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

ANNUAL REPORT
2016-17

WE WORK TOGETHER



TO PROMOTE ECONOMIC & SOCIAL PROGRESS

YOUR PARTNER FOR PROGRESS



Coming Together for Progress, Working Together for Success

Established as a trustworthy and reliable financial partner for individuals and institutions, Citizens Bank International Limited aims to progress, grow and reform economically and socially to make the nation better. Our ultimate success lies in our teamwork and communication development that produces forward action and positive results for the development of the nation.

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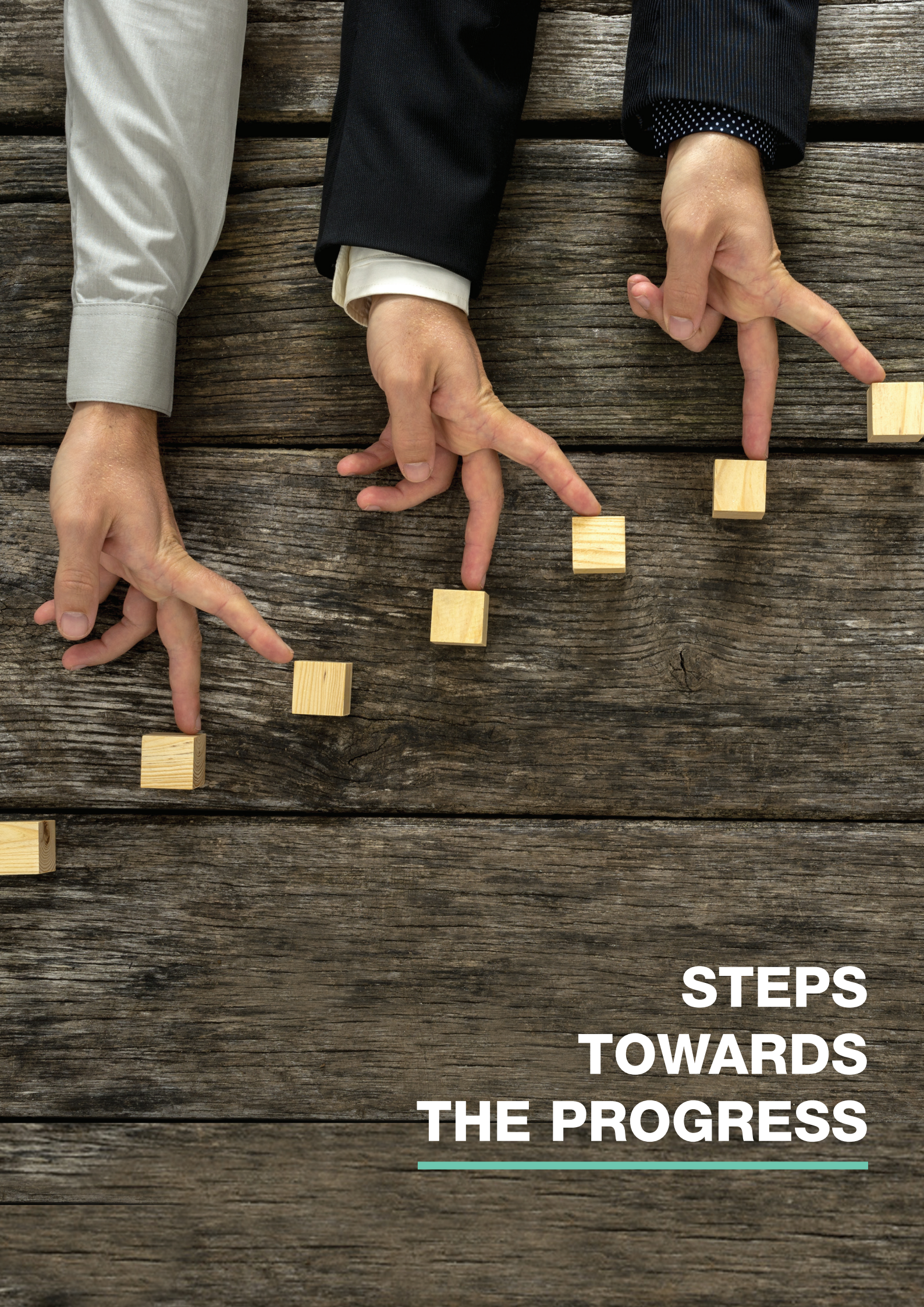
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BANK'S PROFILE

Established on April 20, 2007 (2064/01/07) 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 individual 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 and the management team led by Mr. Rajan Singh Bhandari as a Chief Executive Officer. The Bank has employed 715 staff including 684 permanent staff and 31 staffs on a contract basis working with various Departments and Branches across the country.

The Bank's milestone dates are as follows:

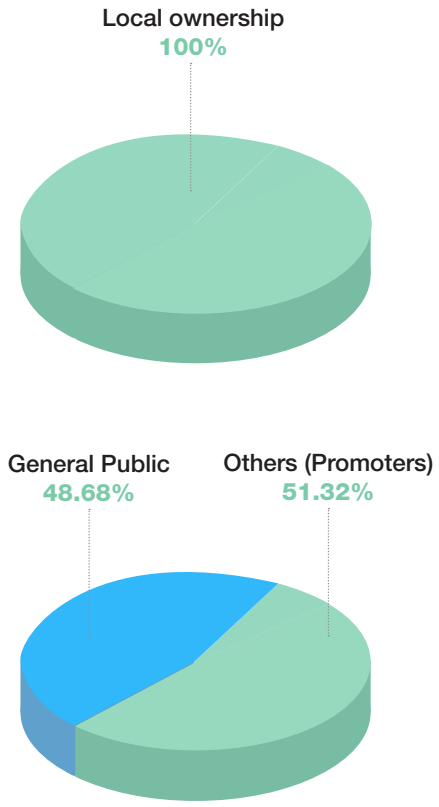
DATE OF REGISTRATION UNDER COMPANY ACT	DATE OF REGISTRATION UNDER INCOME-TAX ACT	DATE OF OPERATING LICENSE FROM NRB
OCTOBER 13, 2006 (ASOJ 27, 2063)	**OCTOBER 15, 2006 (ASOJ 29, 2063)**	**APRIL 18, 2007 (BAISAKH 5, 2064)**

