-	-	-	-	-	-	-
Others	21,634,602	37,647,648	90,863,710	82,506,601	80,347,977	54,607,275	13,438,329,901	13,805,937,714
Total (B)	**9,879,798,357**	**6,521,668,783**	**9,451,749,193**	**16,601,750,157**	**9,675,580,940**	**13,805,450,692**	**46,399,648,220**	**112,335,646,343**
Net Financial Assets (A-B)	**3,070,645,246**	**(184,739,160)**	**6,679,366,134**	**(2,323,882,432)**	**2,234,130,921**	**(3,226,471,856)**	**(6,249,048,854)**	**-**
Cumulative Net Financial Assets	**3,070,645,246**	**2,885,906,087**	**9,565,272,221**	**7,241,389,789**	**9,475,520,710**	**6,249,048,854**	**-**	**-**

5.28 KEY FINANCIAL INDICATORS

	INDICATORS	FISCAL YEAR 2014/15	FISCAL YEAR 2015/16	FISCAL YEAR 2016/17	FISCAL YEAR 2017/18	FISCAL YEAR 2018/19
1. Net Profit / Gross Income	Percent	23.17	27.31	19.36	15.41	15.2
2. Earnings Per Share (Basic)	NPR	30.94	35.25	20.27	15.37	17.49
3. Market Value Per Share	NPR	489	680	403	236	224
4. Price Earnings Ratio	Times	15.80	19.29	19.88	15.36	12.81
5. Dividend (including bonus) on Share Capital	Percent	21.05	25.78	17.00	5.26	15.00
6. Cash Dividend on Share Capital	Percent	1.05	1.29	1.00	1.64	12.00
7. Interest Income / Loans and Advances	Percent	10.19	9.41	10.55	12.93	12.22
8. Staff Expenses / Total Operating Expenses	Percent	42.57	44.19	44.94	62.33	58.63
9. Interest Expenses / Total Deposits and Borrowings	Percent	4.60	4.38	6.32	8.15	7.67
10. Foreign Exchange Gain / Total Income	Percent	3.17	3.62	3.27	3.32	2.95
11. Staff Bonus / Total Staff Expenses	Percent	41.20	52.13	35.90	24.19	26.88
12 Net Profit / Loans and Advances	Percent	2.75	3.10	2.43	2.36	2.22
13. Return on Total Assets	Percent	1.95	2.24	1.80	1.72	1.62
14. Total Credit / Deposits	Percent	81.60	85.59	91.89	92.75	88.76
15. Total Operating Expenses / Total Assets	Percent	1.58	1.38	1.62	1.75	1.70
16. Adequacy of Capital Fund on Risk Weighted Assets	Percent	13.27	12.40	16.88	13.84	14.37
Core Capital	Percent	10.74	10.57	15.37	12.76	13.46
Supplementary Capital	Percent	2.53	1.83	1.51	1.08	0.91
17. Non-Performing Loans / Total Loans (As per NRB Directive)	Percent	1.53	1.38	2.02	1.48	1.13
18. Weighted Average Interest Rate Spread (As per NRB Directive)	Percent	4.22	3.96	3.19	3.84	3.15
19. Book Net Worth Per Share	NPR	121	121	136	137	149.26
20. Number of Equity Shares (At Year End)	Nos.	25,543,615	30,652,338	69,216,897	80,332,364	83,710,648
21. Number of Permanent Staffs	Nos.	532	652	684	844	954
22. Return on Equity	Percent	19.26	20.36	11.52	11.22	12.00
23. Dividend Pay Out Ratio	Percent	3.73	3.66	6.40	0.34	0.86
24. Earnings Yield	Percent	5.25	4.36	6.43	6.51	6.70
25. Dividend Yield	Percent	4.30	3.79	4.22	2.23	7.81
26. Cost to Operating Income Ratio	Percent	36.15	31.32	40.44	41.48	43.90
27. Total Assets to Shareholder' Fund	Times	11.09	10.38	6.97	7.07	7.21
28. Shareholders' Fund to Total Liability including Contingent Liability	Percent	7.42	7.39	10.95	12.03	15.34
29. Base Rate	Percent	7.30	6.06	11.17	11.78	10.52
30. CCD Ratio as per NRB Directives	Percent	74.95	77.63	78.63	77.87	76.79
31. Number of Branches	Nos.	54	56	60	78	81
32. Number of ATMs	Nos.	44	49	57	70	78
33. Net Profit per staff	NPR	1,353,963	1,657,021	1,581,377	1,462,208	1,503,822
34. Per employee staff cost	NPR	465,940	452,764	642,581	928,979	924,275
35. Diluted Earnings Per Share	NPR	-	24.55	20.36	15.37	17.49

Note: Ratios of FY 2014/15, 2015/16 and 2016/17 are as per previous GAAP report and ratios of FY 2017/18 and 2018/19 are as per NFRS complied financial statements unless otherwise indicated.

5.29 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	2,739,495	1,022,462	3,761,957	376,195,700	4.49
2	Urmila Pandey	3,047,143	688,942	3,736,085	373,608,500	4.46
3	Janak Bista	3,336,169	-	3,336,169	333,616,923	3.99
4	Bijendra Joshi	1,403,803	401,387	1,805,190	180,519,000	2.16
5	Manohar Das Mool	1,130,066	419,862	1,549,928	154,992,800	1.85
6	Pavitra Kumar Karki	1,052,848	395,786	1,448,634	144,863,412	1.73
7	Soni Joshi	1,052,848	392,566	1,445,414	144,541,412	1.73
8	Rabindra Man Singh Pradhan	1,052,848	391,179	1,444,027	144,402,712	1.73
9	Sabitri Sharma	1,097,330	241,169	1,338,499	133,849,900	1.60
10	Ramesh Sharma	842,284	301,816	1,144,100	114,410,000	1.37
11	Jagannath Gyawali	561,270	266,128	827,398	82,739,820	0.99
12	Arjun Prasad Sharma	569,054	254,511	823,565	82,356,520	0.98
13	Shankar Prasad Sharma	706,154	113,710	819,864	81,986,423	0.98
14	Sulochan Raj Rajbhandary	561,520	208,633	770,153	77,015,300	0.92
15	Anin Rajbhandari	514,793	152,000	666,793	66,679,314	0.80
16	Narendra Kumar Deo Bhatta	561,519	103,219	664,738	66,473,800	0.79
17	Ramita Bhattarai	477,294	134,786	612,080	61,208,000	0.73
18	Manita Bhattarai	477,294	133,654	610,948	61,094,800	0.73
19	Pratap Jung Pandey	484,314	107,474	591,788	59,178,803	0.71
20	S R Hydro and Investment Pvt. Ltd.	559,437	23,259	582,696	58,269,600	0.70
21	Ubin Pokharel	421,142	156,473	577,615	57,761,500	0.69
22	Rajesh Khadka	421,142	156,473	577,615	57,761,500	0.69
23	Prem Bahadur Shrestha	559,504	12,262	571,766	57,176,600	0.68
24	Anil Kumar Dhungel	561,386	-	561,386	56,138,624	0.67
25	Sandhya Regmi (Shivakoti)	396,294	147,241	543,535	54,353,500	0.65
26	NLG Insurance Co. Ltd.	532,795	10,360	543,155	54,315,500	0.65
27	Dhruba Kumar Shrestha	526,427	-	526,427	52,642,717	0.63
28	Badri Kumar Shrestha	526,427	-	526,427	52,642,717	0.63
29	Chintamani Bhattarai	393,064	91,882	484,946	48,494,624	0.58
30	Ram Prasad Shrestha	420,860	49,326	470,186	47,018,600	0.56
31	Shrawan Kumar Rana	350,950	75,468	426,418	42,641,806	0.51
32	Chandra Investment Pvt. Ltd.	322,361	94,664	417,025	41,702,500	0.50
33	Pradeep Kumar Shrestha	420,744	-	420,744	42,074,400	0.50
34	Usha Kiran Shrestha	422,151	-	422,151	42,215,100	0.50
	Total	**28,502,732**	**6,546,692**	**35,049,424**	**3,504,942,427**	**41.87**

INFORMATION AND DISCLOSURES TO SHAREHOLDERS







6

INFORMATION AND DISCLOSURES TO SHAREHOLDERS

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INFORMATION ABOUT ANNUAL GENERAL MEETING

As decided by the 310th BOD meeting, 13th Annual General Meeting (AGM) of the Bank will be held on following date, place and time:

Date : September 27, 2019 (Aswin 10, 2076)

Place : Amrit Bhog, Kalikastan, Dillibazar, Kathmandu

Time : 9:00 AM

Following agendas will be discussed at the Annual General Meeting:

A. ORDINARY RESOLUTION

1. To approve Director's Reports of FY 2018/19 after deliberation.

2. To discuss and approve the Consolidated Statement of Financial Position as of July 16, 2019, Consolidated Statement of Profit or Loss for the period July 17, 2018 to July 16, 2019 and Consolidated Statement of Cash Flows of the Bank and Bank's subsidiary company, for the year ended thereon, together with Auditor's report.

3. To approve cash dividend of NPR 1,004,527,773 (12 percent of paid-up capital) as proposed by the Board of Directors.

4. To appoint auditor for the FY 2019/20 (2076/77) and to fix the auditor's remuneration as per Section 111 of Companies Act, 2006.

5. To elect 3 Directors representing Promoter Shareholder and 1 Director representing Public Shareholder as per Memorandum of Association (MOA) of Bank.

B. SPECIAL RESOLUTION

1. To approve the allocation of bonus share equivalent to NPR 251,131,943 (3 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) To amend Memorandum of Association (MOA)

   (Ka- 1) To increase issued capital and paid up capital of the Bank.

   (Kha) To amend and add matters in Article of Association (AOA).

   (Kha-1) To amend Articles of Association (AOA) to add allowance and facilities of Directors after taking approval from Nepal Rastra Bank

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 for one day on September 17, 2019 (Bhadra 31, 2076) considering the AGM. 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 September 16, 2019 (Bhadra 30, 2076), 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 7:00 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 9:00 A.M on September 25, 2019 (Ashwin 8, 2076) to the main office of the Bank at Narayanhiti Path, Kathmandu. 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 they 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/herself 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. Regarding the program relating to election of the director, Election committee formed at corporate office of the Bank at Narayanhiti Path, Kathmandu will publish notice 5 days prior to AGM.

10. For any queries regarding AGM, you are requested to contact the head office of the Bank, within office hours.

11. 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 5(kha), and 5(ga) of Memorandum of Association

S.NO	RELATED TOPICS	PREVAILING ARRANGEMENT	PROPOSED AMENDMENT	REASONS
1	Capital Composition of the Bank	5. Capital Composition of the Bank	5. Capital Composition of the Bank	The proposed 3% bonus dividend from the board of directors of NPR 251,131,943 (in words: Two Hundred Fifty One Million One Hundred Thirty One Thousands Nine Hundred Forty Three Only) led to increase in total issued and paid up capital.
		5(kha). The total issued capital of the Bank will be NPR 8,371,064,773. (In words: Eight Billion Three Hundred Seventy One Million Sixty Four Thousand Seven Hundred Seventy Three Only). Such capital consists of 83,710,647.73 number of ordinary shares of NPR 100 each. The minimum paid up capital of the Bank will be NPR 8,371,064,773. (in words: Eight Billion Three Hundred Seventy One Million Sixty Four Thousand Seven Hundred Seventy Three Only).	5(kha). The total issued capital of the Bank will be NPR 8,622,196,716 (In words: Eight Billion Six Hundred Twenty Two Million One Hundred Ninety Six Thousand Seven hundred Sixteen Only). Such capital consists of 86,221,967.16 number of ordinary shares of NPR 100 each. The minimum paid up capital of the Bank will be NPR 8,622,196,716 (in words: Eight Billion Six Hundred Twenty Two Million One Hundred Ninety Six Thousand Seven hundred Sixteen Only).	
		5(ga). The minimum paid up capital of the Bank will be NPR 8,371,064,773 (in words: Eight Billion Three Hundred Seventy One Million Sixty Four Thousand Seven Hundred Seventy Three Only).	5(ga). The minimum paid up capital of the Bank will be NPR 8,622,196,716 (In words: Eight Billion Six Hundred Twenty Two Million One Hundred Ninety Six Thousand Seven Hundred Sixteen Only).	

PROPOSED AMENDMENTS IN ARTICLES OF ASSOCIATION (AOA)

S.NO	RELATED TOPICS	PREVAILING ARRANGEMENT	PROPOSED AMENDMENT	REASONS
1	Allowances and facility related to Directors	Regulation 29(1) (Kha) Per meeting allowances is NPR 13,000 and NPR 11,000 to Chairman and Directors respectively.	Regulation 29(1) (Kha) Per meeting allowances is NPR 20,000 and NPR 18,000 to Chairman and Directors respectively.	To proportionately increase the facilities and allowances so as to address the increased responsibility to be effective after approval from Nepal Rastra bank.
		(Ga) In relation to daily and travelling allowances and facilities to the Directors; shall be as follows: a) Daily allowances: NPR 2,000 inside Nepal, INR 6,000 in India, 125 dollars in SAARC countries other than Nepal and India and 315 dollars in the rest of the countries. c) Hotel expense: Upto NPR 2,500 per day of the bill amount inside Nepal and actual expense as per the bill amount outside Nepal.	(Ga) In relation to daily and travelling allowances and facilities to the Directors; shall be as follows: a) Daily allowances: NPR 2,500 inside Nepal, INR 6,000 in India, 125 dollars in SAARC countries other than Nepal and India and 315 dollars in the rest of the countries. c) Hotel expense: As per actual hotel expenses bill amount incurred inside and outside Nepal.	To adjust with the financials bye laws of the Bank. These are not the additional facilities.
		(Nga) Other facility as approved by Annual General Meeting from time to time.	(Nga) Other facility as approved by Annual General Meeting from time to time. a) Chairman shall be provided with vehicle for official purpose. Other Directors shall be provided with NPR 6,000 per month allowances for transportation expenses. 1a. The Board of Directors shall be provided with NPR 3,000 per month for telephone/ mobile allowances. 1b. The Board of Directors shall be provided with NPR 2,000 per month for newspaper subscriptions.	Various facilities were being provided as per the provision contained in Rule 29 (1) (Nga) of the AOA "Other Facility as approved by Annual General Meeting from time to time." Since these facilities have been provided to the Directors in the past with the approval of the Annual General Meeting, the same arrangement has to be regularized through amendments to the rules. These facilities are not new and extra.

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.

COMPLAINT HANDLING OF INVESTORS

As part of its commitment to improve quality and customer service, the Bank encourages to receive feedbacks on the service provided to investors for proper funds 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 / enquiries 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
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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

JULY

July 31, 2018- Issuance of FPO for 463,826 units shares

AUGUST

Aug 10, 2018- Allotment of FPO

SEPTEMBER

Sep 3, 2018- Listing of 463,826 units FPO in Secondary Market

OCTOBER

NOVEMBER

Nov 6, 2018- 1st Quarterly Unaudited Result Publication for FY 2018/19

Nov 19, 2018- Global IME Capital appointed as the issue managerof "Citizens Bank Bond 2085

DECEMBER

Dec 11, 2018- BOD proposed 1.6% cash dividend and 3.6% bonus share for FY 2017/18, subject to approval of NRB and AGM

Dec 24, 2018- Book Closure Notice for AGM of 2017/18

JANUARY

Jan 1, 2019- Book Closure Period for AGM of 2017/18

Jan 14, 2019- AGM Conducted for FY 2017/18

Jan 25, 2019- 2nd Quarterly Unaudited Result Publication for FY 2018/19

FEBRUARY

MARCH

APRIL

April 20, 2019- 3rd Quarterly Unaudited Result Publication for FY 2018/19

MAY

JUNE

JULY

July 5, 2019- 100% equity investment in CBIL Securities Limited

July 21, 2019- 4th Quarterly Unaudited Result Publication for FY 2018/19

CAPITAL STRUCTURE OF THE BANK

DETAILS OF OUR SHARE CAPITAL AND SHARE DISTRIBUTION

NPR IN MILLION

PARTICULARS	2018/19	2017/18	2016/17
Paid-up Share Capital at the end of the year	8,371.06	8,033.24	6,921.69
Less: Share Issued	46.38	-	-
Less: Bonus Shares Issued	291.44	1,107.47	750.68
Less: Proposed Bonus Shares	-	-	-
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)
Less: Fraction Share Adjustment	-	4.08	-
Paid-up Share Capital at the beginning of the year	8,033.24	6,921.69	3,650.64

NPR IN MILLION

HOLDER	FY 2018/19		FY 2017/18		FY 2016/17	
	AMOUNT	% HOLDING	AMOUNT	% HOLDING	AMOUNT	% HOLDING
Institutional Promoter Shares	444,13	5.31%	431.19	5.37%	371.71	5.37%
Individual Promoter Shares	3,825.11	45.69%	3,689.42	45.93%	3,180.52	45.95%
Public Shareholder	4,101.82	49.00%	3,912.63	48.70%	3,369.46	48.68%
Total	**8,371.06**	**100.00%**	**8,033.24**	**100.00%**	**6,921.69**	**100.00%**

PARTICULARS	FY 2018/19	FY 2017/18	FY 2016/17
No. of Shareholder Holding 0.5 % or more shares	34	34	34
% of Holding	41.87%	42.36%	42.52%

DETAILS OF SHARES HELD BY DIRECTORS AND EXECUTIVE MEMBERS

NAME	DESIGNATION	NO. OF SHARES HELD AS ON FY END OF 2018/19
Dr. Shankar Prasad Sharma	Chairman	706,154 PROMOTOR SHARE 113,710 ORDINARY SHARE
Bal Krishna Prasai (Chandra Investment Pvt. Ltd.)	Director	322,361 PROMOTOR SHARE 94,664 ORDINARY SHARE
Prakash Chandra Mainali	Director	772 ORDINARY SHARE
Pabitra Kumar Karki	Director	1,052,848 PROMOTOR SHARE 395,786 ORDINARY SHARE
Bijaya Dhoj Karki	Director	209 ORDINARY SHARE
Dr. Chanda Karki	Director	27,982 PROMOTOR SHARE
Avanindra Kumar Shrestha	Professional Director	
Ganesh Raj Pokharel	CEO	210,574 PROMOTOR SHARE 118,247 ORDINARY SHARE
Bodh Raj Devkota	DCEO	34,863 ORDINARY SHARE
Ramdhan Shrestha	ACEO	322,878 PROMOTOR SHARE 33,019 ORDINARY SHARE
Rajendra Lal Shrestha	CRRO	-
Paras Kumar Kafle	COO	16,364 ORDINARY SHARE
Umang Sharma	CAO	16,050 ORDINARY SHARE
Sumit Babu Khatri	CCO	-
Sanjeeb Kumar Shrestha	CITO	20,033 ORDINARY SHARE
Pramesh Raj Kayastha	CFO	-

SHARE MARKET INFORMATION

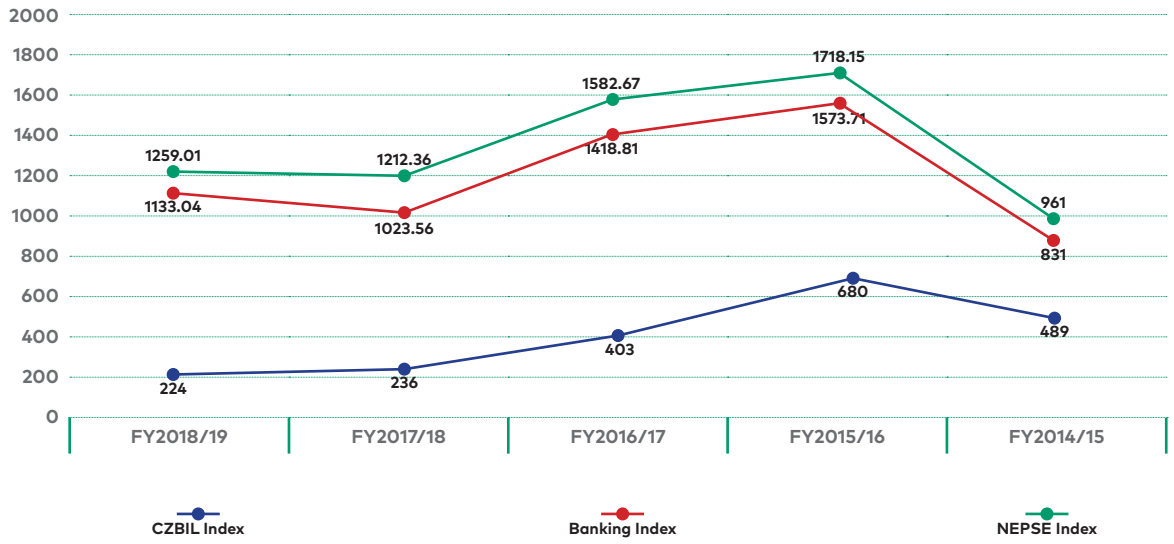
STOCK SYMBOL

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 2018/19 CLOSING PRICE NPR
Ordinary Shares	CZBIL	224
Promoter Shares	CZBILP	159

PARTICULARS	FY2018/19	FY2017/18	FY2016/17	FY2015/16	FY2014/15
CZBIL Index	224.00	236.00	403.00	680.00	489.00
Banking Index	1,133.04	1,023.56	1,418.81	1,573.71	831.35
NEPSE Index	1,259.01	1,212.36	1,582.67	1,718.15	961.00

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 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

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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

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[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

DISCLOSURES 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

As per the Current Year Financial Report of August 26, 2019, there has been decrease in total deposit by NPR 583,308,248 & the total deposit is NPR 73,552,438,870. However, for loan & advances, there has been increase in loan by NPR 2,071,878,335 & Loan & Advances is NPR 67,155,160,689.