The shareholding pattern of the Bank is as follows:

Ownership Structure

Foreign ownership: NIL
Local ownership: 100%

Local Ownership:
General Public: 48.68%
Others (Promoters): 51.32%



VISION, MISSION AND 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 individual 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, and

- 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 a profit and are 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 progress takes place outside the comfort zone



BECOMING "PREFERRED PARTNER FOR PROGRESS"

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

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

Outcome Statements of the Bank's Balanced Score Card

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

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

Delivering our Strategic Targets

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

Customers & Clients

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

Colleague

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

Citizenship

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

Conduct

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

Company

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

PRODUCTS AND SERVICES

DEPOSIT SCHEMES

- SHAREDHANI BACHAT KHATA
- SENIOR CITIZENS SAVINGS DEPOSIT
- MATRIBHUMI BACHAT KHATA
- MAHILA BACHAT KHATA
- MUNA BACHAT KHATA
- RECURRING DEPOSIT
- RASTRA SEWAK SAVINGS DEPOSIT
- BIDHYARTHI BACHAT KHATA
- SPECIAL SAVINGS DEPOSIT
- DASHAIN TIHAR MUDDATI NICHHEP YOJANAA
- SUPER SAVINGS ACCOUNT (CSSA)
- PRIVILEGE CALL ACCOUNT
- CALL DEPOSIT (FCY)
- SAVINGS ACCOUNT (FCY)
- SAVINGS ACCOUNT (NPR)
- MOFASHAL BACHAT KHATA
- CURRENT ACCOUNT
- FIXED DEPOSIT (NPR) INDIVIDUAL
- FIXED DEPOSIT (NPR) INSTITUTIONAL
- CALL DEPOSIT (NPR)
- STRUCTURED FIXED DEPOSIT
- DASAK SAVINGS
- GOLDEN SAVINGS







Saving requires us to not get things now so that we can get bigger ones later



PRODUCTS AND SERVICES

LOAN SCHEMES

- CITIZENS HOME LOAN
- CITIZENS AUTO LOAN
- CITIZENS EDUCATION LOAN
- CITIZENS GOLD LOAN
- CITIZENS MORTGAGE LOAN
- CITIZENS EQUIPMENT LOAN
- CITIZENS FAST TRACK LOAN
- CITIZENS MARGIN LENDING
- CITIZENS CREDIT CARD
- CITIZENS BINA DHITO KARJA
- CITIZENS SME LOAN
- WORKING CAPITAL LOANS
- TERM LOANS
- EXPORT FINANCE
- OVERDRAFTS
- TRUST RECEIPT LOAN
- DEPRIVED SECTOR LOAN
- LOAN AGAINST FIRST CLASS BANK GUARANTEE
- LOAN AGAINST GOVT. BOND
- ONE ZONE ONE PRODUCT
- LOAN AGAINST CITIZENS FD RECEIPT & PROMISSORY NOTES





Turning Dreams Into Reality



OTHER SERVICES

CARDS

- Visa Debit Card (NPR)
- Visa Debit Card (USD)
- Visa Credit Card (Domestic)
- Visa Credit Card (USD)
- Prepaid Dollar Card



ONLINE PRODUCTS

- Mero Share Services
- De-Mat Services
- ASBA Services
- Smart Banking Services
- Online Fee Payment
- Internet Banking Services



REMITTANCE

Association with International Companies

Association with Local Companies



OTHERS

Privilege Banking

Locker

Bancassurance

Branchless Banking





CHAIRMAN'S MESSAGE

"We pride of our spirit oriented team of professionals working in the Bank, dedicated to logical profit and satisfaction of every clients. Our bank has a positive and sound atmosphere where the people feel quality service having their dreams secured."

I am very pleased to report another strong year of growth for our Bank in 2016/17, despite of increased competition in the financial services sector and unexpected macro-economic situations in the market. We are now well established to meet and, in many cases exceed targets set at the commencement of the Bank in April 2007, and have laid a strong strategic platform for future growths.

Once again we proved to be resilient. The Bank's profit before tax reached NPR 1,578.11 million, an increase of 2.55 percent, compared to 2015/16. The Bank reported a net profit after tax (NPAT) of NPR 1,081.66 million for the year ended 15 July 2017, an increase of 0.12 percent over the previous year, despite the increase of Income Tax this year by 8.28 percent which reached NPR 496.45 million- reflecting the Bank's strong financial standing. The Bank has achieved the growth of 11.24 percent in Loans and Advances and 18.80 percent in Deposits. The Balance Sheet size has now reached NPR 65,405.49 million with the increment of 18.79 percent. The total equity of shareholders has now reached NPR 9,389 million, an increase of 51.34 percent compared to 2015/16, and paid- up share capital has been increased by 82.43 percent to reach NPR 8,029.16 million. Hence, the Bank has managed to meet the regulatory requirement of minimum Share Capital of NPR 8 billion by issuing right shares and bonus Shares.

Encouraging economic growth rate, achievement noticed in the power sector in a short period of time, positive economic indicators, favorable investment environment, implementation of the Constitution and formation of local level government with decentralization of powers indicating political stability, the country shall now focus on economic development. This indicates ample growth prospects in the financial sectors and entails grave responsibility as well, to help the government move ahead towards an economic prosperity.

On the basis of a foregoing country's outlook and with the increase in share capital, the Bank is required to increase its business accordingly to maintain acceptable level of Return on Equity.

However, as part of its oversight role, the Board of Directors have been and shall continue to work closely with the management in reviewing objectives, strategies and operating plans to ensure the Bank is always positioned to grow and generate excellent returns for shareholders, assuming acceptable level of risks.

We pride of our spirit oriented team of professionals working in the Bank, dedicated to logical profit and satisfaction of every clients. Our bank has a positive and sound atmosphere where the people feel quality service having their dreams secured. We are committed to actively provide quality service, not only to large corporate groups but also to small and medium enterprises. I am confident that we will continue the journey of success and strengthen our position as Nepal's leading National Bank in the upcoming years.

Finally, I would like to extend a hearty thank you to all our shareholders for their continued confidence in us and our work, to our clients for their loyalty and to our management and employees for their outstanding performance. I would also like to thank Nepal Rastra Bank for their continuous support and its efforts to improve the regulatory framework, under which we operate and which contributes to the development of the Nepalese Economy.

DR. SHANKAR PRASAD SHARMA
Chairman
Board of Directors

BOARD OF DIRECTORS



TOP (LEFT TO RIGHT)

Mr. Pavitra Kumar Karki
Director

Mr. Rajan Singh Bhandari
Chief Executive Officer

Mr. Avanindra Kumar Shrestha
Director

Mr. Prakash Chandra Mainali
Public Director



BOTTOM (LEFT TO RIGHT)

Dr. Chanda Karki
Director

Dr. Shankar Prasad Sharma
Chairman

Mr. Bal Krishna Prasai
Director

DIRECTORS' PROFILE



Dr. Shankar Prasad Sharma
Chairman

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



Mr. Bal Krishna Prasai
Director

Mr. Bal Krishna Prasai, the former secretary of the Government of Nepal, has successfully served for 25 years in various important capacities under different Ministries of the Government of Nepal. Mr. Prasai has acquired wide experience in the field of development and governance (including financial). He holds Masters Degree in Business Administration from the Philippines and Masters Degree in Science from Nepal.

Membership of Board Level Committee	
Human Resource & Compensation Committee	Coordinator



Mr. Prakash Chandra Mainali
Public Director

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

Membership of Board Level Committee	
Risk Management Committee	Coordinator
Land & Building Purchase 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 26 years and has served in various positions for Nepal.

Membership of Board Level Committee	
Budget Committee	Coordinator
Land & Building Purchase Committee	Coordinator
Human Resource & Compensation Committee	Member



Mr. Bijaya Dhoj Karki
Public Director

Mr. Bijaya Dhoj Karki successfully served for 37 years in the Nepal Army and then retired in the post of Brigadier General. During the service period, Mr. Karki visited all 75 districts of the country. He also served under the UN Mission in former Yugoslavia, Haiti, Lebanon, Congo, etc. Mr. Karki also attended the Crisis Management training in Israel. Mr. Karki is an Honorary Member of the Barphedi Society.

Membership of Board Level Committee	
Audit Committee	Member
Land & Building Purchase Committee	Member
Budget Committee	Member



Mr. Avanindra Kumar Shrestha
Professional Director

Mr. Avanindra Kumar Shrestha is 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 the 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	
Budget 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 educationists.

Membership of Board Level Committee	
Audit Committee	Member

MOVEMENT IN BOARD OF DIRECTORS DURING FY 2016/17 (2073/74)

Name of Directors	Directors Since	Designation	Occupation	Remarks
Mr. Avanindra Kumar Shrestha	17.10.2016	Professional Director	Former Secretary of Government of Nepal	Appointed as director for a tenure of three years.
Mr. Manohar Das Mool	02.10.2012	Director	Business	Re-appointed from 10th AGM held for the tenure of four years. However, resigned on 30.04.2017.
Mr. Chandra Tandon	15.10.2015	Director	Business	Appointed as director from 9th AGM on 15.10.2015. Mr.Chandra Tandon has resigned effective from 17.08.2017.

WE RISE
BY LIFTING OTHERS



CEO'S MESSAGE

In the year 2016/17, the Bank was able to achieve the shareholders' expectations, as financial outcome for the shareholders were balanced with the risks taken. The Bank marked a Net Profit of over NPR 1 Billion. The Bank also increased its paid- up capital to over NPR 8 Billion, Loans and Advances to NPR 48.44 Billion and Deposit to NPR 52.72 Billion. In line with Nepal Rastra Bank's policy for creating a safer and more stable banking sector, one more "C" Class financial institution, Premiere Finance Limited was acquired during the year. Right share was issued at the ratio of 1:0.25 shares and bonus share was proposed at the rate of 16 percent of paid up capital outstanding at year end, resulting in the paid capital to be over NPR 8 billion.

The increased pressure to maintain profitability relative to increased paid- up capital has led to the need to increase business aggressively. However, the Bank continues to strive towards the corporate vision of being the leading bank known for its service excellence, and focus on the quality of assets and liabilities in order to manage risks at low level.