As per the regulation of NRB, the bank has prioritized the merger & acquisition policy & prepared strategic plan for increase in bank's branch network, increase in individual deposit & increase in overall business through initial agreement with Sahayogi Development Bank Limited as on on July 07, 2019 as well as NRB has given the Memorandum of Understanding for joint application.

The future program and plan has been provided 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. Increase in competition in banking sector.
11. 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 FY2018/19, bonus share of 3.00 Percent (i.e. NPR 251,131,943) and cash dividend of 12.00 percent (i.e. NPR 1,004,527,773) of paid-up capital of NPR 8,371,064,773 as of mid-July, 2019 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 & CBIL Securities 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 & CBIL Securities Limited for the period of 2018/19 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	706,154.23
			Public	113,710.75
2	Director	Mr. Bal Krishna Prasai (Chandra Investment Pvt. Ltd.)	Promoter	322,361.00
			Public	94,664.00
3	Director	Mr. Prakash Chandra Mainali	Public	772.91
4	Director	Mr. Pabitra Kumar Karki	Promoter	1,052,848.12
			Public	395,786.00
5	Director	Mr. Bijaya Dhoj Karki	Public	209.29
6	Director	Dr. Chanda Karki	Promoter	27,982.18
7	Director	Mr. Avanindra Kumar Shrestha	Independent Director	

n) Information provided on personal interest of Board of Directors and the irrelative (nearest kin) regarding contractor 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, Employee Byelaws, Loan Write-Off policy, Credit Policy Guidelines 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.
6. Formation of Organizational Structure of Risk Management & AML/CFT Compliance Department, who will be responsible to Risk Management Committee & AML/CFT Committee in order to minimize Operational & AML/CFT risk.

q) Details of total management expenses incurred during the previous financial year

S.NO.	PRATICULARS	AMOUNT (NPR)
1	Staff Expenses	900,244,354
2	Office operating expenses	635,155,226

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	Coordinator
2	Dr. Chanda Karki	Director	Member
3	Mr. Ram Dhan Shrestha	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 16 times during the FY 2018/19.
4. As per the prevailing law, the Audit Committee has reviewed overall financial status, internal controls, audit plans as well as given instructions for taking corrective action as per the query/remarks of the internal auditor & external auditor. The Audit Committee had also reviewed and ensured that any remarks pointed out by Regulation & Supervision Department of NRB has been complied with as well as this information were provided to the Board of Directors, assisted the management in preparation of Financial report in true & fair way, analyzed whether the operation of the Bank has been carried out in continuous, economical, relevant, influential way & informed the same to the Board of Director, reviewed the quarterly financial & presented to the Board.

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)	FORMER CHIEF EXECUTIVE OFFICER	CHIEF EXECUTIVE OFFICER (NPR)	OTHER EXECUTIVE OFFICER (NPR)
1	Sitting Fees	3,090,000*			
2	Remuneration and Allowances				
	a) Salary		4,550,613	4,157,358	12,699,011
	b) Allowances		2,604,753	4,304,508	19,041,957
	c) Dashain allowances		1,140,400	334,750	1,689,740
	d) Provident fund contribution		455,061	415,735	1,263,198
	Gross remuneration and allowances		**8,750,727**	**9,212,352**	**34,693,907**
	less: Income Tax		5,255,247	3,616,326	9,908,331
	Net remuneration and allowances		**3,495,580**	**5,596,026**	**24,785,575**
3	Bonus		As per prevailing Bonus Act		
4	Telephone/Mobile	252,000	As per contract with the bank		As per Employee Bye laws of the Bank
5	Fuel	592,935			
6	Newspaper	168,000			
7	Vehicle facility	No	Yes	Yes	Yes
8	Accommodation facility	No	No	No	No
9	Insurance	No	Yes	Yes	Yes

*Including sitting fees of different committees of NPR 1,221,000

Notes:

1. Vehicle facility is provided to CEO along with the driver, fuel, and repair and maintenance. Other executive level 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

Dividend declared to the shareholders but not collected till the end of the reported fiscal year 2018/19 are as follows:-

S.NO.	FINANCIAL YEAR	AMOUNT (NPR)
1	FY 2008/09	266,650
2	FY 2009/10	521,280
3	FY 2010/11	711,138
4	FY 2011/12	5,510,818
5	FY 2012/13	10,260,355
6	FY 2013/14	5,997,467
7	FY 2014/15	4,754,256
8	FY 2015/16	18,623,419
9	FY 2016/17	18,407,771
10	FY 2017/18	18,669,050
11	FY 2009/10- Nepal Housing And Merchant Finance Limited	149,340
12	FY 2010/11- Nepal Housing And Merchant Finance Limited	31,324
13	Unclaimed Dividend FY (2003/04) and (2004/05)- People's Finance	12,470
14	FY 2009/10- People's Finance	19,236
15	FY 2006/07- Premier Finance	67,120
16	FY 2009/10 - Premier Finance	742,693

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. 5.7 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

DISCLOSURES 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 2018/19, 6 law-suits have been filed by the Bank and 51 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 2018 (NPR)	MID-JAN 2019 (NPR)	MID-APR 2019 (NPR)	MID-JUL 2019 (NPR)
High Price	273	252	227	243
Low Price	223	207	199	217
Closing Price	248	218	223	224
Total volume of trading of shares	1,009,515	875,073	1,060,721	1,699,602
Total days Traded	62	60	60	64

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. During the year, the liquidity crunch faced by the overall industry led to shortage in the amount for investment in the market and induced the increase in the rate of interest in deposits causing the Financial Statement items to deviate by more than 20% than that of projected.

STATEMENT OF FINANCIAL POSITION

NPR IN THOUSAND

STATEMENT OF FINANCIAL POSITION	FY 2018/19			
	AUDITED FINANCIALS (NPR)	PROJECTED FINANCIALS (NPR)	DIFFERENCE (%)	REASON FOR DEVIATION ABOVE 20%
1. Share Capital	8,371,065	8,079,610	3.61	
2. Reserve and Surplus	4,123,562	2,168,960	90.12	Readjustment difference between the NFRS and GAAP policy
3. Debentures and Bond	499,145	3,000,000	-83.36	As projected for issuing NPR 2.5 Billion Citizens Bond
4. Borrowings	1,512,586	966,160	56.56	Borrowings made in relation to regular banking transaction and reclassification between NFRS and GAAP policy
5. Deposits Account	74,135,747	76,250,000	-2.77	
6. Other Liabilities	1,479,258	2,971,660	-50.22	Payable generated against the regular banking transactions
TOTAL CAPITAL AND LIABILITIES	**90,121,264**	**93,436,390**	**-3.55**	
1. Cash and Cash Equivalents	2,234,917	3,050,000	-26.72	Due to normal course of banking business
2. Balance with NRB	2,596,967	4,611,600	-43.69	Due to normal course of banking business

3. Balance with BFIs	910,949	2,118,080	-56.99	Due to normal course of banking business
4. Money at Call	1,358,779	300,000	352.93	Due to normal course of banking business
5. Investments	13,745,759	9,541,840	44.06	Due to normal course of banking business
6. Loans and Advances	64,493,870	69,287,290	-6.92	
7. Fixed Assets	2,396,202	1,982,440	20.87	Due to normal course of banking business
8. Non- Banking Assets	222,547	-		Readjustment difference between the NFRS and GAAP policy
9. Other Assets	2,161,373	2,545,140	-15.08	
TOTAL ASSETS	**90,121,364**	**93,436,390**	**-3.55**	

STATEMENT OF PROFIT OR LOSS

NPR IN THOUSAND

STATEMENT OF PROFIT OR LOSS	FY 2018/19			
	AUDITED FINANCIALS (NPR)	PROJECTED FINANCIALS (NPR)	DIFFERENCE (%)	REASON FOR DEVIATION ABOVE 20%
1. Interest Income	8,532,284	8,220,010	3.80%	
2. Interest Expenses	(5,843,822)	(5,815,420)	0.49%	
Net Interest Income	**2,688,462**	**2,404,590**	**11.81%**	
3. Commission and Discount	568,574	195,800	190.39%	Difference in classification in income heading between NFRS and GAAP
4. Other Operating income	27,752	608,840	-95.44%	Difference in classification in Income heading between NFRS and GAAP
5. Exchange Fluctuation Income (Trading gain)	280,036	286,000	-2.09%	
Total Operating Income	**3,564,823**	**3,495,230**	**1.99%**	
6. Staff Expenses	(658,287)	(563,930)	16.73%	
7. Other Operating Expenses	(702,549)	(591,470)	18.78%	
8. Exchange Fluctuation Loss	-	-	-	
Operating Profit before provisions for possible loss	**2,203,987**	**2,339,830**	**-5.81%**	
9. Provision for Possible Loss	(151,454)	(210,650)	-28.10%	Due to increase in Non Performing Loan than projected
Operating Profit	**2,052,534**	**2,129,180**	**-3.60%**	
10. Non-Operating Income/Expenses	76,847	10,000	668.47%	Due to Non Operating transaction less than projected
11. Loan Loss Provision Written Back	289,827	10,000	189.83%	Due to proper management of Non Performing Loans
Profit From Regular Operation	**2,419,207**	**2,239,180**	**8.40%**	
12. Profit/Loss from Extra-Ordinary Activities	364	50,000	-99.27%	Due to Loan Written Off that has not been projected
Profit/Loss after considering all the Activities	**2,419,571**	**2,239,180**	**5.70%**	
13. Provsion for Staff Bonus	(241,957)	(223,918)	16.26%	
14. Provision for Income Tax	(714,395)	(624,320)	14.43%	
NET PROFIT/(LOSS)	**1,463,219**	**1,456,750**	**0.44%**	

INTERIM FINANCIAL REPORTING
FOR EACH QUARTER OF THE YEAR 2018-19

S.N.	PARTICULARS	Q I	Q II	Q III	Q IV
		AS ON MID OCT, 2018	AS ON MID JAN, 2019	AS ON MID APR, 2019	AS ON MID JULY, 2019
	TOTAL ASSETS	**81,515,880,423**	**84,286,499,893**	**86,973,760,062**	**90,080,066,748**
4.1	Cash and Cash Equivalent	4,902,685,332	4,062,162,477	6,326,897,901	6,614,884,630
4.2	Due from Nepal Rastra Bank	1,781,036,620	2,899,092,872	2,646,915,238	2,722,776,841
4.3	Placement with Bank and Financial Institutions	2,494,804,515	3,319,738,125	1,580,672,937	394,769,893
4.4	Derivative Financial Instruments	47,013,184	11,595,635	25,416,928	44,104,432
4.5	Other Trading Assets	73,137,048	71,750,761	71,045,150	68,173,020
4.6	Loans and Advances to B/FIs	1,671,883,028	1,585,335,768	1,664,883,250	1,581,899,190
4.7	Loans and Advances to Customers	58,211,748,158	58,889,098,859	61,025,291,142	62,909,240,652
4.8	Investment Securities	6,506,258,361	7,044,617,901	8,394,038,368	10,738,116,795
4.9	Current Tax Assets	61,158,015	43,085,216	68,839,161	15,944,373
4.10	Investment in Subsidiaries	117,200,000	117,204,200	117,204,200	167,204,200
4.11	Investment in Associates	17,951,500	17,951,500	17,951,500	17,951,500
4.12	Investment Property	297,453,919	283,765,022	283,271,106	222,547,153
4.13	Property and Equipment	2,169,014,351	2,163,829,880	2,232,607,550	2,302,741,443
4.14	Goodwill and Intangible Assets	88,182,438	92,832,285	90,098,250	93,361,744
4.15	Deferred Tax Assets	-	-	56,917,523	48,221,039
4.16	Other Assets	3,076,353,953	3,684,439,393	2,371,709,857	2,138,129,843
	TOTAL LIABILITIES	**70,108,683,445**	**72,543,077,484**	**74,933,037,835**	**77,617,920,897**
4.17	Due To Bank And Financial Institutions	2,597,514,150	3,095,835,268	4,711,976,002	3,926,662,470
4.18	Due To Nepal Rastra Bank	717,116,123	747,128,517	2,229,936,531	1,212,586,471
4.19	Derivative Financial Instruments	-	-	-	-
4.20	Deposits From Customers	63,387,255,300	65,124,281,275	65,920,924,525	70,509,084,649
4.21	Borrowing	-	-	-	-
4.9	Current Tax Liabilities	184,844,683	-	-	-
4.22	Provisions	8,481,150	-	5,306,626	-
4.15	Deferred Tax Liabilities	214,873,371	17,677,499	-	-
4.23	Other Liabilities	2,499,545,876	3,059,241,414	1,566,122,846	1,470,442,121
4.24	Debt Securities Issued	499,052,791	498,913,511	498,771,304	499,145,186
4.25	Subordinated Liabilities	-	-	-	-
	EQUITY	**11,407,196,971**	**11,743,422,411**	**12,040,722,227**	**12,462,145,851**
4.26	Share Capital	8,079,619,000	8,371,064,773	8,371,064,773	8,371,064,773
	Share Premium	46,382,600	46,816,126	46,816,126	46,816,126
	Retained Earnings	796,069,043	888,379,552	796,584,836	1,267,879,918
4.27	Reserves	2,485,126,334	2,437,161,960	2,826,256,492	2,776,385,034
	TOTAL LIABILITIES AND EQUITY	**81,515,880,423**	**84,286,499,893**	**86,973,760,062**	**90,080,066,748**

	STATEMENT OF PROFIT AND LOSS ACCOUNT	FOR THE PERIOD ENDING MID OCT, 2018	FOR THE PERIOD ENDING MID JAN, 2019	FOR THE PERIOD ENDING MID APRIL, 2019	FOR THE PERIOD ENDING MID JULY, 2019
4.29	Interest Income	2,163,397,378	4,296,894,751	6,333,532,965	8,662,822,687
4.30	Interest Expense	(1,410,256,220)	(2,802,352,985)	(4,246,288,329)	(5,846,377,573)
	Net Interest Income (3.1-3.2)	**753,141,158**	**1,494,541,766**	**2,087,244,636**	**2,816,445,114**
4.31	Fee and Commission Income	138,340,406	265,053,248	397,848,551	570,240,866
4.32	Fee and Commission Expense	(10,919,821)	(21,332,708)	(36,954,048)	(67,387,885)
	Net Fee And Commission Income	**127,420,585**	**243,720,540**	**360,894,503**	**502,852,980**
	Net Interest, Fee and Commission Income	**880,561,743**	**1,738,262,305**	**2,448,139,139**	**3,319,298,094**
4.33	Net Trading Income	81,648,925	159,266,738	216,465,170	282,426,561
4.34	Other Operating Income	22,237,754	(32,207,552)	(30,570,234)	5,855,833
	Total Operating Income	**984,448,422**	**1,865,321,492**	**2,634,034,075**	**3,607,580,488**
4.35	Impairment (Charge)/Reversal for Loans and Other Losses	12,406,974	(6,194,370)	(7,684,731)	130,407,669
	Net Operating Income	**996,855,396**	**1,859,127,122**	**2,626,349,344**	**3,737,988,157**
	Operating Expense				
4.36	Personnel Expenses	(244,920,028)	(480,122,039)	(681,217,065)	(989,605,474)
4.37	Other Operating Expenses	(108,354,375)	(214,654,322)	(337,109,384)	(464,940,838)
4.38	Depreciation & Amortisation	(37,651,401)	(77,879,473)	(116,617,857)	(170,541,617)
	Operating Profit	**605,929,592**	**1,086,471,288**	**1,491,405,038**	**2,112,900,228**
4.39	Non Operating Income	6,658,424	14,022,885	55,741,344	80,029,828
4.40	Non Operating Expense	-	-	-	-
	Profit Before Income Tax	**612,588,016**	**1,100,494,173**	**1,547,146,382**	**2,192,930,055**
4.41	**Income Tax Expense**				
	Current Tax	**(183,776,405)**	**(330,148,252)**	**(550,339,683)**	**(769,718,791)**
	Deferred Tax	**-**	**-**	**72,795,023**	**65,213,201**
	Profit for the period	**428,811,611**	**770,345,921**	**1,069,601,722**	**1,488,424,466**

The growth rate in deposit in second, third and fourth quarter has been recorded to be 2.80 percent, 1.30 percent and 7.00 percent respectively. Total deposit for the year has been recorded to be NPR 70,509.08 Million, which is higher than that of previous year by 16.17 percent i.e. by NPR 9,813.05 Million. Along with the deposit, there has been improvement in loans and advances. The same has increased by 0.99 percent, 3.66 percent and 2.87 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 64,491.14 Million, which is higher than that of previous year by 13.10 percent i.e. by NPR 7,468.73 Million. The investment has been increased by 8.10 percent, 18.79 percent and 28.07 percent in second, third and fourth quarter respectively.

It is further observed that there is impressive growth in the net interest income in second quarter with growth rate of 98.44 percent and considerable growth of 39.66 percent, 34.94 percent in third and fourth quarter respectively. Total net interest income for the year has been recorded to be NPR 2,816.45 Million, which is higher than that of previous year by 26.74 percent i.e. by NPR 594.38 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 79.65 percent, 38.85 percent and 39.16 percent respectively in each of second, third, and fourth quarter. The absolute changes in net profit after tax are NPR 341.53 Million, NPR 299.25 Million and NPR 418.82 Million in the second, third, and fourth quarter respectively. Audited year end profit after tax has been recorded to be NPR 1,463.22 Million, which is 18.57 percent higher than that of previous year.

The growth rate in interest income in second, third and fourth quarter has been recorded to be 98.62 percent, 47.40 percent and 36.78 percent respectively. The operating income has been increased by 89.48 percent, 41.21 percent and 36.96 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 Bank 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 Bank 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 973 staffs, including 954 permanent staffs and 19 staffs on a contract basis 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/about-us/executive-teams.

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 Bank and Financial Institutions Act, 2017 and directives published by Nepal Rastra Bank.

5) BRANCH AND AUTHORIZED PERSON OF THE ENTITY PROVIDING SERVICES:

The details of branch offering service along with the authorized personnel are available at the Bank's website https://www.ctznbank.com/branches.

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/rates/interest-rate.