Customers are at the heart of Citizens Bank International Limited, and we are committed to their satisfaction and achieve and maintain depth in customer relationships. Moving ahead with a growing relationship with the customers, improved investor sentiment towards the country, Citizens Bank International Limited will continue to focus on service excellence, customer-related and business-related products and services, whilst looking forward to achieving the goal: "Your Partner for Progress".

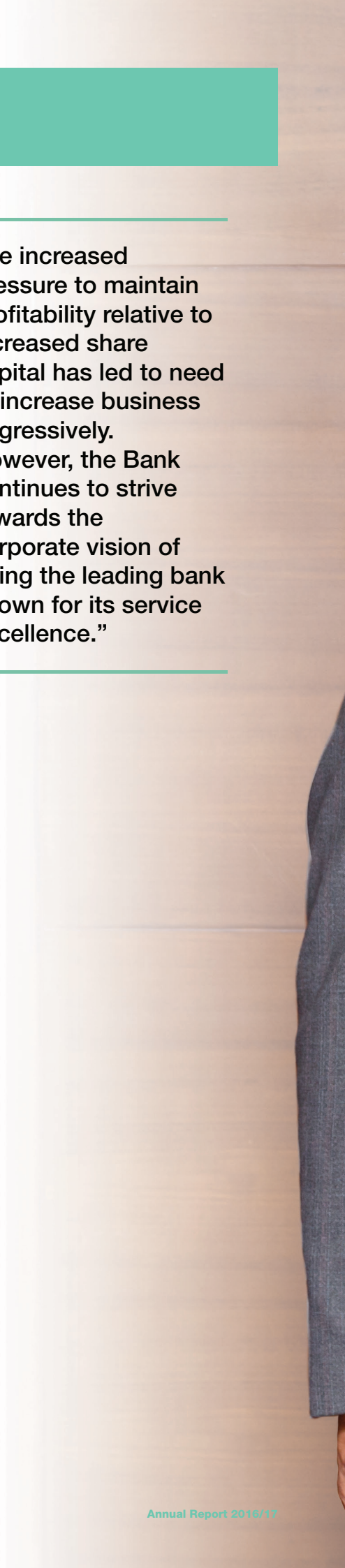
The liquidity turmoil that appeared for a short stint in the year 2016/17, was well managed due to the Board of Directors' and management's foresight on liquidity risk management. New deposit products were introduced, and savings' deposit rates were increased to an all time high. However, the Bank is firm on its deposit strategy and believes in excellent customer service and mobilization of deposit from newer and untapped sources, rather than moving with the market in the price war. The Bank is now more focused on minimizing concentration risk on deposit. With the institutional deposit below 50 percent limit, prescribed by Nepal Rastra Bank after deliberate and rigorous effort, the Bank plans to mobilize more individual deposits from the branch networks and branchless banking services, dispersed throughout the country from urban cities to rural areas and remote villages.

The Bank is investing with low risk business models by extending credit to mid-market- segments/ SME loans, home loans and focusing on non- funded businesses like, remittance, trade finance, card business and other digitized services. Similarly, the Bank plans to extend more credit to agriculture, energy, tourism and productive sectors in line with the monetary policy of the country of FY 2017/18.

I am profoundly grateful for the dedication of all the staffs and the loyalty of our customers; trust of our partners and associates, and of regulatory authorities that have guided us over the years. My heartfelt thanks to our Chairman, Board members, and stakeholders for their guidance, support and for entrusting us to lead the Bank. Similarly, my thanks also go to all my fellow colleagues for their support and commitment on steering Citizens Bank forward.

RAJAN SINGH BHANDARI
Chief Executive Officer

"The increased pressure to maintain profitability relative to increased share capital has led to need to increase business aggressively. However, the Bank continues to strive towards the corporate vision of being the leading bank known for its service excellence."





MANAGEMENT TEAM



TOP (LEFT TO RIGHT)

Mr. Sumit Babu Khatri

Chief Credit Officer

Mr. Ramdhan Shrestha

Assistant Chief Executive Officer

Mr. Pramesh Raj Kayastha

Chief Finance Officer

Mr. Rajendra Lal Shrestha

Chief Risk and Recovery Officer

BOTTOM LEFT

Mr. Ganesh Raj Pokharel

Deputy Chief Executive Officer



Ms. Umang Sharma

Chief Administrative Officer

Mr. Paras Kumar Kafle

Chief Operating Officer

Mr. Bodh Raj Devkota

Assistant Chief Executive Officer

Mr. Sanjeeb Kumar Shrestha

Chief Information Technology Officer

BOTTOM RIGHT

Mr. Rajan Singh Bhandari

Chief Executive Officer

MANAGEMENT TEAM PROFILE



Mr. Rajan Singh Bhandari

Chief Executive Officer

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

Positions held during the Year	
Human Resource & Compensation Committee	Member
Budget Sub- Committee	Member
Land & Building Purchase Committee	Member
Executive Committee	Chairman
Assets Liabilities Management Committee	Chairman
IT Steering Committee	Chairman



Mr. Ganesh Raj Pokharel

Deputy Chief Executive Officer

Ganesh Raj Pokharel, a professional banker with more than 25 years of total work experience, is one of the Founders and the Deputy Chief Executive Officer of Citizens Bank International Ltd. His area of expertise includes overall business operations and development, and developing and maintaining sound personal relations with different stakeholders. A very fast mover along with the career path, he is responsible for overall operations, growth and success of the Bank.

Before joining Citizens Bank, he served Management Association of Nepal for 14 years in different positions including Executive Director for six years.

He holds an Executive MBA (Finance) degree from Kathmandu University; and MBA (Marketing) and BL (Banking) degrees from Tribhuvan University.