7) PROCEDURE OF TAKING DECISION AND PERSON AUTHORIZED TO DO SO:

Required 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 Grievance Handling Officer to handle the complaints and grievances. All the detail regarding the proceedings can be observed through the Bank's website https://www.ctznbank.com/grievance-handling.

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 Bank and Financial Institutions Act, 2017. Any new activity 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/notice.

10) NAME AND DESIGNATION OF INFORMATION OFFICER AND CHIEF EXECUTIVE OFFICER:

The detail of Chief Information Officer of the Bank is provided below:

Name	:	Mr. Bodh Raj Devkota
Designation	:	Deputy Chief Executive Officer

The detail regarding Chief Executive Officer of the Bank is provided below:

Name	:	Mr. Ganesh Raj Pokharel
Designation	:	Chief Executive Officer

11) LIST OF ACT, RULES, REGULATIONS AND DIRECTIVES:

The Bank is conducting its day to day operation under the Rule, Regulations and Directives mentioned below:

- Bank 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 (MOA) and Articles of Association (AOA) of the Bank
- Employees Bye laws
- Financial Bye Laws
- 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 & DISCLOSURE section.

13) DETAIL REGARDING THE PROGRAM OR PROJECT OPERATED BY THE ENTITY IN PREVIOUS FISCAL YEAR IF ANY:

In current FY 2018/19, except banking transactions and annual general meeting, following programs has been conducted by the Bank on the occasion of annual function of the Bank:

- Prabhat Feri
- Financial Assistance to different organizations/individuals
- Blood Donation, Kidney Donation and Eye Donation Programs
- 7th Citizens Lawn Tennis Tournament

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 programs conducted by the Bank can be observed in the Bank's website https://www.ctznbank.com

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 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

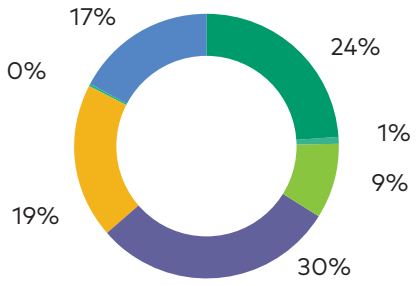
Value Added Statement depicts wealth created by the Bank and how is that wealth distributed among various stakeholders. The various stakeholders comprise of the employees, shareholders, government, creditors and the wealth that is retained in the business. In the year 2017 Mid July, 2018 Mid July and 2019 Mid July, the Bank's net value addition was NPR 3,143, 2,965 and 3,713 Million respectively.

VALUE ADDED STATEMENT

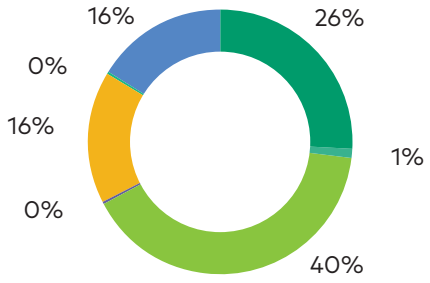
AMT IN NPR MILLION

PARTICULARS	JULY 16, 2019 (ASHADH 31, 2076)	JULY 16, 2018 (ASHADH 32, 2075)	JULY 15, 2017 (ASHADH 31, 2074)
Income from Banking Services	9,409	7,971	5,620
Less: Cost of Services and Supplies	5,912	4,955	3,309
Value Added by Banking Service	3,497	3,016	2,311
Non-Banking Income	78	38	735
Provision for Loans and Advances	138	(89)	97
TOTAL	**3,713**	**2,965**	**3,143**

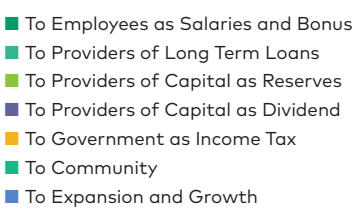
DISTRIBUTION OF VALUE ADDITION	JULY 16, 2019 (ASHADH 31, 2076)		JULY 16, 2018 (ASHADH 32, 2075)		JULY 15, 2017 (ASHADH 31, 2074)	
	AMOUNT	%	AMOUNT	%	AMOUNT	%
To Employees as Salaries and Bonus	900	24.25%	784	26.45%	580	18.44%
To Providers of Long Term Loans	43	1.16%	43	1.45%	43	1.35%
To Providers of Capital as Reserves	318	8.56%	1,200	40.46%	374.34	11.91%
To Providers of Capital as Dividend	1,102	29.69%	(9)	-0.29%	1,218	38.75%
To Government as Income Tax	714	19.24%	473	15.95%	527	16.76%
To Community	7	0.19%	12	0.40%	7	0.22%
To Expansion and Growth	628	16.91%	462	15.58%	395	12.57%
TOTAL	**3,713**	**100.00%**	**2,965**	**100.00%**	**3,143**	**100.00%**

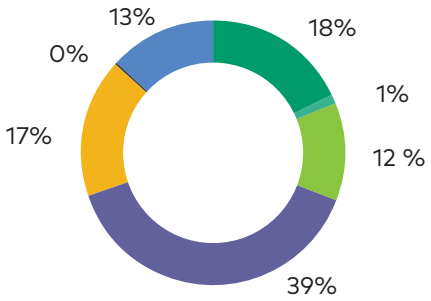


July 16, 2019 (Ashadh 31, 2076)



July 16, 2018 (Ashadh 32, 2075)





July 15, 2017 (Ashadh 31, 2074)

ECONOMIC VALUE ADDED BY THE BANK

Economic Value added statement measures the Bank's financial performance based on the residual wealth calculated by deducting the cost of capital from its operating profit .

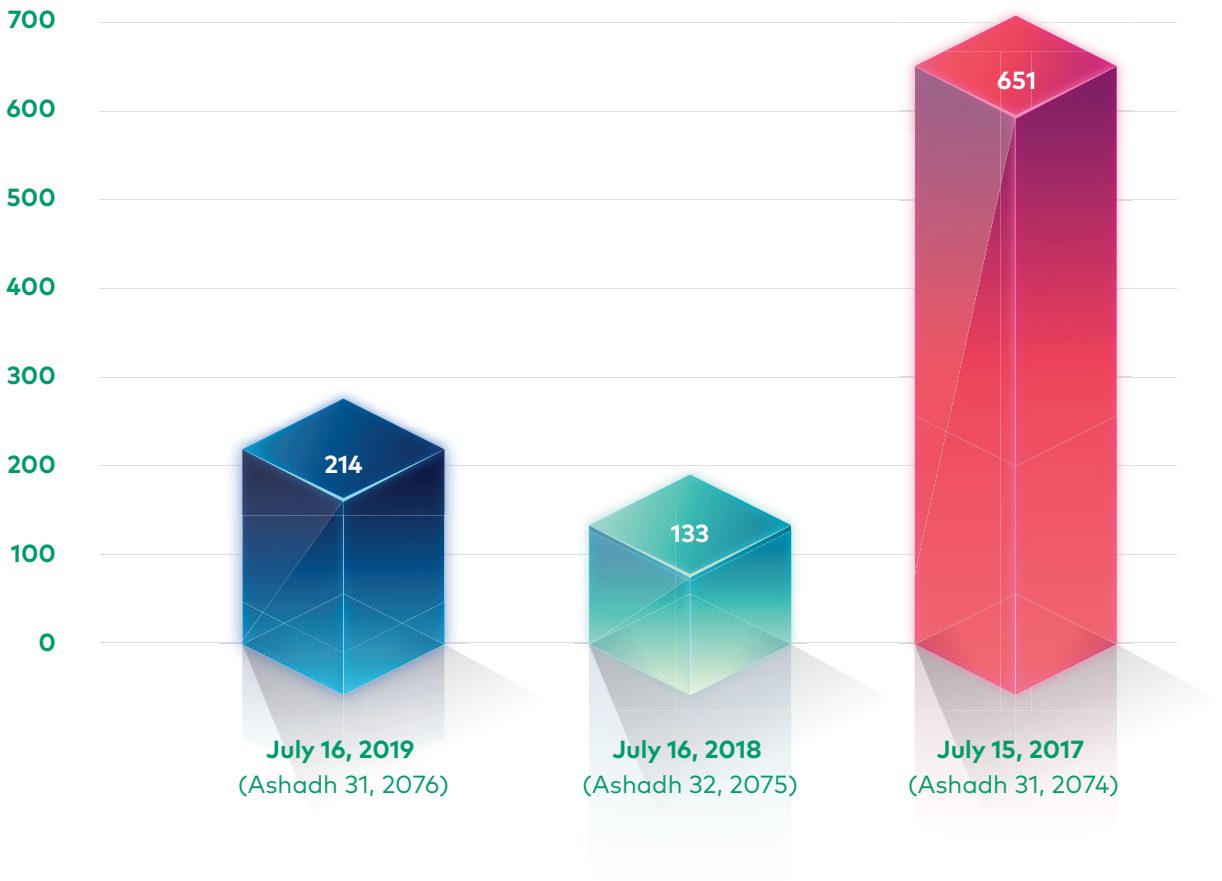
During the review year, the Bank has generated economic value of NPR 213.76 Million, which is higher by 61.07% as compared the previous year 2018 Mid July.

The Bank has assumed cost of capital (Economic Cost) of 10 percent, i.e. Bank rate 7 percent plus 3 percent risk premium.

Economic Value Added by the Bank

AMT IN NPR MILLION

PARTICULARS	JULY 16, 2019 (ASHADH 31, 2076)	JULY 16, 2018 (ASHADH 32, 2075)	JULY 15, 2017 (ASHADH 31, 2074)
A. Shareholder's Fund	12,494.63	11,013.91	9,843.18
B. Net Profit	1,463.22	1,234.10	1,634.92
Return on Shareholder's Fund	11.71%	11.20%	16.61%
C. Economic Cost (Bank Rate plus 3 percent risk premium)	10%	10%	10%
D. Economic Cost (A*C)	1,249.46	1,101.39	984.32
E. Economic value Added (B-D)	213.76	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 the review year, the Bank has lowered its market value addition by NPR 1,687.97 Million, which is a decline of 21.25 percent.

Market Value Added Statement

AMT IN NPR MILLION

PARTICULARS	JULY 16, 2019 (ASHADH 31, 2076)	JULY 16, 2018 (ASHADH 32, 2075)	JULY 15, 2017 (ASHADH 31, 2074)
A. No. of shares	83,710,648	80,332,364	69,216,897
B. Market Price per Share	224	236	403
C.Total Market Capitalization (A*B)	18,751.19	18,958.44	27,894.41
D. Shareholder's Fund	12,494.63	11,013.91	9,843.18
E. Market Value Added (C-D)	6,256.56	7,944.53	18,051.23



Market Value Added

BANK'S PERFORMANCE IN KEY PERFORMANCE INDICATORS



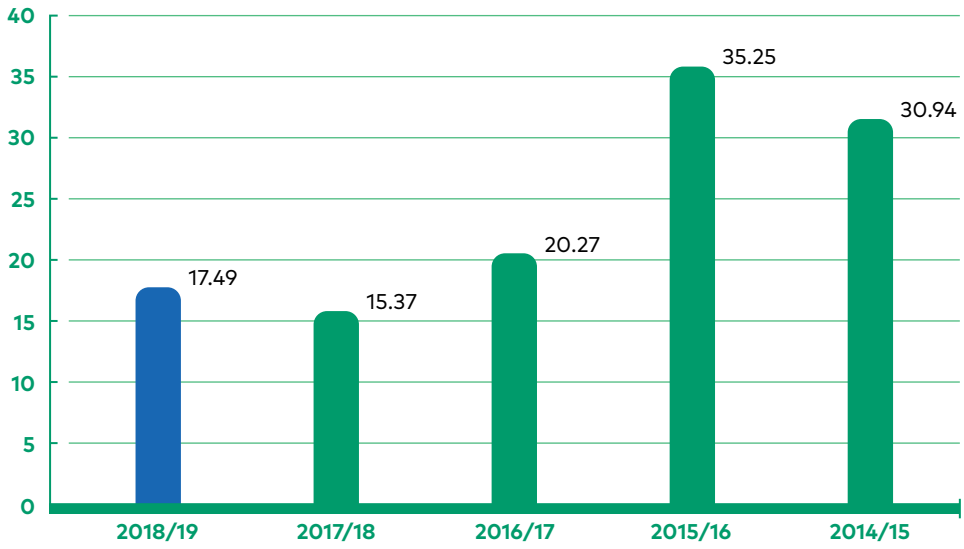
7

BANK'S PERFORMANCE IN KEY PERFORMANCE INDICATORS

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THE BANK'S PERFORMANCE IN NUMBERS

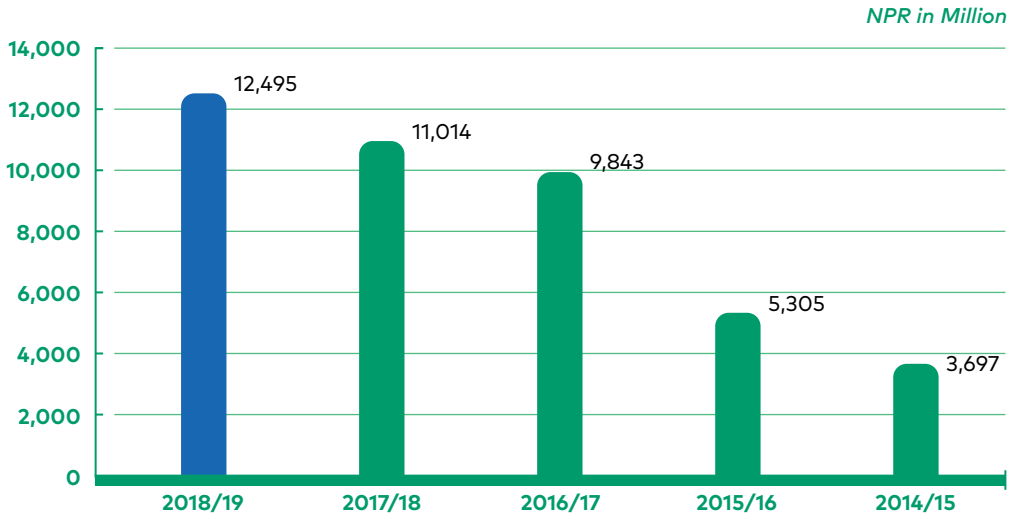
EARNINGS PER SHARE



Earnings Per Share represents total earnings of a company that belong to common shareholders, divided by the numbers of common shares outstanding.

Growth of net profit has resulted in the increment of EPS. In FY 2018/19 EPS grew by 14% compared to FY 2017/18. The growth in EPS indicates sound financial health and performance of the company. The average growth of EPS for last 5 years has been maintained at 1.72%.

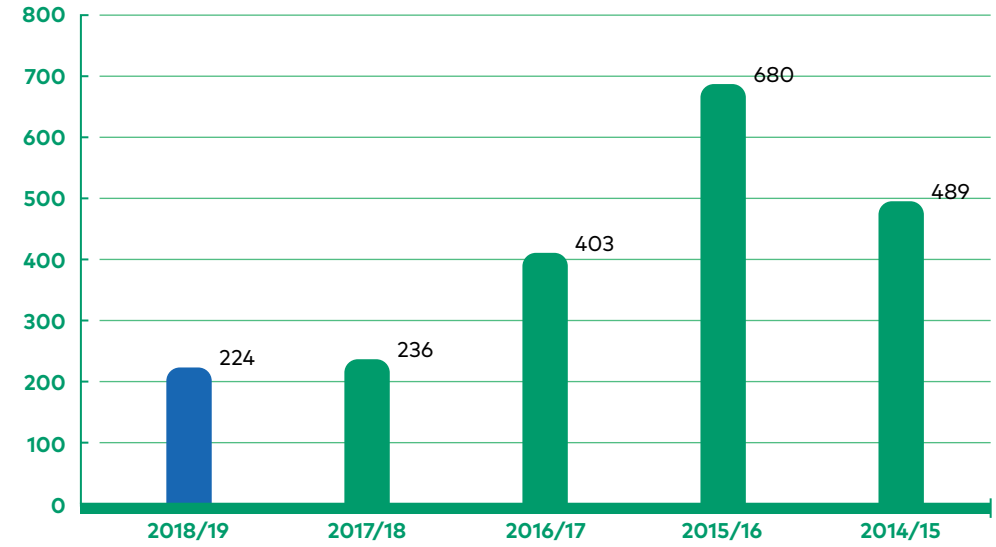
NET ASSETS



Net Assets represents the value of company's total assets minus total liabilities.

In FY 2018/19 Net Assets grew by 13.45% and reached NPR 12,495 Million compared to FY 2017/18 maintaining the average growth of 37.73% over the last 5 years. This growth of net assets shows that the company has been able to increase their assets and earnings over a period of time.

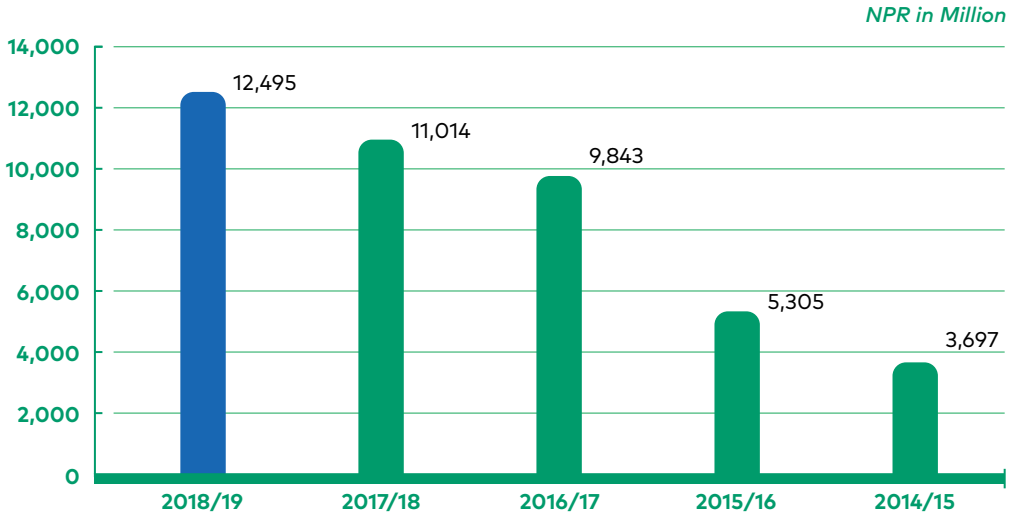
STOCK PERFORMANCE



Stock Performance represents the price at which the stock can be readily bought or sold in the current market place.

In FY 2018/19 the market price of share has declined by 5.08% reaching NPR 224 as compared to FY 2017/18. An adverse decline in NEPSE index and extraordinary market conditions caused stock price to decrease from NPR 489 as of FY 2014/15 to NPR 224 during the year with the average declination of 11.50% over the last 5 years.

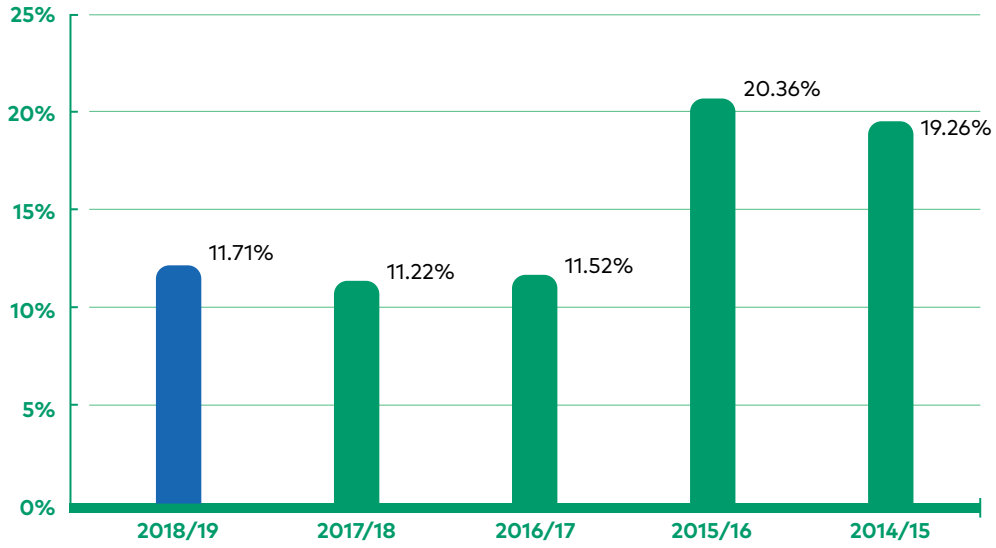
SHAREHOLDER'S FUND



Shareholder's Fund represents 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.