Positions held during the Year	
Executive Committee	Member
Operational Risk Management Committee	Chairman
Assets Liabilities Management Committee	Member
IT Steering Committee	Member
Recruitment Committee	coordinator



Mr. Bodh Raj Devkota

Assistant Chief Executive Officer

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

Positions held during the Year	
Board of Directors	Company Secretary
Land & Building Purchase Committee	Member secretary
Purchase Committee	Chairman
Executive Committee	Member
Assets Liabilities Management Committee	Member
IT Steering Committee	Member
Recruitment Committee	Member



Mr. Ramdhan Shrestha

Assistant Chief Executive Officer

Mr. Ramdhan Shrestha was associated with Nepal Rastra Bank where he served for 41 years. He has been actively involved and serving in the organization since its inception. His area of expertise is in supervision of financial institutions, personnel administration, finance, treasury, business, risk management, recovery, operations etc.

Positions held during the Year	
Executive Committee	Member
Assets Liabilities Management Committee	Member
Operational Risk Management Committee	Member
Recruitment Committee	Member



Mr. Samir Prasad Dahal

CEO-CBIL Capital Limited

Mr. Samir Prasad Dahal, FCA is a senior manager in the Bank and has been deputed as CEO of CBIL Capital Limited (subsidiary company of the Bank). He is also the Company Secretary to the company. Apart from being a qualified Chartered Accountant (FCA) having accomplished his program in 2002 from the Institute of Chartered Accountants India, Mumbai Chapter, he is also a certified Treasury and Forex Manager having achieved his certification from Association of Certified Treasury managers (ACTM). Besides, he has also received the esteemed IFRS Certification. He has endeavored entrepreneurial venture through SP Dahal & Associates. During his 15 years of professional career, he has worked for Himalayan Bank for almost 8 years as Deputy Manager after which, he had worked for the Bank as CFO. He has expertise in various business areas specializing in corporate finance and business development. Among many of the training and conferences attended by him, few of them include merger conference, information system audit, renewable energy technology financing, auditors & bankers at various national and international locations.



Mr. Rajendra Lal Shrestha

Chief Risk and Recovery Officer

Mr. Rajendra Lal Shrestha, an MBA from SIBM, Pune has 18 years of Banking Experience in the field of Trade Finance, Credit, Branch Operation, Credit Risk & Recovery.

Positions held during the Year	
Executive Committee	Member



Mr. Paras Kumar Kafle

Chief Operating Officer

Mr. Paras Kumar Kafle, an MBS from Tribhuvan University has over 17 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.

Positions held during the Year	
Risk Management Committee	Member
Executive Committee	Member
Assets Liabilities Management Committee	Member
Operational Risk Management Committee	Member



Ms. Umang Sharma

Chief Administrative Officer

Ms. Umang Sharma, an MBA from Kathmandu University has 16 years of Banking Experience. She has experience of working in Credit Department in the field of Consumer Banking, SME Banking and also has experience of working in Business Development Unit. She currently heads Human Resource & General Service Department of the Bank.

Positions held during the Year	
Human Resource and Compensation Committee	Member Secretary
Executive Committee	Member Secretary
Recruitment Committee	Member Secretary
IT Steering Committee	Member
Purchase Committee	Permanent Invitee



Mr. Sumit Babu Khatri

Chief Credit Officer

Mr. Sumit Babu Khatri, an MBA has 18 years of banking experience. He has over a decade of experience in credit and marketing department looking after corporate & commercial loans, consumer loans and infrastructure & project financing in various capacities.

Positions held during the Year	
Executive Committee	Member
Assets Liabilities Management Committee	Member



Mr. Sanjeeb Kumar Shrestha

Chief Information Technology Officer

Mr. Sanjeeb Kumar Shrestha, Master in Computer Engineering from Ukraine has over 19 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