Shareholder's fund has been growing in each year which indicates the sound financial health of the company and injection of capital. Shareholder's fund in FY 2018/19 has increased by 13.45% and reached NPR 12,495 Million in compared to FY 2017/18 keeping the average growth by 37.73% over the last 5 years. Capital has been injected in the form of bonus shares and right shares.

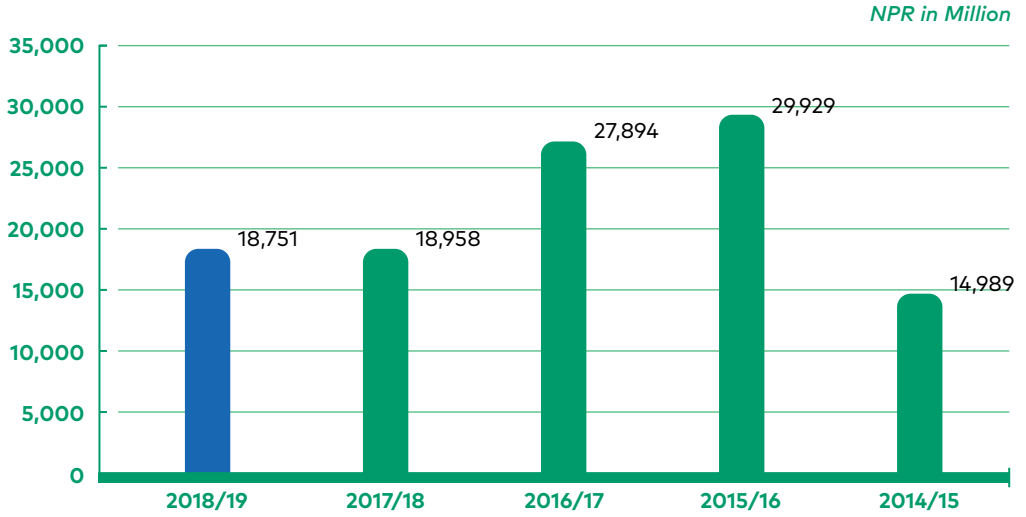
RETURN ON SHAREHOLDER'S FUND



Return on Shareholder's Fund represents the ratio of overall profitability of Bank which indicates the amount returned to the shareholders or owners as a percentage of money they have invested in the company.

The return on shareholder has increased by 4.37% in compared to FY 2017/18 with the return of 11.71% however with the average decline of 5.38% over the last 5 years.

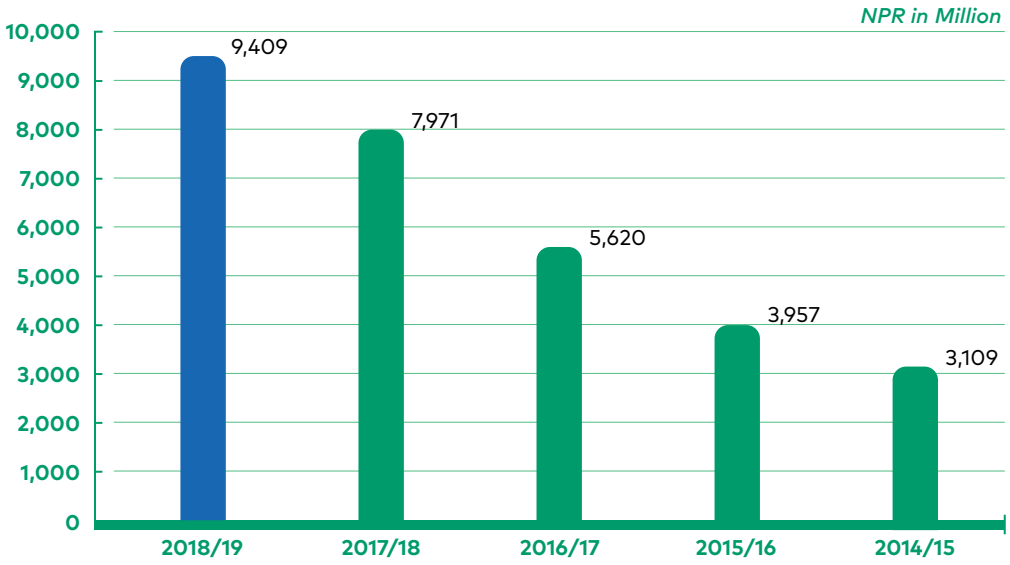
MARKET CAPITALIZATION



Market Capitalization represents the total market value of all the outstanding shares of the bank.

Market capitalization is on a declining trend over the last few years due to poor market condition causing extraordinary downward movement of NEPSE Index. Market capitalization of the bank was NPR 18,751 Million in FY 2018/19 decreased by 1.09% in compared to FY 2017/18 but with the average growth of 15.37% over the last 5 years.

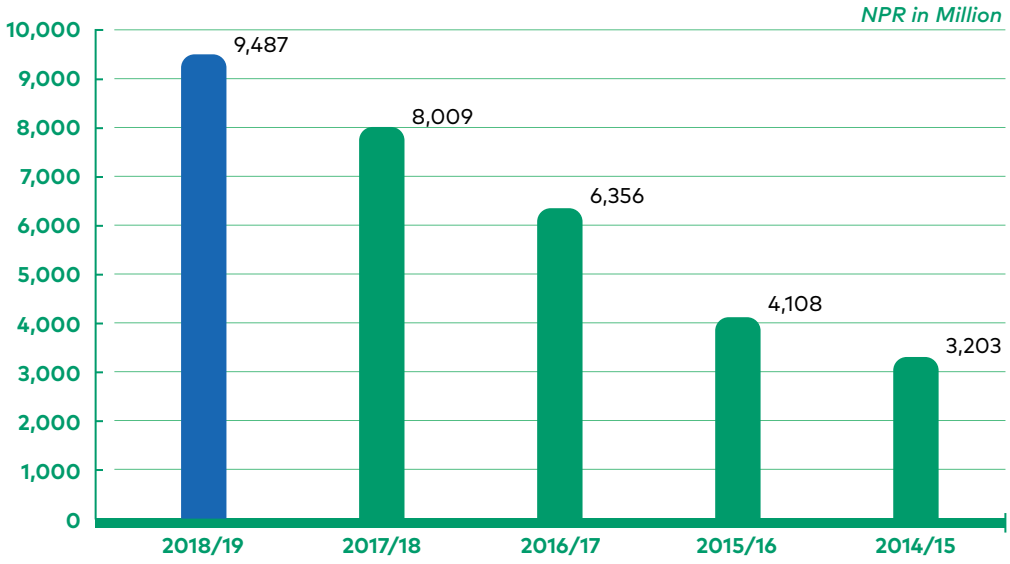
TOTAL REVENUE (INCLUDING OPERATING REVENUE ONLY)



Total Operating Revenue represents the revenue generated from a company's primary business activities. In FY 2018/19 total operating revenue increased by 18.04% reaching NPR 9,409 Million in compared to FY 2017/18. Total operating revenue has been continuously growing with the average growth of 28.07% over the last 5 years.

The revenue has tremendously increased by 202.64% in the time of 5 years from NPR 3,109 Million in FY 2014/15 to NPR 9,409 Million in FY 2018/19. 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.

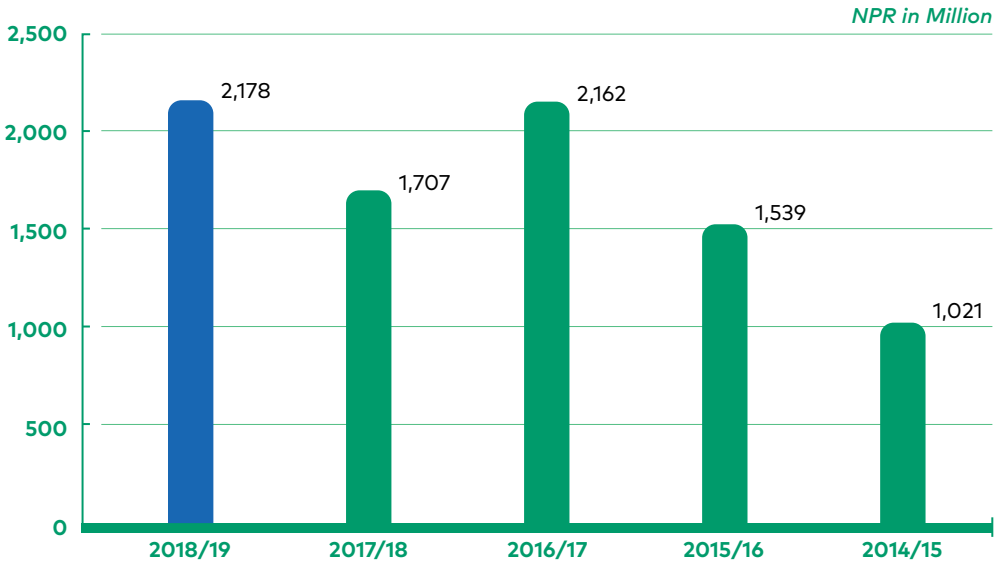
TOTAL REVENUE (INCLUDING OPERATING AND NON-OPERATING REVENUE)



Total Revenue including operating and non-operating revenue represents all the income of the bank. In FY 2018/19 the bank total revenue increased to NPR 9,487 Million with the growth of 18.45% in compared to FY 2017/18 and the average growth of 28.33% over the last 5 years.

The bank has seen a tremendous growth of 196.19% in the time of 5 years from NPR 3,203 Million in FY 2014/15 to NPR 9,487 Million in FY 2018/19 which indicates better operating performance of the bank.

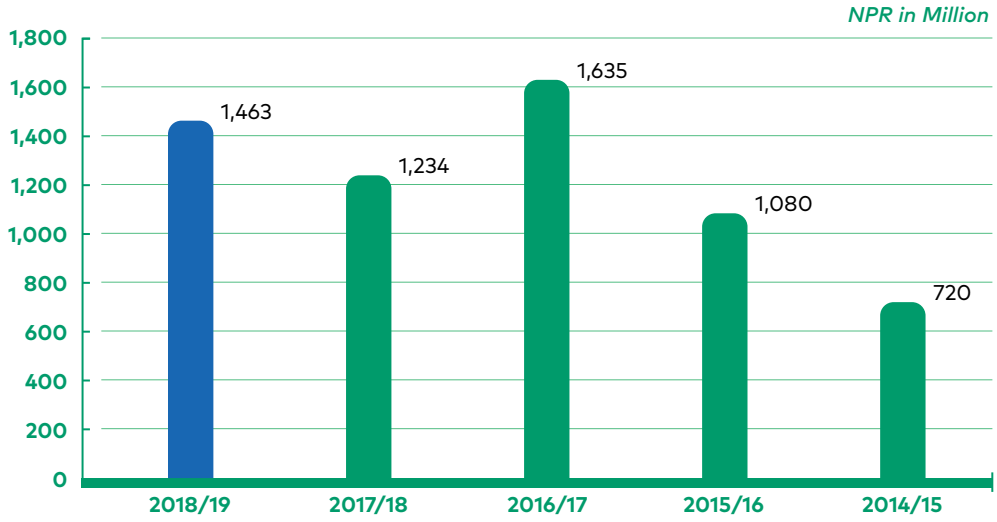
PROFIT BEFORE TAX



Profit before Tax represents a profitability measure that looks at a company's profit before the company has to pay corporate income tax. The chart above represents the growth of profit before tax in FY 2018/19 by 27.59% and reached NPR 2,178 Million in compared to FY 2017/18. The profit before tax decreased during FY 2017/18 due to the inclusion of bargain purchase gain in the non-operating income of previous year. However the bank shows average growth of 29.94% over the last 5 years which reflects the sound operating performance of the bank.

There has been a growth of 113.32% in profit before tax in the time of 5 years from NPR 1,021 Million in FY 2014/15 to NPR 2,178 Million in FY 2018/19 with the slight fluctuation during the last five years.

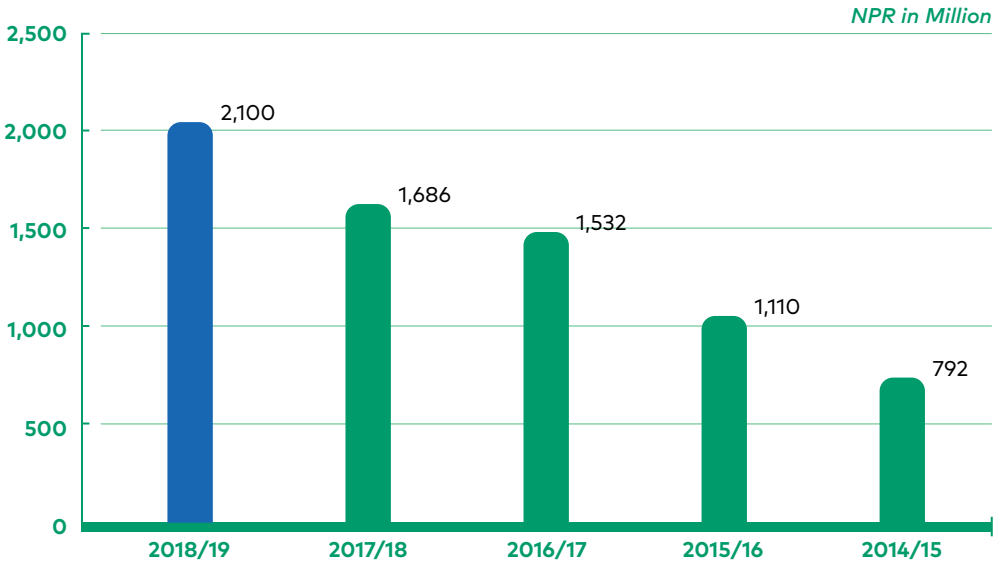
PROFIT AFTER TAX



Profit after Tax represents the net amount earned by the bank after deducting all the expenses including tax related expenses from the total revenue. The profit after tax in FY 2018/19 is NPR 1,463 Million increased by 18.56% in compared to FY 2017/18 with the average growth of 28% over the last 5 years reflecting the efficient performance of the bank. The decrease in profit after tax in FY 2017/18 is due to the similar reason to the decrease in profit before tax in FY 2017/18.

There is the growth of 103.19% in profit after tax in the time of 5 years from NPR 720 Million in FY 2014/15 to NPR 1,463 Million in FY 2018/19 with the slight fluctuation during the last five years.

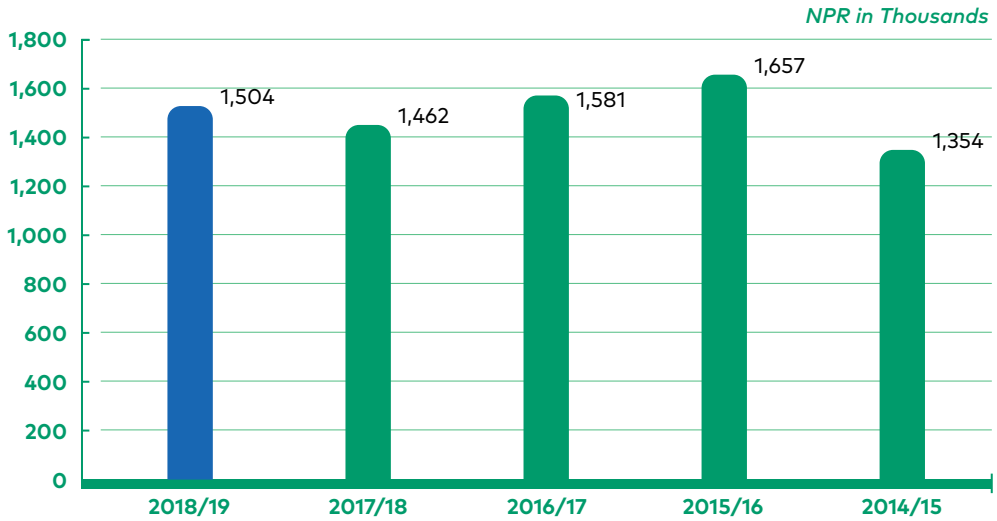
OPERATING PROFIT



Operating Profit represents the profit earned from the bank's normal core operations and doesn't include any profit earned from the bank's investment. The bank has an operating profit of NPR 2,100 Million in FY 2018/19 increased by 24.56% in compared to FY 2017/18. The bank has the average growth of 40.72% in operating profit over the period of last 5 years.

With the significant growth in operating revenue, operating profit has also seen a growing trend with the growth of 165.15% in the time of 5 years from NPR 792 Million in FY 2014/15 to NPR 2,100 Million in FY 2018/19.

NET PROFIT PER STAFF



Net Profit per Staff represents the ratio that measures average net profit earned by the staff of the bank. The net profit per staff of the bank in FY 2018/19 is NPR 1,503,822 increased by 4.78% in compared to FY 2017/18. Over the last 5 years, the Bank has shown the average growth of 4.71% in net profit per staff.

With slight fluctuations, the net profit per staff has increased by 13.16% in time of 5 years from NPR 1,353,963 in FY 2014/15 to NPR 1,503,822 in FY 2018/19 which shows the bank's employees efficiency.

HORIZONTAL AND VERTICAL ANALYSIS

• HORIZONTAL ANALYSIS

STATEMENT OF FINANCIAL POSITION

PARTICULARS	MID JULY (AMT IN NPR MILLION)					
	2019		2018		2017	
ASSETS						
Cash And Cash Equivalent	6,741	173.40%	5,046	129.81%	3,887	100%
Due From Nepal Rastra Bank	2,597	118.53%	3,690	168.43%	2,191	100%
Placement With Bank And Financial Institutions	395	25.18%	1,990	126.90%	1,568	100%
Derivative Financial Instruments	44	200.69%	36	165.57%	22	100%
Other Trading Assets	567	1102.69%	76	148.20%	51	100%
Loans And Advances To B/FIs	1,582	107.82%	1,421	96.83%	1,467	100%
Loans And Advances To Customers	62,912	136.70%	55,602	120.82%	46,022	100%
Investment Securities	10,823	159.49%	5,617	82.78%	6,786	100%
Current Tax Assets	15	4.86%	115	38.12%	301	100%
Investment In Susidiaries	167	249.56%	117	174.93%	67	100%
Investment In Associates	18	56.54%	18	56.54%	32	100%
Investment Property	223	57.05%	288	73.72%	390	100%
Property And Equipment	2,303	130.95%	2,122	120.64%	1,759	100%
Goodwill And Intangible Assets	93	1157.30%	71	874.41%	8	100%
Deferred Tax Assets	20	100.00%	-	100.00%	-	100%
Other Assets	1,622	121.86%	1,502	112.84%	1,331	100%
Total Assets	**90,121**	**136.79%**	**77,710**	**117.95%**	**65,882**	**100%**
LIABILITIES						
Due To Bank And Financial Institutions	3,927	156.95%	3,335	133.31%	2,502	100%
Due To Nepal Rastra Bank	1,213	3611.24%	695	2069.93%	34	100%
Derivative Financial Instruments	-	100.00%	-	100.00%	-	100%
Deposits From Customers	70,509	136.34%	60,696	117.36%	51,717	100%
Borrowing	-	100%	-	100%	-	100%
Current Tax Liabilities	-	100%	-	100%	-	100%
Provisions	5	100.00%	5	100.00%	-	100%
Deferred Tax Liabilities	-	0.00%	18	20.75%	85	100%
Other Liabilities	1,474	122.53%	1,448	120.37%	1,203	100%
Debt Securities Issued	499	100.20%	499	100.12%	498	100%
Subordinated Liabilities	-		-		-	100%
Total Liabilities	**77,627**	**138.52%**	**66,696**	**119.02%**	**56,038**	**100%**
EQUITY						
Share Capital	8,371	120.94%	8,033	116.06%	6,922	100%
Share Premium	47	8.79%	0	0.08%	533	100%
Retained Earnings	1,251	163.91%	132	17.32%	763	100%
Reserves	2,825	173.84%	2,848	175.23%	1,625	100%
Total Equity Attributable To Equity Holders	**12,495**	**126.94%**	**11,014**	**111.89%**	**9,843**	**100%**
Non-Controlling Interest	-		-			
Total Equity	**12,495**	**126.94%**	**11,014**	**111.89%**	**9,843**	**100%**
Total Liabilities And Equity	**90,121**	**136.79%**	**77,710**	**117.95%**	**65,882**	**100%**

Horizontal Analysis on statement of financial positions refers to the analysis of growth of each component of statement of financial position items from the base period. Here base period is considered the mid July 2017 giving a value of 100% and after that period value above 100% means positive growth and below 100% means negative growth compared to base year. Here, assets, liabilities and shareholders' equity are showing consistent growth over the last three years except for investment in associates and investment property.

STATEMENT OF PROFIT OR LOSS

PARTICULARS	MID JULY (AMT IN NPR MILLION)					
	2019		2018		2017	
Interest Income	8,532	172.01%	7,109	143.33%	4,960	100%
Interest Expense	(5,844)	184.35%	(4,887)	154.18%	(3,170)	100%
Net Interest Income	**2,688**	**150.17%**	**2,222**	**124.12%**	**1,790**	**100%**
Fee And Commission Income	569	132.47%	560	130.44%	429	100%
Fee And Commission Expense	(67)	201.80%	(51)	152.22%	(33)	100%
Net Fee And Commission Income	**501**	**126.62%**	**509**	**128.61%**	**396**	**100%**
Net Interest, Fee And Commission Income	**3,190**	**145.91%**	**2,731**	**124.93%**	**2,186**	**100%**
Net Trading Income	277	202.73%	181	132.37%	137	100%
Other Operating Income	30	32.45%	121	128.55%	94	100%
Total Operating Income	**3,497**	**144.72%**	**3,033**	**125.50%**	**2,417**	**100%**
Impairment (Charge)/Reversal For Loans And Other Losses	138	142.70%	(89)	-92.11%	97	100%
Net Operating Income	**3,636**	**144.64%**	**2,944**	**117.10%**	**2,514**	**100%**
Operating Expense						
Personnel Expenses	(900)	155.33%	(784)	135.28%	(580)	100%
Other Operating Expenses	(465)	150.20%	(347)	112.28%	(309)	100%
Depreciation & Amortisation	(171)	183.94%	(127)	136.50%	(93)	100%
Operating Profit	**2,100**	**137.09%**	**1,686**	**110.02%**	**1,532**	**100%**
Non Operating Income	78	10.58%	38	5.16%	735	100%
Non Operating Expense	(1)	0.54%	(17)	15.78%	(106)	100%
Profit Before Income Tax	**2,178**	**100.74%**	**1,707**	**78.96%**	**2,162**	**100%**
Income Tax Expense						
Current Tax	(776)	292.59%	(536)	202.14%	(265)	100%
Deferred Tax	62	-23.70%	64	-24.33%	(261)	100%
Profit(Loss) For The Period	**1,463**	**89.50%**	**1,234**	**75.48%**	**1,635**	**100%**

Horizontal Analysis on statement of profit or loss refers to the analysis of growth of each component of statement profit or loss items from the base period. Here base period is considered the mid July, 2017 giving value 100% and after that period value above 100% means positive growth and below 100% means negative growth compared to base year. The above table shows that total operating income, expenses and operating profit of Bank are growing consistently over the periods. However, the declination of non- operating income on mid July, 2019 as compared to previous year is due to re-classification and re-statement of such accounts head.

• VERTICAL ANALYSIS

STATEMENT OF FINANCIAL POSITION

PARTICULARS	MID JULY (AMT IN NPR MILLION)					
	2019		2018		2017	
ASSETS						
Cash And Cash Equivalent	6,741	7.48%	5,046	6.49%	3,887	5.90%
Due From Nepal Rastra Bank	2,597	2.88%	3,690	4.75%	2,191	3.33%
Placement With Bank And Financial Institutions	395	0.44%	1,990	2.56%	1,568	2.38%
Derivative Financial Instruments	44	0.05%	36	0.05%	22	0.03%
Other Trading Assets	567	0.63%	76	0.10%	51	0.08%
Loans And Advances To B/FIs	1,582	1.76%	1,421	1.83%	1,467	2.23%
Loans And Advances To Customers	62,912	69.81%	55,602	71.55%	46,022	69.85%
Investment Securities	10,823	12.01%	5,617	7.23%	6,786	10.30%
Current Tax Assets	15	0.02%	115	0.15%	301	0.46%
Investment In Susidiaries	167	0.19%	117	0.15%	67	0.10%
Investment In Associates	18	0.02%	18	0.02%	32	0.05%
Investment Property	223	0.25%	288	0.37%	390	0.59%
Property And Equipment	2,303	2.56%	2,122	2.73%	1,759	2.67%
Goodwill And Intangible Assets	93	0.10%	71	0.09%	8	0.01%
Deferred Tax Assets	20	0.02%	-	0.00%	-	0.00%

Other Assets	1,622	1.80%	1,502	1.93%	1,331	2.02%
Total Assets	**90,121**	**100.00%**	**77,710**	**100.00%**	**65,882**	**100.00%**
LIABILITIES						
Due To Bank And Financial Institutions	3,927	4.36%	3,335	4.29%	2,502	3.80%
Due To Nepal Rastra Bank	1,213	1.35%	695	0.89%	34	0.05%
Derivative Financial Instruments	-	0.00%	-	0.00%	-	0.00%
Deposits From Customers	70,509	78.24%	60,696	78.11%	51,717	78.50%
Borrowing	-	0.00%	-	0.00%	-	0.00%
Current Tax Liabilities	-	0.00%	-	0.00%	-	0.00%
Provisions	5	0.01%	5	0.01%	-	0.00%
Deferred Tax Liabilities	-	0.00%	18	0.02%	85	0.13%
Other Liabilities	1,474	1.64%	1,448	1.86%	1,203	1.83%
Debt Securities Issued	499	0.55%	499	0.64%	498	0.76%
Subordinated Liabilities	-	0.00%	-	0.00%	-	0.00%
Total Liabilities	**77,627**	**86.14%**	**66,696**	**85.83%**	**56,038**	**85.06%**
EQUITY						
Share Capital	8,371	9.29%	8,033	10.34%	6,922	10.51%
Share Premium	47	0.05%	0	0.00%	533	0.81%
Retained Earnings	1,251	1.39%	132	0.17%	763	1.16%
Reserves	2,825	3.14%	2,848	3.66%	1,625	2.47%
Total Equity Attributable To Equity Holders	**12,495**	**13.86%**	**11,014**	**14.17%**	**9,843**	**14.94%**
Non-Controlling Interest	-		-		-	
Total Equity	**12,495**	**13.86%**	**11,014**	**14.17%**	**9,843**	**14.94%**
Total Liabilities And Equity	**90,121**	**100.00%**	**77,710**	**100.00%**	**65,882**	**100.00%**

Vertical Analysis on statement of financial position refers to the components of balance sheet items as a percentage of total assets over the period. In assets side of mid July, 2019, we can see that the loans & advances to customer holds the major part. i.e 69.81 % which has been decreased as compared to last year by 1.74%. The investment in securities has been increased gradually as compared to last year and hold the second highest portions i.e 12.01% of total assets in mid July, 2019. Similarly, the deposit in mid July, 2019 holds the major portion i.e. 78.24% out of total equity and liabilities and it has been in increasing trend as compared to last year. Retained earnings in mid July 2019 shows the very good growth which indicates the strength of bank's ability to distribute dividends.

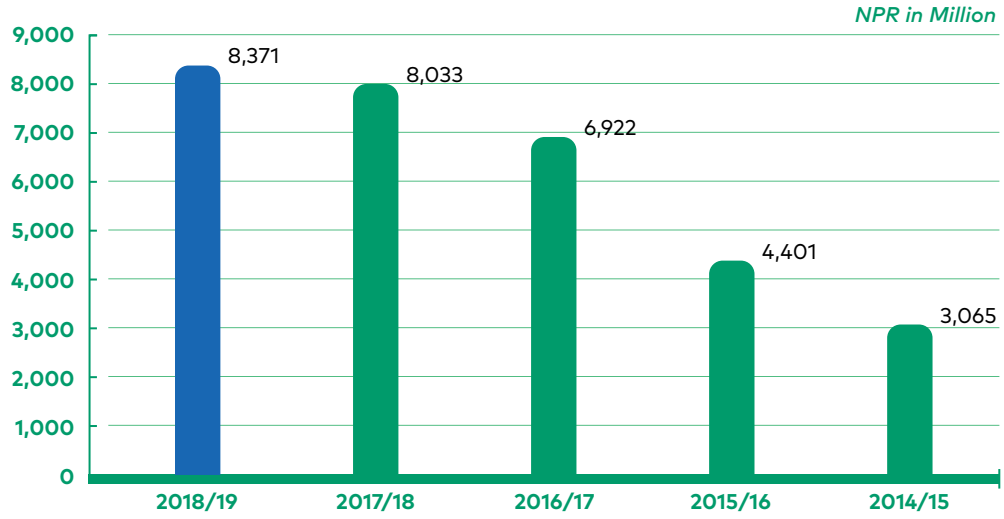
STATEMENT OF PROFIT OR LOSS

PARTICULARS	MID JULY (AMT IN NPR MILLION)					
	2019		2018		2017	
Interest Income	8,532	89%	7,109	88.77%	4,960	76.87%
Interest Expense	(5,844)	-61%	(4,887)	-61.02%	(3,170)	-49.13%
Net Interest Income	**2,688**	**27.93%**	**2,222**	**27.74%**	**1,790**	**27.74%**
Fee And Commission Income	569	6%	560	6.99%	429	6.65%
Fee And Commission Expense	(67)	-1%	(51)	-0.63%	(33)	-0.52%
Net Fee And Commission Income	**501**	**5.21%**	**509**	**6.36%**	**396**	**6.13%**
Net Interest, Fee And Commission Income	**3,190**	**33.14%**	**2,731**	**34.10%**	**2,186**	**33.88%**
Net Trading Income	277	3%	181	2.26%	137	2.12%
Other Operating Income	30	0%	121	1.51%	94	1.46%
Total Operating Income	**3,497**	**36.34%**	**3,033**	**37.87%**	**2,417**	**37.45%**
Impairment (Charge)/Reversal For Loans And Other Losses	138	1%	(89)	-1.12%	97	1.50%
Net Operating Income	**3,636**	**37.78%**	**2,944**	**36.75%**	**2,514**	**38.96%**
Operating Expense						
Personnel Expenses	(900)	-9%	(784)	-9.79%	(580)	-8.98%
Other Operating Expenses	(465)	-5%	(347)	-4.34%	(309)	-4.79%
Depreciation & Amortisation	(171)	-2%	(127)	-1.58%	(93)	-1.44%
Operating Profit	**2,100**	**21.82%**	**1,686**	**21.05%**	**1,532**	**23.74%**
Non Operating Income	78	1%	38	0.47%	735	11.40%
Non Operating Expense	(1)	0%	(17)	-0.21%	(106)	-1.64%
Profit Before Income Tax	**2,178**	**22.63%**	**1,707**	**21.31%**	**2,162**	**33.50%**
Income Tax Expense						
Current Tax	(776)	-8%	(536)	-6.70%	(265)	-4.11%
Deferred Tax	62	1%	64	0.79%	(261)	-4.05%
Profit(Loss) For The Period	**1,463**	**15.20%**	**1,234**	**15.41%**	**1,635**	**25.34%**

Vertical Analysis on income statement refers to the components of income statements items as percentage of total income over the periods. From the above table we can analyze that the net interest income, operating profit and net profit after tax has been in increasing trend in mid July, 2019 as compared to last year while the fees and commission income has been declined.

TREND ANALYSIS OF STATEMENT OF FINANCIAL POSITION / PROFITABILITY / DIVIDENDS / PERFORMANCE & LIQUIDITY RATIOS

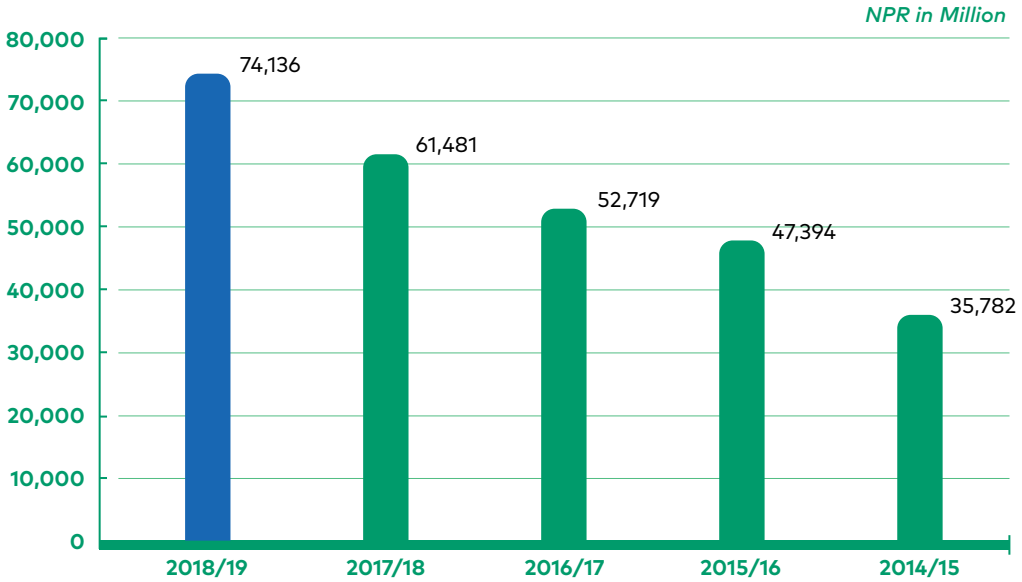
PAID UP CAPITAL



Paid-Up Capital represents the amount of money a company has received from shareholders in exchange for shares of stock. The paid up capital is in increasing trend over the past years. The bank has maintained paid up capital of NPR 8,371 Million in FY 2018/19 increased by 4.21% as compared to previous year. The Bank has achieved average growth of 30.04% in the paid up capital over the last 5 years. Bonus share of NPR 291.45 Million and new shares of NPR 46.38 Million was issued during FY 2018/19.

The paid up capital of the Bank in FY 2014/15 was 3,065 Million increased by 173.12% to NPR 8,371 Million in FY 2018/19 in time of 5 years.

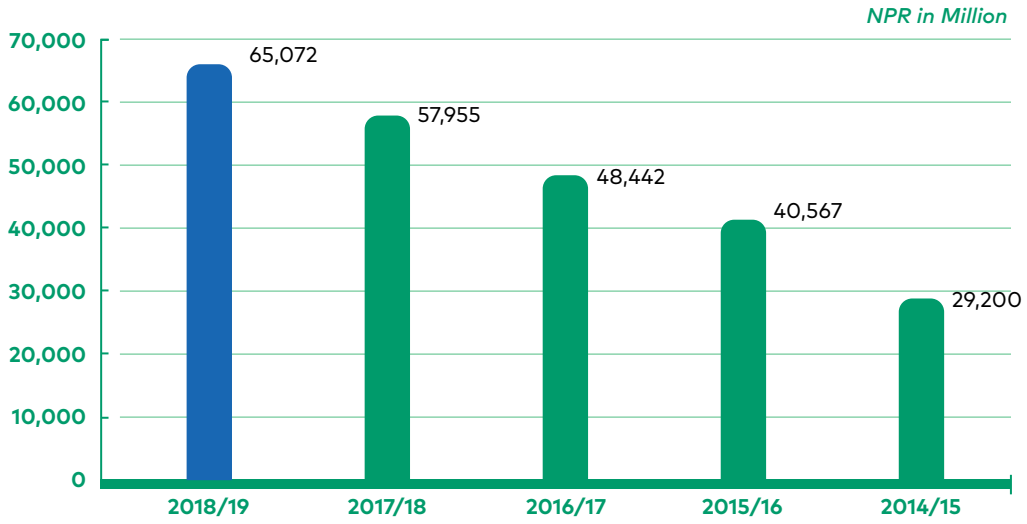
DEPOSITS



The deposits of the Bank is in incremental trend over the last 5 years and has reached NPR 74,136 Million in FY 2018/19 with the growth of 20.58% as compared to previous year. The Bank has been able to maintain compound annual growth rate of 21.77% over the last 5 years which shows the increasing customer satisfaction with the bank.

In time of 5 years the bank has achieved growth of 107.19% in deposits being NPR 35,782 Million in FY 2014/15 to NPR 74,136 Million in FY 2018/19.

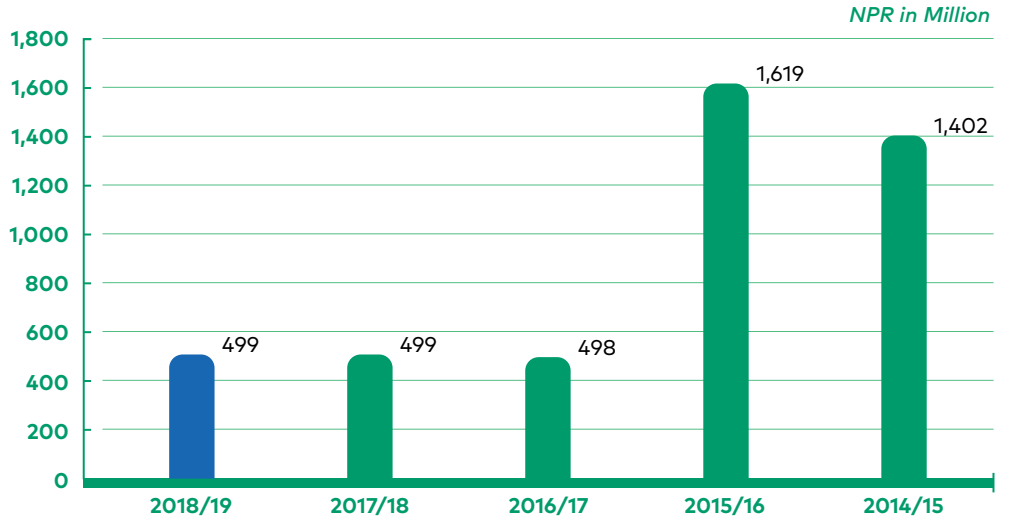
LOANS AND ADVANCES



The Bank has been able to expand its loans and advances portfolio to NPR 65,072 Million in FY 2018/19 from NPR 57,955 Million in FY 2017/18 with the increment of 12.28%. The trend of loans and advances has been increasing continuously with the average growth of 23.52% over the last 5 years.

In time of 5 years the bank has achieved growth of 122.85% in loans and advances being NPR 29,200 Million in FY 2014/15 to NPR 65,072 Million in FY 2018/19.