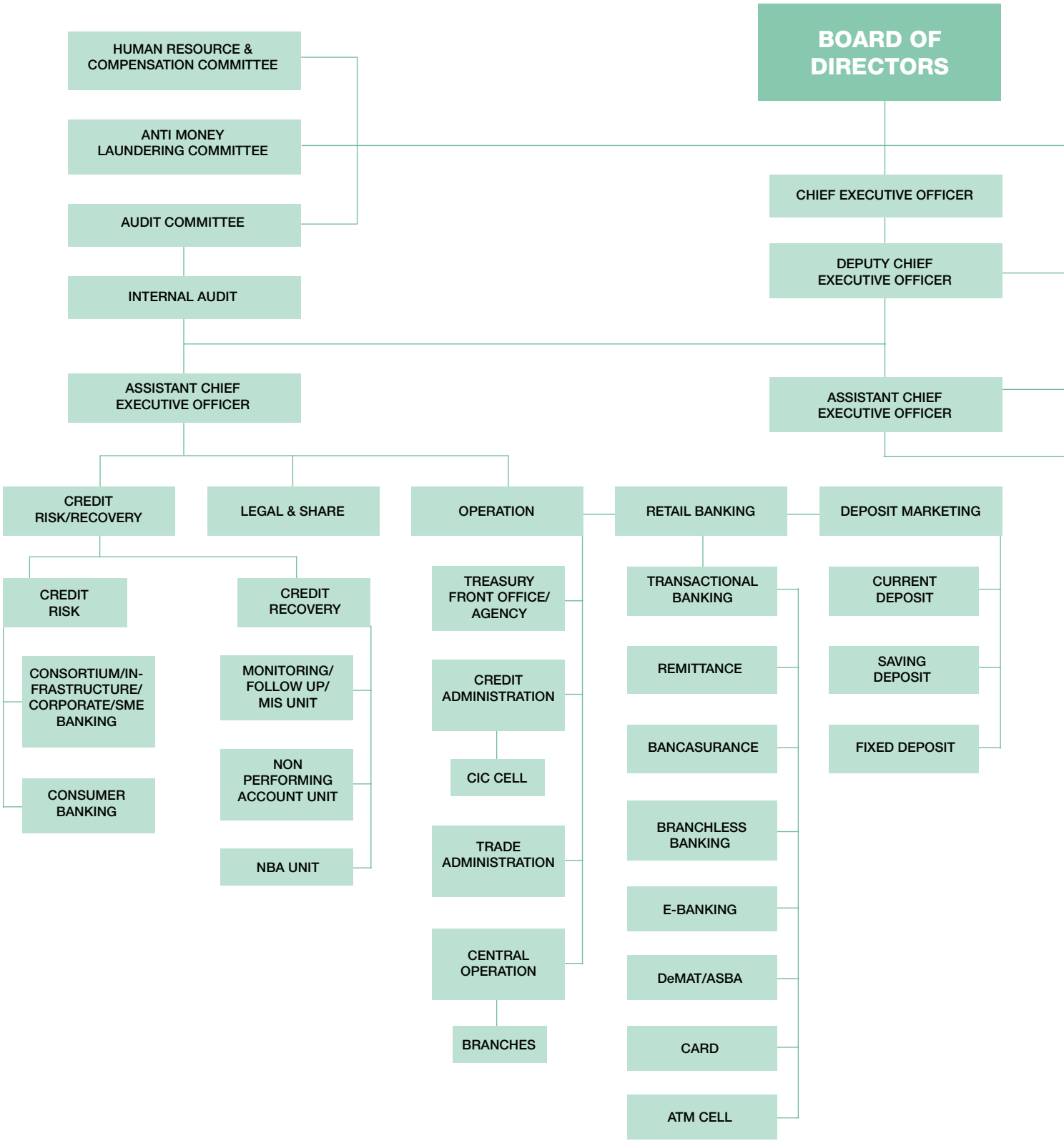
Mr. Kayastha holds Chartered Accountancy degree from Institute of Chartered Accountancy of India and BBS from Tribhuwan University. Prior to joining Citizens Bank International Limited, he was associated with Prime Commercial Bank Limited as Finance Head for over 3 years. He had joined Citizens Bank International Limited on July 7, 2013 (Ashad 23, 2070) as Executive Finance Officer.

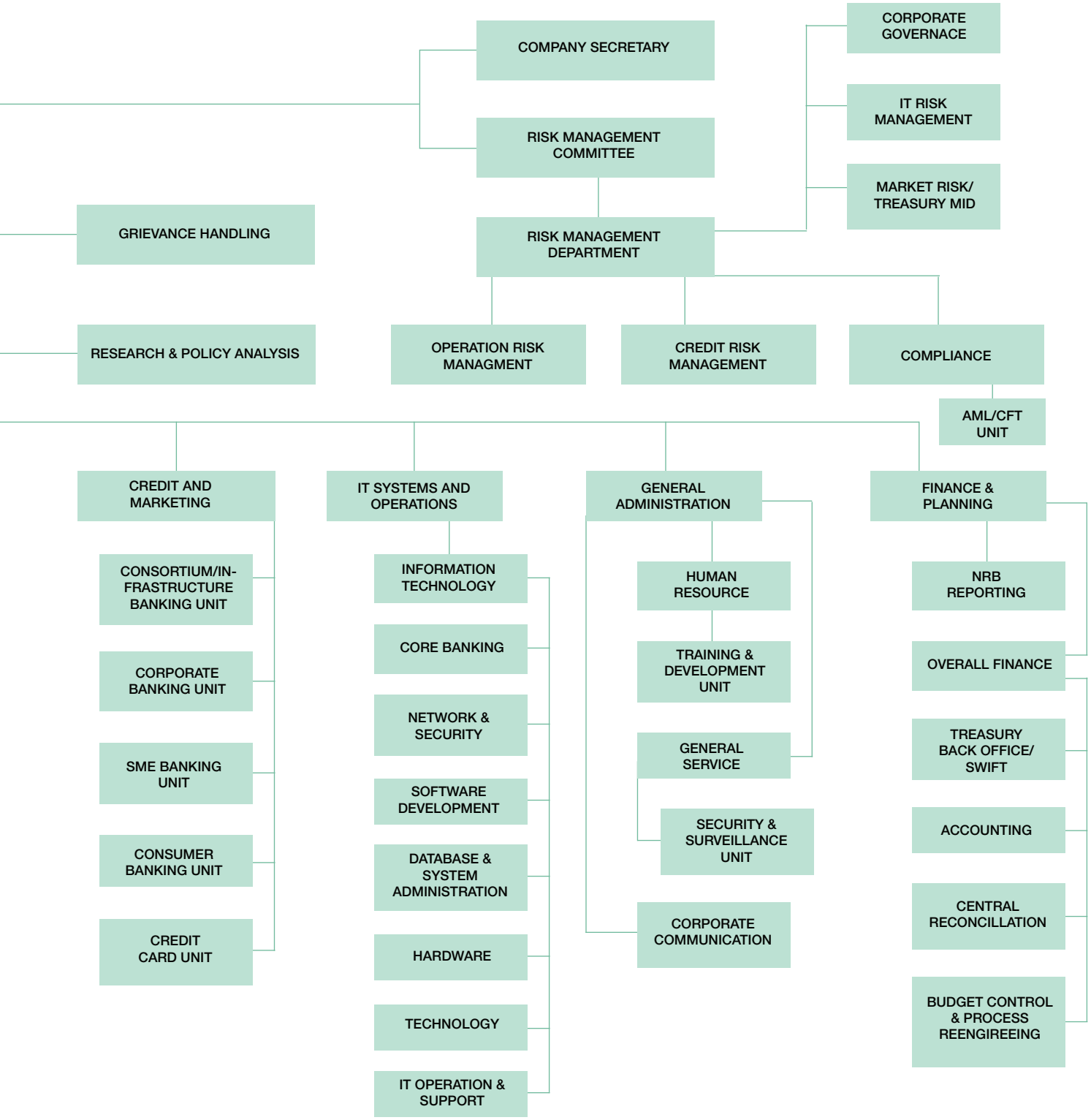
Positions held during the Year	
Human Resource and Compensation Committee	Member
Budget Sub-Committee	Member Secretary
Executive Committee	Member
Assets Liabilities Management Committee	Member
Purchase Committee	Member