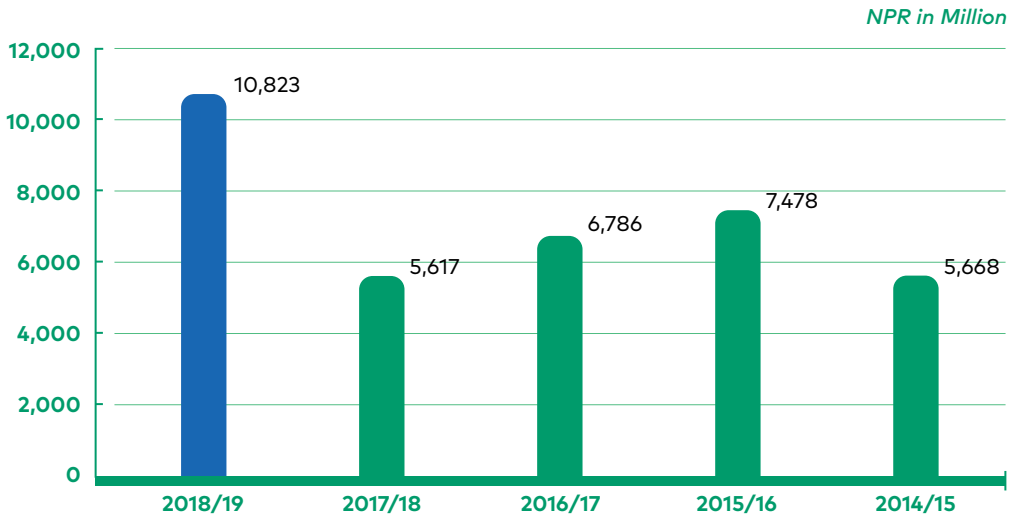
BORROWINGS AND DEBENTURES



Borrowings and debentures represents the amount of money borrowed by the bank at fixed or floating rate of interest with or without collateral. The balance of borrowings and debentures stand at NPR 499 Million in FY 2018/19 for the debentures issued in FY 2013/14 of NPR 500 Million. The debentures are measured at amortized cost using effective interest rate method. The bond is unsecured and hence qualifies for inclusion in Tier-II capital.

The borrowings and debentures has been decreased from NPR 1,402 Million in FY 2014/15 to NPR 499 Million in FY 2018/19 with the turndown of 64.41%.

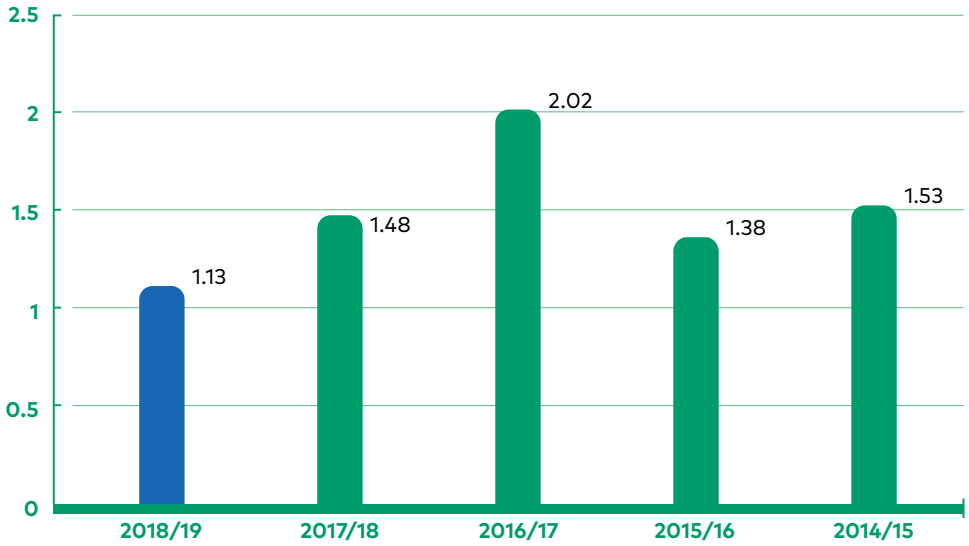
INVESTMENTS



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. Investment has been increased significantly by 92.68% in FY 2018/19 as compared to FY 2017/18. Investment has faced the average growth of 41.46% over the last 5 years.

In time of 5 years the bank has achieved growth of 90.95% in investments being NPR 5,668 Million in FY 2014/15 to NPR 10,823 Million in FY 2018/19.

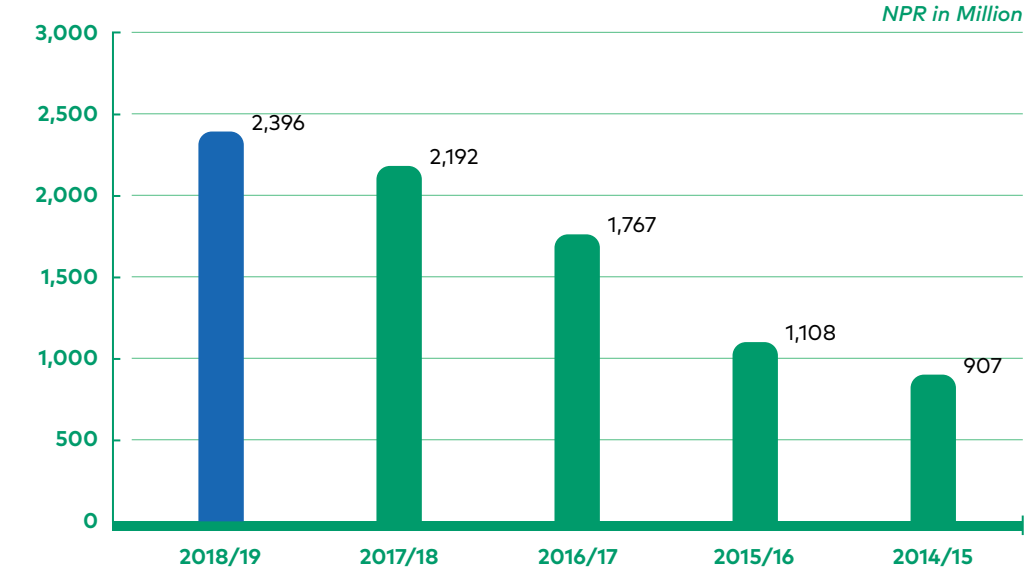
NON PERFORMING LOAN / TOTAL LOAN (AS PER NRB DIRECTIVE)



Non-performing loan represents the default of borrower of loan in the schedule payment of principal or interest for some time. There is a fluctuation in the trend of non-performing loan to total loan and it remains at 1.13 in FY 2018/19 with the turndown of 23.65% in compared to previous year. Non-performing loan to total has decreased by 13.76% in average during the period of last 5 years.

The Bank has made significant improvement in the recovery process of loan with the reduction of the ratio by 26.14% to 1.13 in FY 2018/19 from 1.53 in FY 2014/15 which has even increased up to 2.02 in FY 2016/17.

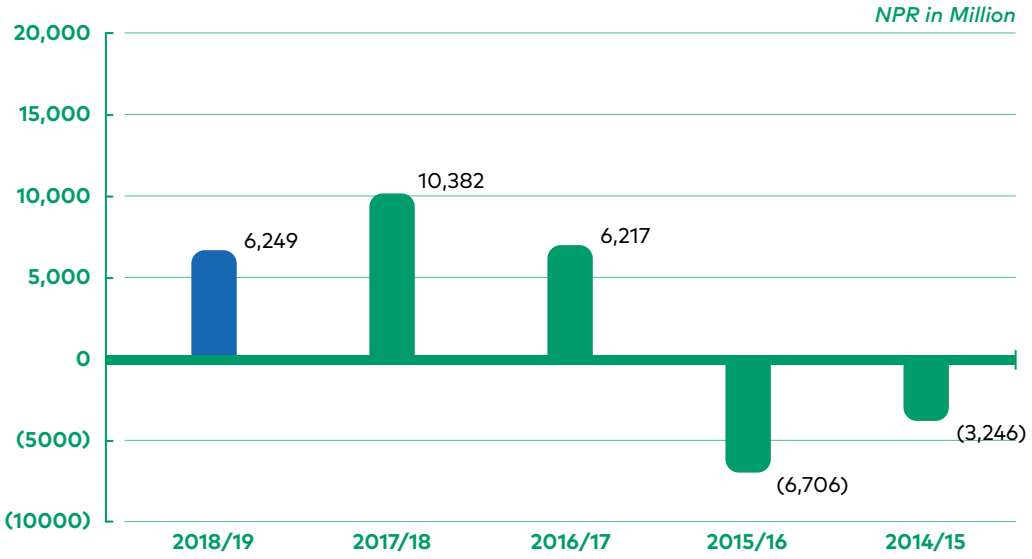
FIXED ASSETS



Fixed assets represents the assets of the bank that is vital to business operations and is expected to be used for more than one year. Fixed assets of the bank has been increased in FY 2018/19 by 9.31% in compared to FY 2017/18 and reached NPR 2,396 Million with the average growth of 33.85% over the last 5 years. During the last 5 years the bank has been able to increase total fixed assets including intangibles and goodwill.

The fixed assets has been increased by 164.17% in the time of 5 years from NPR 907 Million in FY 2014/15 to NPR 2,396 Million in FY 2018/19.

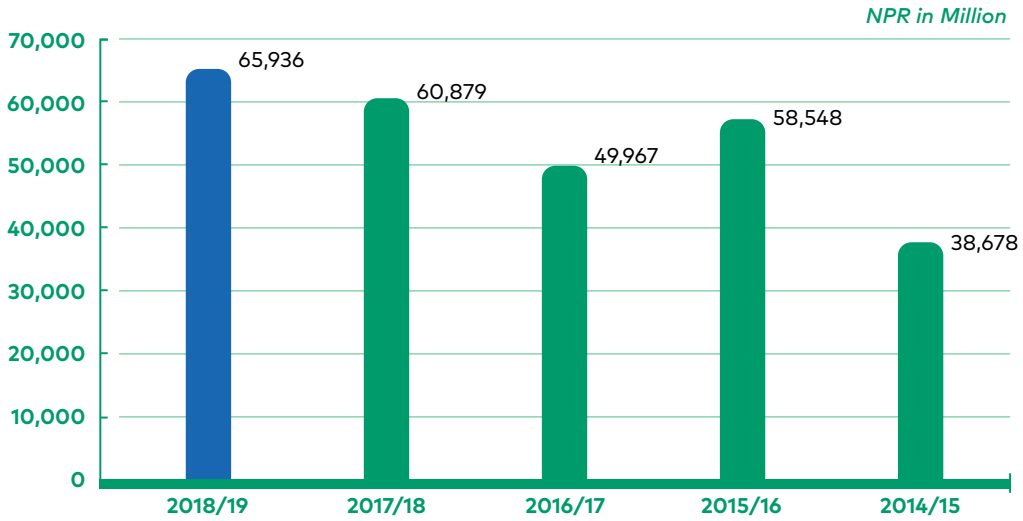
NET CURRENT ASSETS



Net current Assets represents the aggregate amount of all current assets minus the aggregate amount of all current liabilities. The current assets of the Bank has reached to NPR 6,249 Million in FY 2018/19 with the decrease of 39.81% compared to FY 2017/18. The Bank has been able to reverse the adverse net current assets during FY 2015/16 and FY 2014/15.

The net current assets has tremendously increased in time of 5 years with the change of 292.49% from NPR (3,246) Million in FY 2014/15 to NPR 6,249 Million in FY 2018/19 which indicates Bank has sufficient current assets to pay short term obligations.

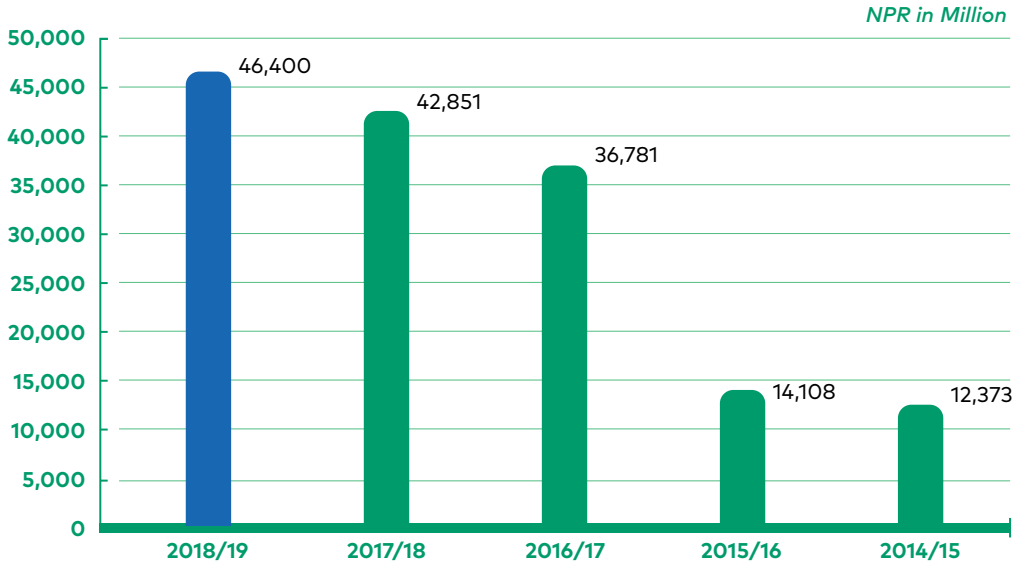
CURRENT LIABILITIES



Current Liabilities represents the short term financial obligations of the bank that are due within one year. The Bank has been able to reduce the growth in the debts and obligations that are due within one year with the growth of 8.31% only in FY 2018/19 compared to FY 2017/18. With the average growth of 16.72% during last 5 years the Bank have maintained better net current position which indicates liquidity strength and good relationship with its creditors.

The current liabilities has increased by 70.47% in time of 5 years from NPR 38,678 Million in FY 2014/15 to NPR 65,936 Million in FY 2018/19.

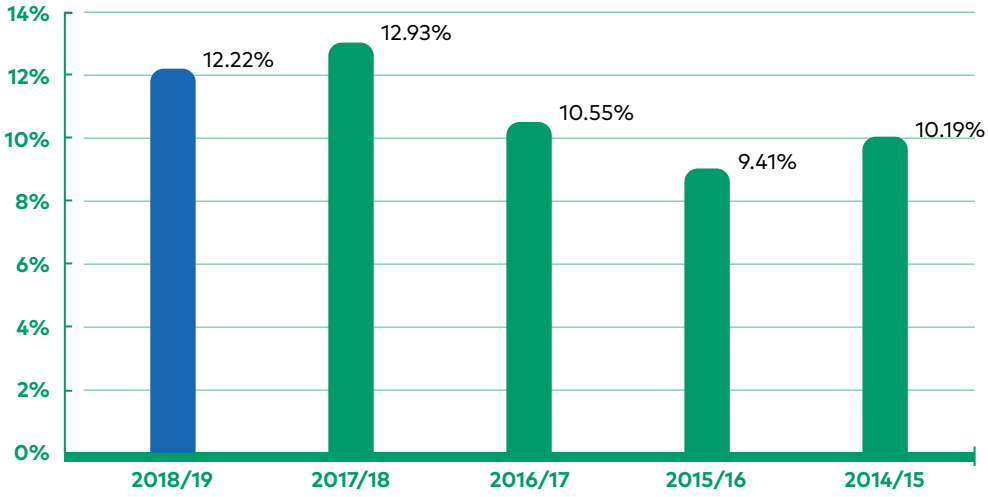
LONG TERM LIABILITIES



Long Term Liabilities represents the loans and financial obligations that is not due within one year. Long term liabilities increased by 8.28% reaching NPR 46,400 Million in FY 2018/19 compared to previous year due to the increment in deposits from other banks and financial institutions. Due to the increase in long term liabilities of the bank, the bank has been able to maintain its liquidity position within the acceptable limit. There is the average growth of 49.88% of long term liabilities over the last 5 years.

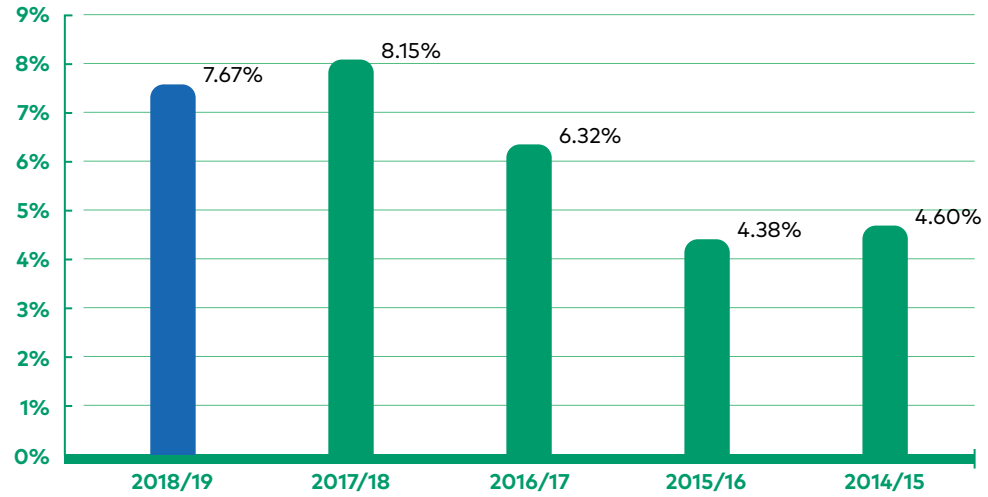
In time of 5 years the bank has seen a change of 274.98% in long term liabilities from NPR 12,373 Million in FY 2014/15 to NPR 46,400 Million in FY 2018/19.

INTEREST INCOME / LOANS AND ADVANCES



Interest income to loans and advances represents the average interest income earned by the bank on its year end loans and advances. From the above graph, interest income to loans and advances is seen fluctuating over the last 5 years. With declination of 11% and 8% in FY 2014/15 and FY 2015/16, the bank was able to make increment of 12% and 23% in FY 2016/17 and FY 2017/18 respectively. However there is decline of interest income to loans and advances by 5.5% in FY 2018/19 in compared to previous year with the average growth of 2.12% over last 5 years.

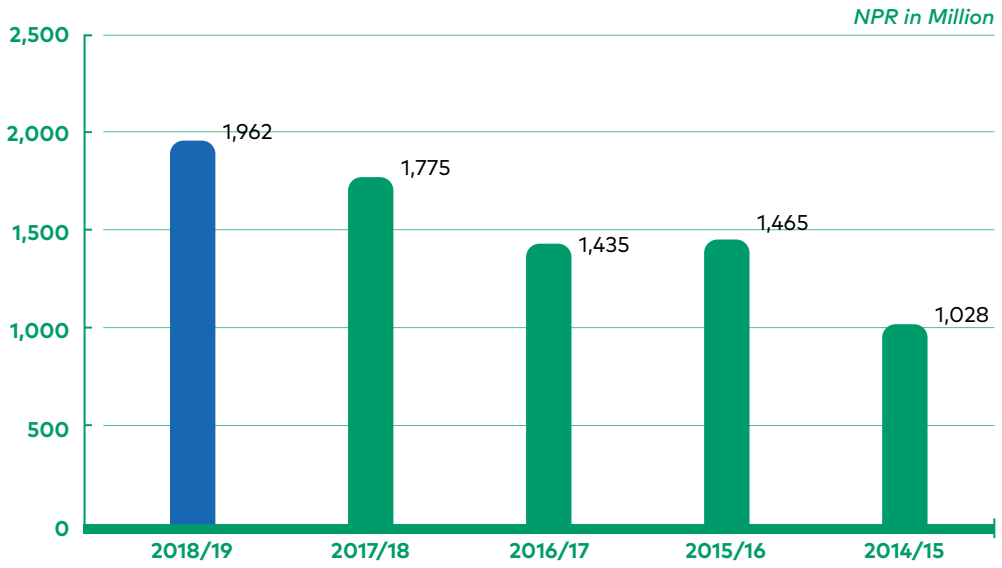
INTEREST EXPENSES / DEPOSITS AND BORROWINGS



Interest expenses to deposits and borrowings represents the average interest paid by the bank on its year end deposits and borrowings. The interest expenses to deposits and borrowings has been decreased by 5.89% in FY 2018/19 as compared to previous year. There has been a fluctuating trend over the period of last 5 years for the average change of 11.45%. The bank had to bear high cost in terms of deposit in FY 2017/18 which has been slightly decreased coming to this financial year.

The Bank has faced a change of 66.74% in the time of 5 years being 4.6% in FY 2014/15 to 7.67% in FY 2018/19.

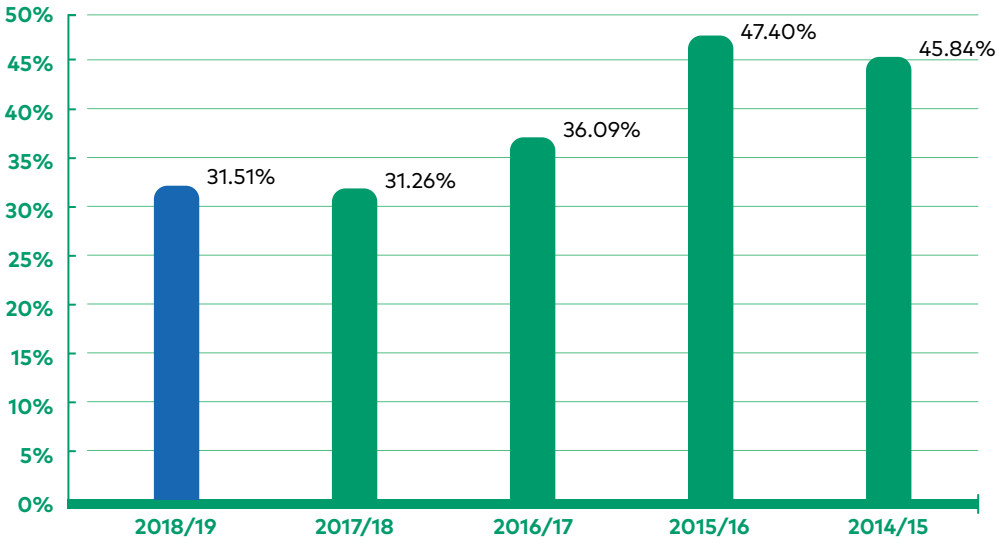
OPERATING PROFIT BEFORE LOAN LOSS PROVISION (LLP)



The operating profit before LLP has been maintained at NPR 1,962 Million in FY 2018/19 with the increment of 10.54% as compared to previous year. The operating profit before LLP is in incremental trend and has the average growth of 16.03% over the last 5 years. Such increment of profit is due to increase in the net interest income of the Bank and other operating incomes.

In time of 5 years the Bank has achieved the growth of 90.86% in operating profit before LLP being NPR 1,028 Million in FY 2014/15 to NPR 1,962 Million in FY 2018/19.

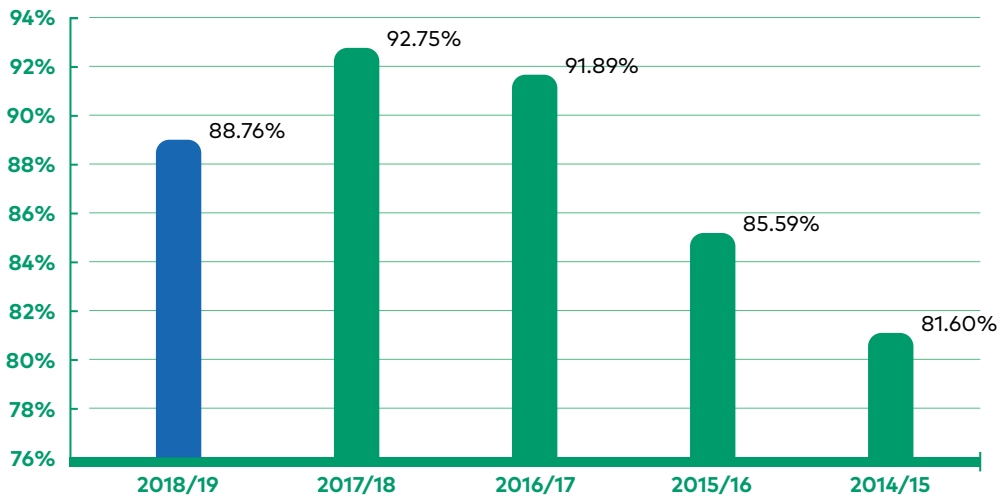
GROSS PROFIT RATIO



Gross Profit Ratio represents the proportion of profit generated by the sales of products or services, before selling and administrative expenses. There has been a decreasing trend of GP ratio for last 3 years which is mainly because of increase in rate of interest on deposits due to liquidity crisis and restriction imposed on institutional deposit ratio by Nepal Rastra Bank. The GP ratio has been decreased to 31.51% in FY 2018/19 with the average decline of 8.31% over the period of last 5 years.

The increasing trend of GP ratio declined by 31.26% in time of 5 years being 45.84% in FY 2014/15 to 31.51% in FY 2018/19 with total loss of 14.33%.

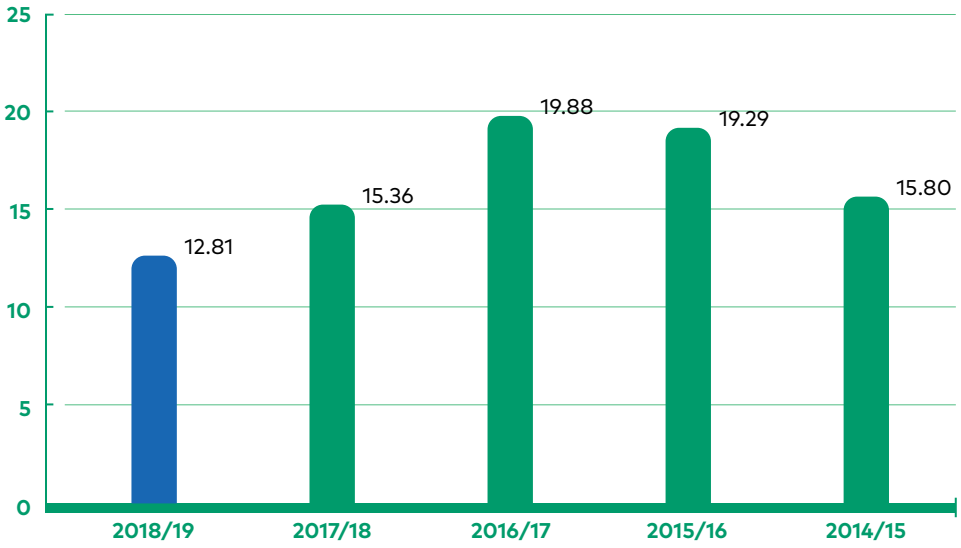
CREDIT TO DEPOSIT RATIO



Credit to Deposit Ratio represents the statistical method for assessing a bank's liquidity by dividing the bank's total loan by its total deposits. The ratio risen upward during FY 2017/18 and FY 2016/17 but has fallen downward to 88.76% in FY 2018/19 with a decline of 4.30% in compared to previous year. There is the average change of 1.47% in credit to deposit ratio over the period of last 5 years.

The credit to deposit ratio has been increased by 8.77% in a time of 5 years being 81.60% in FY 2014/15 to 88.76% in FY 2018/19 which indicates the bank's reliance on deposits for lending.

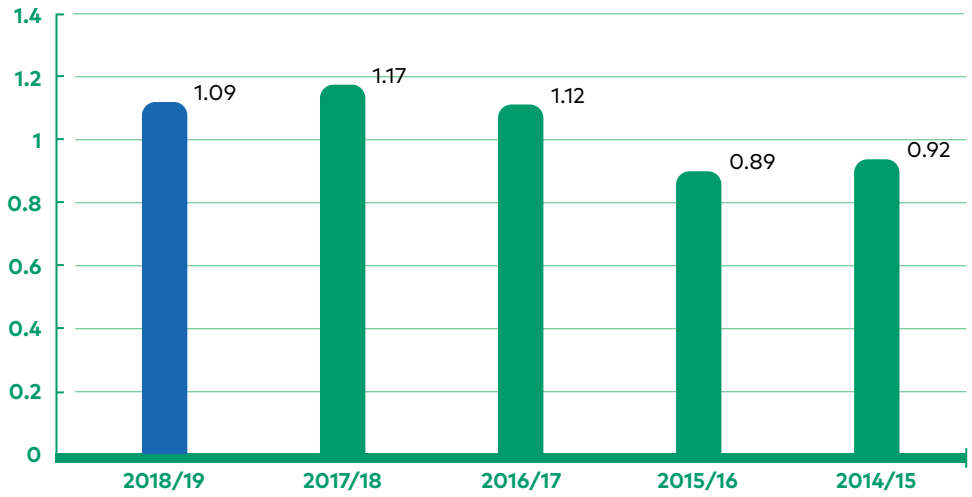
PRICE EARNINGS RATIO



Price Earnings Ratio represents the ratio that measures its current share price relative to its per-share price earnings. PE ratio over the period of last 5 years has been fluctuated and reached to 12.81 times declined by 16.6% in FY 2018/19 as compared to previous year. The ratio was in increasing trend till FY 2016/17 and then decreased over last 2 years with the average decline of 8.94% over the last 5 years.

PE ratio has been declined by 18.92% in FY 2018/19 as compared to past 5 years FY 2014/15 which is due to decrease on market price of share of the bank.

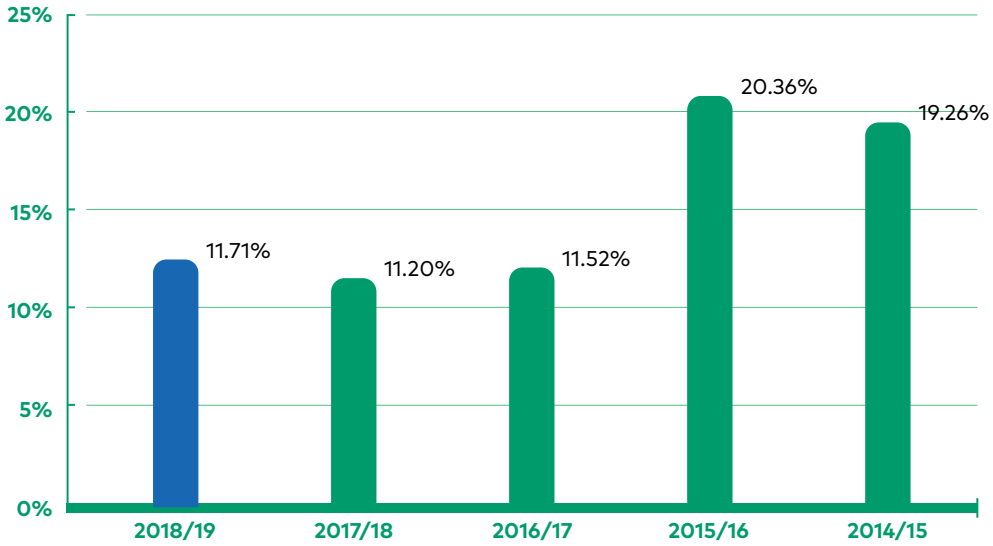
CURRENT RATIO



Current Ratio is a liquidity ratio that measures a company's ability to pay short term obligations or those due within one year. The Bank has maintained positive current ratio of 1.09 in FY 2018/19, decreased by 6.84% as compared to previous year. The trend of current ratio is positive over the past 5 years with average growth of 5.07% which shows the Bank's better performance and comfortable position to meet its short term obligation.

The current ratio has been risen by 18.48% in time of 5 years from 0.92 in FY 2014/15 to 1.09 in FY 2018/19.

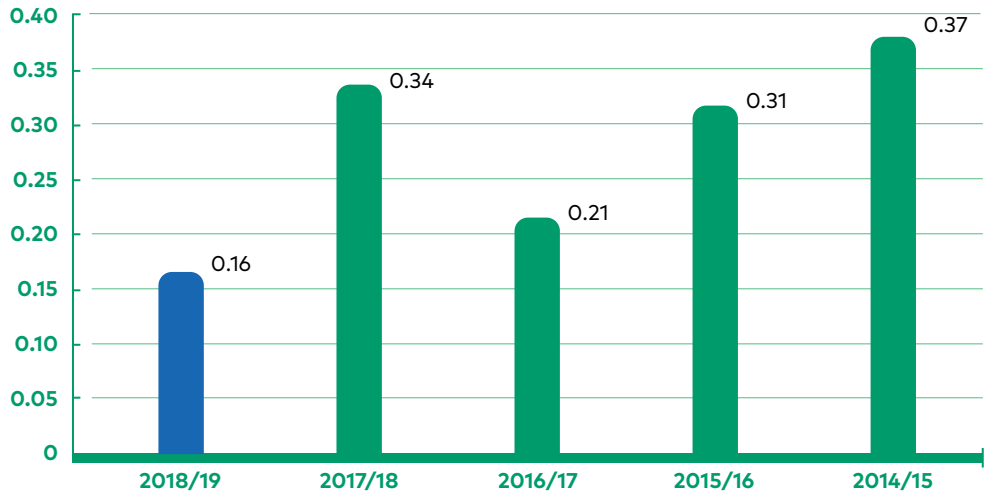
RETURN ON CAPITAL EMPLOYED RATIO



Return on Capital Employed represents a profitability ratio that measures how efficiently a company can generate profits from its capital employed by comparing net operating profit to capital employed. ROCE has been maintained at 11.71% in FY 2018/19 with the increment of 4.55% as compared to previous year. Trend of return on capital employed is fluctuating. It increased during FY 2014/15 and FY 2015/16 but started to decrease during FY 2016/17 and FY 2017/18. There is average decline of 5.89% in ROCE over the period of last 5 years.

ROCE for FY 2014/15 was 19.26% which is decreased by 39.20% in the time of 5 years reaching 11.71% for FY 2018/19.

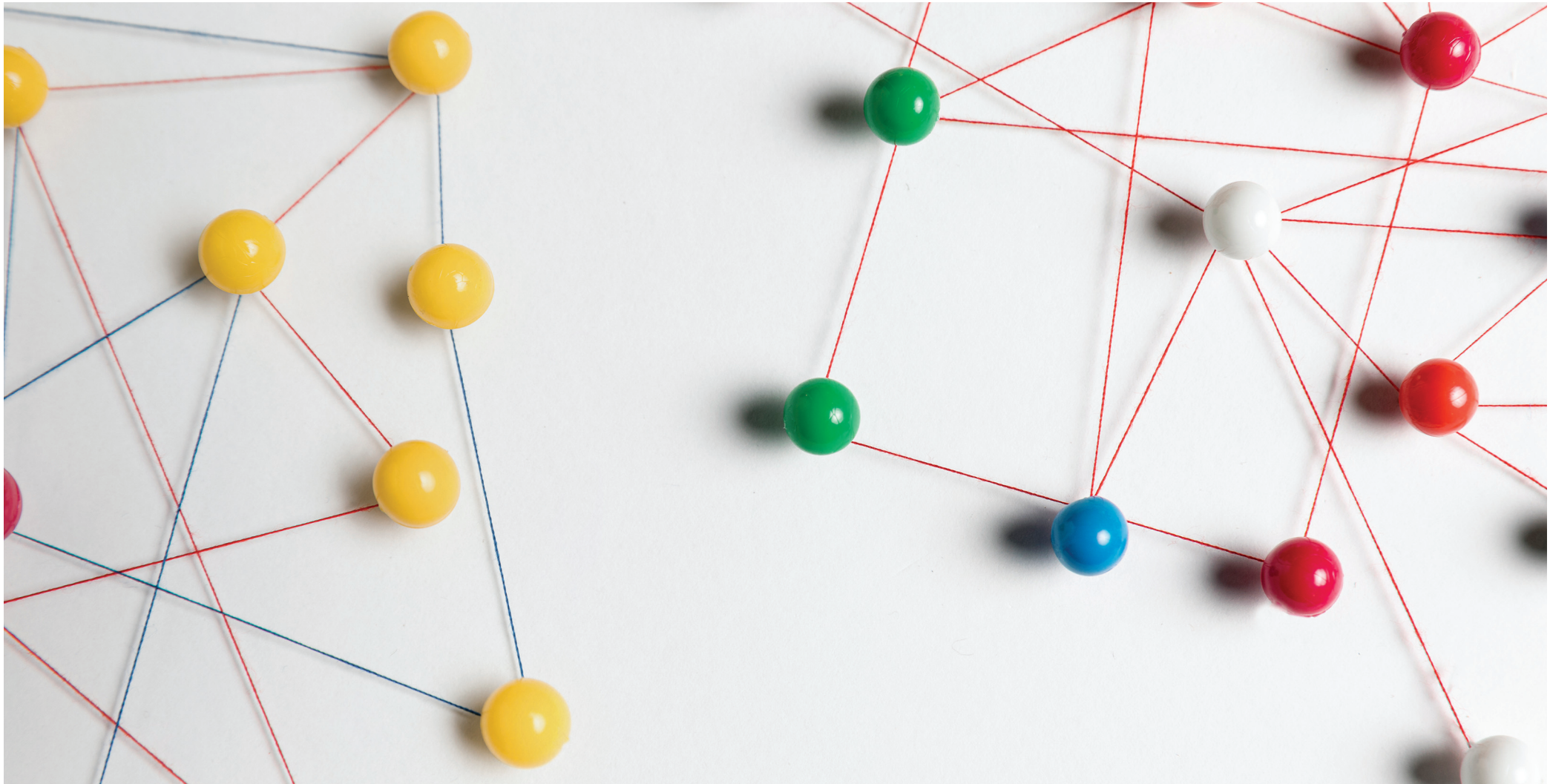
DEBT EQUITY RATIO



Debt Equity Ratio represents the bank's financial leverage, calculated by dividing a company's debt and financial liability by its shareholders equity. The debt equity ratio during FY 2018/19 has been decreased by 52.94% reaching 0.16 from 0.34 in FY 2017/18.

The ratio has been decreased from 0.37 in FY 2014/15 to 0.16 in FY 2018/19 with total turndown of 56.76% in time of 5 years.