HEAD OF DEPARTMENTS

S.N	Name of Head	Position	Department
1	Ravi Kumar Rauniyar	Head	Risk Management
2	Suman Mulepati	Head	Consumer Banking Unit/ SME
3	Amit Khanal	Head	Corporate Banking Unit
4	Narayan Raj Adhikari	Head	Credit Risk-Consortium Infrastructure/Corporate/SME
5	Roshan Manandhar	Head	Citizens Fast Track Loan
6	Pradeep Sedai	Head	SME Unit Team A
7	Roshan Malla	Head	Consortium/ Infrastructure Banking Unit
8	Aparna Giri	Head	Retail Banking
9	Tulasi Raj Rijal	Head	SME Unit Team B
10	Anit Sapkota	Head	Internal Audit
11	Suresh Prasad Thapaliya	Head	Trade Administration
12	Suyesh Kumar Poudel	Head	Transactional Banking
13	Angish Shrestha	Head	Treasury Department
14	Binay Rauniyar	Head	Credit Risk-CBU
15	Akanksha Basnet	Executive Finance Officer	Finance Department
16	Hari Babu Thapa	Head	Credit Administration Department
17	Suraj Kumar Neupane	Head	Deposit Marketing
18	Raju Manandhar	Incharge	Operations Department
19	Niraj Raj Shrestha	Head	Credit Card
20	Krishna Pandey	Head	Operational Risk Management
21	Kedar Adhikari	Head	Legal Department
22	Dikendra Ram Kashajoo	Head	General Service Department
23	Sushan Devkota	Head	Recovery Department
24	Udaya Raj Keshari	Incharge	Card Department
25	Bhawana Ojha	Incharge	Remittance Department
26	Swechchha Dangol	Incharge	Branchless Banking Unit
27	Anjana Sapkota	Incharge	Demat/ ASBA
28	Ranjeeta Khadka	Incharge	Bancassurance

ORGANOGRAM


BOARD OF DIRECTORS
HUMAN RESOURCE & COMPENSATION COMMITTEE
ANTI MONEY LAUNDERING COMMITTEE
AUDIT COMMITTEE
INTERNAL AUDIT
CHIEF EXECUTIVE OFFICER
DEPUTY CHIEF EXECUTIVE OFFICER
ASSISTANT CHIEF EXECUTIVE OFFICER
ASSISTANT CHIEF EXECUTIVE OFFICER
CREDIT RISK/RECOVERY
LEGAL & SHARE
OPERATION
RETAIL BANKING
DEPOSIT MARKETING
CREDIT RISK
CREDIT RECOVERY
CONSORTIUM/IN-FRASTRUCTURE/ CORPORATE/SME BANKING
CONSUMER BANKING
MONITORING/ FOLLOW UP/ MIS UNIT
NON PERFORMING ACCOUNT UNIT
NBA UNIT
TREASURY FRONT OFFICE/ AGENCY
CREDIT ADMINISTRATION
CIC CELL
TRADE ADMINISTRATION
CENTRAL OPERATION
BRANCHES
TRANSACTIONAL BANKING
REMITTANCE
BANCASURANCE
BRANCHLESS BANKING
E-BANKING
DeMAT/ASBA
CARD
ATM CELL
CURRENT DEPOSIT
SAVING DEPOSIT
FIXED DEPOSIT


COMPANY SECRETARY
CORPORATE GOVERNACE
IT RISK MANAGEMENT
RISK MANAGEMENT COMMITTEE
MARKET RISK/ TREASURY MID
GRIEVANCE HANDLING
RISK MANAGEMENT DEPARTMENT
RESEARCH & POLICY ANALYSIS
OPERATION RISK MANAGMENT
CREDIT RISK MANAGEMENT
COMPLIANCE
AML/CFT UNIT
CREDIT AND MARKETING
IT SYSTEMS AND OPERATIONS
GENERAL ADMINISTRATION
FINANCE & PLANNING
CONSORTIUM/IN-FRASTRUCTURE BANKING UNIT
CORPORATE BANKING UNIT
SME BANKING UNIT
CONSUMER BANKING UNIT
CREDIT CARD UNIT
INFORMATION TECHNOLOGY
CORE BANKING
NETWORK & SECURITY
SOFTWARE DEVELOPMENT
DATABASE & SYSTEM ADMINISTRATION
HARDWARE
TECHNOLOGY
IT OPERATION & SUPPORT
HUMAN RESOURCE
TRAINING & DEVELOPMENT UNIT
GENERAL SERVICE
SECURITY & SURVEILLANCE UNIT
CORPORATE COMMUNICATION
NRB REPORTING
OVERALL FINANCE
TREASURY BACK OFFICE/ SWIFT
ACCOUNTING
CENTRAL RECONCILLATION
BUDGET CONTROL & PROCESS REENGIREEING