INFORMATION ABOUT BANK'S SERVICE NETWORKS



INFORMATION ABOUT BANK'S SERVICE NETWORKS

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BRANCH LOCATIONS



KATHMANDU

BRANCHES	20
ATMs	28
BLBs	6

LALITPUR

BRANCHES	4
ATMs	6
BLBs	4

BHAKTAPUR

BRANCHES	2
ATMs	3
BLBs	6

PROVINCE 1
Branches: 11
ATMs: 07
BLBs: 13

PROVINCE 2
Branches: 08
ATMs: 08
BLBs: 06

BAGMATI
Branches: 34
ATMs: 42
BLBs: 58

GANDAKI
Branches: 04
ATMs: 05
BLBs: 02

PROVINCE 5
Branches: 12
ATMs: 10
BLBs: 10

KARNALI
Branches: 07
ATMs: 04
BLBs: 04

SUDUR PACHIM
Branches: 05
ATMs: 03
BLBs: 06



BRANCH NETWORK

INSIDE VALLEY

BHAISEPATI BRANCH
Bhaisepati Chowk- 25, Lalitpur
01-5592709, 5592764

BHAKTAPUR BRANCH
Durbar Square Area, Khauma- 15, Bhaktapur
01-6612061/654

BOUDDHA BRANCH
Gokarneshwore, Kathmandu- 6
01-4915020, 4915640

CHABAHIL BRANCH
Kumari Building, Mitrapark
01-4481683, 4482391

DILLIBAZAR BRANCH
Batulighar- 30, Kathmandu
01-4430528, 4430838

DURBARMARG BRANCH
Narayanhitipath, Kathmandu- 1
01-4427842/43/24

GWARKO BRANCH
Gwarko- 17, Lalitpur
01-6200342, 5204308

KAPAN BRANCH
Saraswatinagar- 6, Kapan Marg, Kathmandu
01-4822811/812

KALANKI BRANCH
Ganesh Man Singh Marg (Near Kalanki Mandir)
01-5235234, 5234736

KIRTIPUR BRANCH
Naya Bazar- 17, Kirtipur
01-4335556

KOTESHWOR BRANCH
Koteshwor, Kathmandu- 32
01-4601510, 4601501

KULESHWOR BRANCH
Agni Complex- 14, Kathmandu
01-4671214, 4671215

KUMARIPATI BRANCH
Kumaripati, Lalitpur- 20
01-5551020, 5551050, 5551040

KUPONDOLE BRANCH
Kupondole- 10, Lalitpur
01-5010687, 5010784

MAHABOUDHA BRANCH
Wotu Gali- 7, Kathmandu
01-4158536/37/38/39

MAITIDEVI BRANCH
Setopul, Maitidevi, Kathmandu- 30
01-4423537, 4436720

NARAYAN GOPAL CHOWK BRANCH
Narayan Gopal Chowk, Maharajugunj
01-4017591, 4374720

NAYABAZAR BRANCH
V.S. Complex, Sohrakhutte, Kathmandu
01-4388601, 4388607

NEW BANESHWOR BRANCH
Naya Baneshwore- 31, Kathmandu
01-6200341, 4783299

NEW ROAD BRANCH
Khichapokhari, Kathmandu- 22
01-4223979/948/947/1570

SAMAKHUSI BRANCH
Samakhushi-26, Kathmandu
01-4356557, 4357681

THAHITY BRANCH
Thahiti Chowk, Thahiti, Kathmandu- 17
01-4216027/93

THAPATHALI BRANCH
Thapathali-11, Kathmandu
01-4101059, 4101070

THIMI BRANCH
Thimi, Bhaktapur
01-6636534/535

TOKHA BRANCH
Tokha- 3, Kathmandu
01-5110431/32

THANKOT BRANCH
Chandragiri- 10, Kathmandu
01-4311696

OUTSIDE VALLEY

AURAHI BRANCH
Mahotari, Aurahi- 3
044-411054, 411056

BADHAIYATAAL BRANCH
Mainapokhari- 6, Bardiya
084-401083/4/5

BAGLUNG BRANCH
Baglung- 2
068-522992/93/94

BAJHANG BRANCH
Chainpur-10, Bajhang
092-421377 /78

BANEPA BRANCH
Chandani Chowk- 7, Banepa
011-660967

BANGLACHULI BRANCH
Dang, Banglachuli- 8
9843693807

BARDIBAS BRANCH
Aurahi road- 6, Bardibas
044-550441

BENI BRANCH
New Road- 7, Beni Bazar, Myagdi
069-521019

BHOJPUR BRANCH
Bank road- 7, Bhojpur
029-420729 /19

BHUMAHI BRANCH
Bhumahi, Nawalparasi
078-415367/68

BHUME BRANCH
Rukum, Bhume RM- 2
9800549212, 9858053339

BIRATNAGAR BRANCH
Dharan Road, Morang, Biratnagar- 8
021-440501/2/3

BIRGUNJ BRANCH
Adarsha Nagar Chowk, Main Road, Birgunj- 11, Parsa
051-520782, 527982, 533699

BIRTAMOD BRANCH
Birtamode Bazar- 5, Birtamod, Jhapa
023-540255 , 544750

BUTWAL BRANCH
Amarpath Line, Butwal
071-540681/2

CHAME BRANCH
Chame- 5, Manang
066-440189/186

CHARIKOT BRANCH
Beech Bazar, Dolakha
049-421926, 421927

CHHAHARA BRANCH
Chahara- 1, Palpa
01-6200343

DAMAK BRANCH
Thana Road- 6, Damak
023-582878/79

DHAKARI BRANCH
Achham, Dhakari RM- 3
9865642266

DHANGADHI BRANCH
Main Road, Dhangadhi- 4
091-527485/6

DHARAN BRANCH
Putali Line-9, Dharan
025-533779/801

DOLPA BRANCH
Dunai Bazar- 3, Dolpa
087-550189/190

GAIGHAT BRANCH
Gaighat Bazar- 11, Udayapur
035-421330/31

GAUSHALA BRANCH
Gaushala- 1, Mahottari
044-556156/57

GHORAHI BRANCH
New Road- 15, Ghorahi, Dang
082-563307/09

HALDIBARI BRANCH
Mangalbare Chowk- 4, Jhapa
016-201922, 9802201922/23

HARIHARPURGADI BRANCH
Sindhuli, Hariharpurgadi RM- 1
901-6201846

HETAUDA BRANCH
Parijat Path, Hetauda- 4
977-057-527309

ITAHARI BRANCH
Itahari-11, Dharan Road, Itahari
025-580665

JAJARKOT BRANCH
Newroad-3, Jajarkot
089-430175/333

JANAKPUR BRANCH
Bhanu Chowk- 2, Janakpur
041-528581/82

JHIMRUK BRANCH
Pyuthan- 7
016201843 / 9851149485

JUMLA BRANCH
Khalanga Bazar- 5, Jumla
087-520586

KOLHABI BRANCH
Kolhavi- 1, Bara
053-410030

LIKHU PIKEY BRANCH
Solukhumbhu, Likhupikey- 3
9842802676

MAHENDRANAGAR BRANCH
Mahendranagar Bazar, Kanchanpur
099-520485/6

MANAHARI BRANCH
Manahari, Makwanpur
057-414119

MANGSEYBUNG BRANCH
Illam, Manseybung RM- 2
016-201927

MOHANIYAL BRANCH
Kailali, Mohaniyal RM- 4
9848387035

NAMKHA BRANCH
Humla, Namkha RM- 1
9843210573

NARAYANGHAT BRANCH
Narayani Finance Building, Lions Chowk,
Bharatpur, Narayangarh, Chitwan- 3
977-056-527548/586

NEPALGUNJ BRANCH
Dhambouji Chowk, Nepalgunj- 2, Banke
081-527471/2/3
NIJGADH BRANCH
Sahid Tole- 7, Bara
053-540480/81

PATHALAIYA BRANCH
Pathalaiya, Pipra Simra- 1, Bara
053-522189/103

POKHARA BRANCH
Nayasadak, Pokhara- 9, Kaski
061-527083/4

SAHIDBHUMI BRANCH
Dhankuta, Sahidbhumi RM- 1
016-201845

SANOSHREE BRANCH
Kushumbabazar- 8,Bardiya
084-440376/377

SARKEGHAD BRANCH
Sarkegad, Humla
9848339608

SIDDHARTHANAGAR BRANCH
Bank Road- 13, Siddharthanagar
071-521163/64

SIMALCHAUR BRANCH
Kaski, Pokhara- 8
061-522271, 528247

SIMIKOT BRANCH
Suchana Tole, Simkot- 6
087-680206/214

SUNAPATI BRANCH
Ramechhap, Sunnapati RM- 3
9851145676

SURKHET BRANCH
Sunny Hall Line, Surkhet
083-520850/1

TEMAAL BRANCH
Kavre, Temaal RM- 5
01-6201926

ATM LOCATIONS

LOCATION INSIDE VALLEY

CITIZENS ATM TERMINAL	LOCATION
KAMALADI	PRAGYA PRATISTHAN, KAMALADI
BHATBHATENI	BISHALNAGAR, BHATBHATENI SUPERMARKET
NARAYANHITI	NARAYANHITI PATH
NARAYANHITI	NARAYANHITI PATH
HIMAL HOSPITAL	THIRBOM SADAK, CHARDOBATO, NAXAL, KATHMANDU
THAMEL	THAMEL
THAMEL -NIPL	HOTEL GARUDA, SATGHUMTI, THAMEL
BOUDHA	JORPATI -3 BOUDHA
NEWROAD	PARK PLAZA, KHICHAPOKHARI
KUMARIPATI	KUMARIPATI
GEMS	GEMS SCHOOL, DHAPAKHEL
KOTESHWAR	KOTESHWOR, KATHMANDU
KALANKI	GANESHMAN SINGH MARGA, KALANKI
THAHITI	THAHITI CHOWK
NAYABAZAR	V.S. COMPLEX, SOHRAKHUTTE
MAITIDEVI	SETOPUL, MAITIDEVI
GLOBAL COLLEGE	GLOBAL COLLEGE, MID-BANESHWOR
KIRTIPUR	PANGA DOBATO, NAYABAZAAR, KIRTIPUR
MAHARAJGUNJ	NARAYANGOPAL CHOWK
KAPAN	SARASWATINAGAR, KAPAN MARG
THIMI	MADHYAPUR, THIMI
BHAKTAPUR	DURBAR SQUARE AREA KHAUMA, BHAKTAPUR
SALLAGHARI	SALLAGHARI, ARMY SCHOOL, BHAKTAPUR
KUPONDOLE	KUPONDOLE
PATAN	PATAN DHOKA
SAMAKHUSI	SAMAKHUSI
THAPATHALI	THAPATHALI
DILLIBAZAR	BATULEGHAR, DILLIBAZAR
MAHABOUDHA	WOTU, MAHABOUDHA, KATHMANDU
KULESHWOR	KULESHWOR
CHOVAR	CHOVAR, KATHMANDU
STAR HOSPITAL	STAR HOPITAL, SANEPA, LALITPUR
NEW BANESHWOR	NAYA BANESHWOR, WAY TO SANKHAMUL
V.S NIKETAN	NAYA BANESHWOR
CHABAHIL	KUMARI BUILDING, CHABAHIL
BHAISEPATI	BHAISEPATI, KATHMANDU
GWARKO	GWARKO, LALITPUR
KIST MEDICAL COLLEGE	KIST MEDICAL COLLEGE, IMADOL MARG, GWARKO, LALITPUR

LOCATION OUTSIDE VALLEY

CITIZENS ATM TERMINAL	LOCATION
BIRATNAGAR	RANGELI ROAD, BIRATNAGAR
BIRGUNJ	ADARSHA NAGAR CHOWK, BIRGUNJ
POKHARA	NEW ROAD, POKHARA
LAKESIDE	LAKESIDE, POKHARA
NEPALGUNJ	DHAMBOUJI CHOWK, NEPALGUNJ
NEPALGUNJ	DHAMBOUJI CHOWK, NEPALGUNJ
NARAYANGADH	NARAYANGHAT, CHITWAN
BUTWAL	AMARPATH LINE, BUTWAL
DHANGADHI	MAINROAD, DHANGHADI
BIRTAMOD	KAKADVITTA ROAD ANARMANI VDC-3, BIRTAMOD
BENI	NEW ROAD 1, BENI BAZAR
GHORAHI	NEW ROAD -11, GHORAHI
GAIGHAT	GAIGHAT, UDAYAPUR
GAIGHAT	SHREE 18 NO BAHINI ARMY ADDA, BHULKE, GAIGHAT
MAHENDRANGAR	BHEEMDATTA MUNICIPALITY 4, MAHENDRANAGAR
PATHALAIYA	PATHALAIYA, BARA
SIMIKOT	SIMKOT-2, MATHILO BAZAR, HUMLA
CHARIKOT	BEECH BAZAR, CHARIKOT
ITAHARI	DHARAN ROAD, ITAHARI, SUNSARI
JANAKPUR	BHANUCHOWK, JANAKPUR
SURKHET	SUNNY HALL LINE, SURKHET
HETAUDA	PARIJAT PATH, HETAUDA
JUMLA	CHANDANNATH VDC-07, JUMLA
JAJARKOT	KHALANGAWA BAZAR, JAJARKOT
SIDDHARTHANAGAR	BANK ROAD SIDDHARTHANAGAR, BHAIRAHAWA
KOLHABI	KOLHABI, BARA
BAGLUNG	DHAULAGIRI ZONEL HOSPITAL BAGLUNG
NIJGADH	NIJGADH
BAJHANG	CHAINPUR
SANOSHREE	SANOSHREE-03 KUSUMBA BAZAR
DHARAN	PUTALI LINE, DHARAN
BANEPA	BANEPA, KAVRE
GAUSALA	GAUSALA, MAHOTTARI
DAMAK	THANA ROAD, DAMAK
BARDIBAS	BARDIBAS, MAHOTARI
CHHAHARA	CHHAHARA BAZAAR, CHHAHARA, PALPA
BHUMAHI	BHUMAHI CHOWK, SUNWAL, BHUMAHI
MANAHARI	MANAHARI RURAL MUNICIPALITY-7, MAKWANPUR
HALDIBARI	MANGALBARE CHOWK, HALDIBARI, JHAPA
BADHIYATAAL	BADHAIYATAAL-06, BARDIYA

REMITTANCE PARTNER NETWORKS

SN	INTERNATIONAL BUSINESS PARTNERS	BUSINESS COUNTRY
1	Axis Bank Ltd, India	India
2	Doha Bank, Qatar	Qatar
3	Dollarco Exchange Company Limited, Kuwait	Kuwait
4	Redha Al Ansari Exchange, UAE	UAE
5	Alfa Exchange, UAE	UAE
6	Al Ansari Exchange, UAE (Cash Express)	UAE
7	Al Dahab Exchange, UAE	UAE
8	Al Ahalia Money Exchange Bureau, UAE	UAE
9	Casco Financial Services Limited, UK	UK
10	World Remit Limited, UK	Worldwide
11	D Com Money Express, Japan	Japan
12	Aussie Forex pty ltd, Australia	Australia
13	Aftab Currency Exnchange, UK	UK
14	Supersonicz Ltd, UK	UK
15	Small World Financial Services, UK	Europe
16	Xpress Money Services, UK	Worldwide
17	ATL Money Transfer (AGPAYTECH Ltd), UK	Europe
18	Placid NK Corporations, USA	Malaysia & USA

S.N	LOCAL PARTNER
1	Batas Associates P. Ltd.
2	BhatBhateni Money Transfer Pvt. Ltd.
3	Boom Remittance Pvt. Ltd.
4	C.G Finco
5	C.G Remit Pvt Ltd
6	Cash Way Money Transfer Pvt. Ltd.
7	City Express Money Transfer
8	Easy Link Remittance
9	GME Remit P Ltd.
10	IME Ltd
11	IPAY Reliable Remitttance P.Ltd
12	JME Remit P. Ltd
13	Muktinath Bikas Bank Ltd.
14	Nepal Investment Bank Ltd
15	Nepal Remit International P. Ltd
16	Overseas Remit Pvt. Ltd.
17	Panos Remit Pvt. Ltd.
18	Prabhu Money Transfer
19	Ramro Remit
20	Remit to Nepal Pvt. Ltd.
21	Samsara Remit
22	Sewa Remit Pvt. Ltd
23	United Remit P. Ltd

BRANCHLESS BANKING LOCATIONS (BLB)

SN	BRANCH NAME	BLB LOCATED DISTRICT	BLB LOCATED VDC/ MUNICIPALITY
1	Biratnagar Branch	Morang	Katahari
2	Biratnagar Branch	Morang	Tankisinwari
3	Biratnagar Branch	Morang	Karsiya
4	Pokhara Branch	Kaski	Armala
5	Nepalgunj Branch	Bardiya	Bholagaudi
6	Nepalgunj Branch	Bardiya	Maina Pokhar
7	Nepalgunj Branch	Bardiya	Sitalbazar
8	Nepalgunj Branch	Banke	Mahadevpuri
9	Narayanghat Branch	Chitwan	Gunjanagar
10	Narayanghat Branch	Chitwan	Meghauli
11	Kalanki Branch	Kathmandu	Ramkot
12	Butwal Branch	Rupandehi	Rani Bagiya
13	Butwal Branch	Rupandehi	Kerwani
14	Dhangadhi Branch	Kailali	Godavari
15	Dhangadhi Branch	Kailali	Pahalwanpur
16	Dhangadhi Branch	Kailali	Khodpe
17	Nayabazar Branch	Kathmandu	Tinpiple
18	Nayabazar Branch	Kathmandu	Kavresthali
19	Birtamod Branch	Jhapa	Gaurigunj
20	Birtamod Branch	Jhapa	Bahundagi
21	Birtamod Branch	Jhapa	Sanishchare
22	Birtamod Branch	Jhapa	Shivgunj
23	Ghorahi Branch	Dang	Dudrash
24	Gaighat Branch	Udayapur	Beltar
25	Gaighat Branch	Udayapur	Katari
26	Kirtipur Branch	Kathmandu	Machhegaun
27	Kirtipur Branch	Kathmandu	Chalnakhel
28	Mahendranagar Branch	Kanchanpur	Beldandi
29	Mahendranagar Branch	Kanchanpur	Dodhara
30	Mahendranagar Branch	Kanchanpur	Bramhadev
31	Tokha Branch	Kathmandu	Zhor
32	Pathlaiya Branch	Bara	Piluwa
33	Charikot Branch	Dolkha	Maina Pokhari
34	Charikot Branch	Dolkha	Namdu
35	Charikot Branch	Dolkha	Boche
36	Charikot Branch	Dolkha	Sahare
37	Charikot Branch	Dolkha	Sailung
38	Charikot Branch	Dolkha	Susma Chyamawoti
39	Dharan	Sunsari	Chatara
40	Itahari Branch	Sunsari	Khanar
41	Itahari Branch	Sunsari	Tarhara
42	Bhaktapur Branch	Bhaktapur	Sipadol
43	Bhaktapur Branch	Bhaktapur	Chhaling
44	Bhaktapur Branch	Bhaktapur	Sanga
45	Bhaktapur Branch	Bhaktapur	Changu Narayan
46	Bhaktapur Branch	Bhaktapur	Tathli
47	Bhaktapur Branch	Bhaktapur	Nagarkot
48	Janakpur Branch	Mahottari	Matiyani

49	Janakpur Branch	Mahottari	Laxminiya Bazar
50	Patan Branch	Lalitpur	Lele/Tika Bhairab
51	Patan Branch	Lalitpur	Tika Thali
52	Patan Branch	Lalitpur	Dhapakhel
53	Surkhet Branch	Surkhet	Chinchu
54	Surkhet Branch	Surkhet	Mehalkuna
55	Surkhet Branch	Surkhet	Babiyachaur
56	Gaushala Branch	Mahottari	Aurahi
57	Gaushala Branch	Mahottari	Ramgopalpur
58	Baglung Branch	Baglung	Hatiya
59	Dolpa	Dolpa	Juphal
60	Samakhusi	Nuwakot	Okharpauwa
61	Samakhusi	Nuwakot	Kakani
62	Samakhusi	Nuwakot	Battar
63	Samakhusi	Nuwakot	Charghare
64	Samakhusi	Nuwakot	Chaughada
65	Samakhusi	Nuwakot	Gerkhu
66	Samakhusi	Nuwakot	Samundratar
67	Samakhusi	Nuwakot	Sundaradevi
68	Samakhusi	Nuwakot	Fikuri
69	Samakhusi	Nuwakot	Tupche
70	Samakhusi	Nuwakot	Gorshyang
71	Samakhusi	Nuwakot	Deurali
72	Samakhusi	Nuwakot	Bidur
73	Samakhusi	Nuwakot	Mankamana
74	Samakhusi	Nuwakot	Khadgabhanjyang
75	Samakhusi	Nuwakot	Duipipal
76	Samakhusi	Nuwakot	Thanapati
77	Samakhusi	Nuwakot	Ganesthan
78	Samakhusi	Nuwakot	Thansing
79	Samakhusi	Nuwakot	Balkumari
80	Samakhusi	Nuwakot	Kharanitar
81	Samakhusi	Nuwakot	Khanigaun
82	Samakhusi	Nuwakot	Ralukadevi
83	Samakhusi	Nuwakot	Bageshwori
84	Samakhusi	Nuwakot	Budhasing
85	Samakhusi	Nuwakot	Rautbesi
86	Samakhusi	Nuwakot	Thaprek
87	Samakhusi	Nuwakot	Sunkhani
88	Samakhusi	Nuwakot	Belkot
89	Samakhusi	Nuwakot	Jiling
90	Samakhusi	Nuwakot	Taruka
91	Samakhusi	Nuwakot	Kabilash
92	Bhaisepati	Lalitpur	Khokana
93	Nepalgunj Branch	Bardiya	Jamuni
94	Itahari Branch	Sunsari	Laukahi
95	Ghorahi Branch	Dang	Gadhawa
96	Samakhusi	Rasuwa	Laharepouwa
97	Samakhusi	Nuwakot	Narjamandap
98	Beni Branch	Myagdi	Takam
99	Kolhabi Branch	Rautahat	Fatuwa Bijaypur

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

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