Changes call for innovation, and innovation leads to progress

Corporate Governance, Risk, CSR and Employees

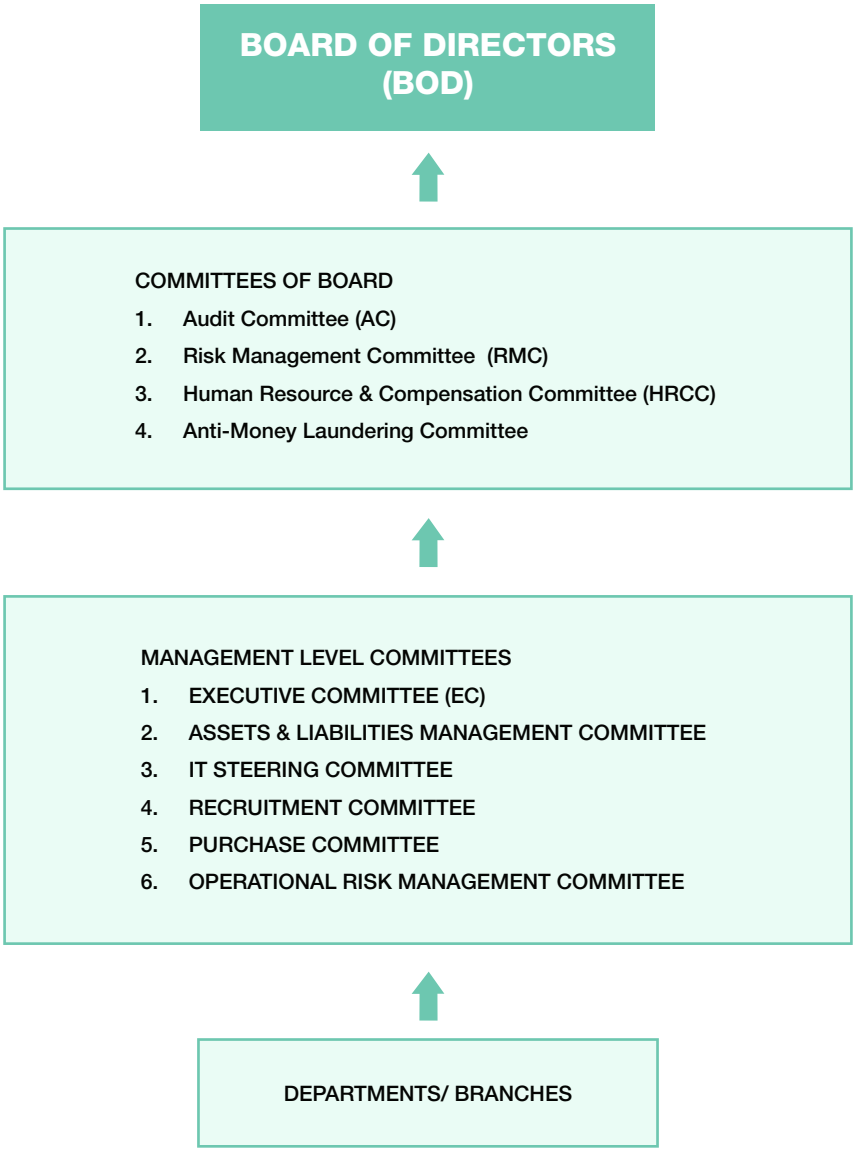
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CORPORATE GOVERNANCE

1. BANK'S PHILOSOPHY ON CODE OF GOVERNANCE

Corporate Governance is a process that aims to meet stakeholder's 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 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 Bank's/ companies in Nepal.



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

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

2. BOARD OF DIRECTORS

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

a) Banks and Financial Institutions Act, 2017 (2073),
b) Nepal Rastra Bank Act, 2002 (2058)
c) Companies Act, 2006 (2063)
d) Memorandum Of Association (MOA) and Article Of Association (AOA) of the Bank.
e) Code of Conduct.
f) Directives and circulars issued by the regulatory authorities.

Similarly the various policies and bye-laws formulated by the Board govern the Senior Management and the Bank as a whole. They are:

a. MOA & 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 Bye-laws and Policies as applicable.

A. Composition of the Board:

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

The composition of Board of Directors of the Bank as on July 15, 2017 is as under:

S.No.	Name	Position
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. Chandra Tandon	Director
8	Mr. Avanindra Kumar Shrestha	Professional Director

B. APPOINTMENTS / CESSATION OF DIRECTORS DURING THE YEAR

i. APPOINTMENTS :

1. Director Mr. Manohar Das Mool was re-appointed from 10th AGM held in the month of October 2016 for the tenure of four years. He has resigned from the BOD Member in April 30, 2017 (Baisakh 17, 2074) and has been appointed as an advisor of the Bank from May 15, 2017 (Jestha 01, 2074) by Board Meeting no. 234.
2. Professional Director Mr. Avanindra Kumar Shrestha was appointed in October 17, 2016 (Kartik 01, 2073) for the tenure of three years.

ii. CESSATIONS:

1. Director Mr. Manohar Das Mool resigned from the Board effective from August 30, 2017 (Baisakh 17, 2074).
2. Director Mr. Chandra Tandon has resigned from the Board effective from August 17, 2017 (Bhadra 01, 2074).

C. BOARD MEETING

During the reporting period July 16, 2016 to July 15, 2017 (Shrawan 1, 2073 to Ashad 31, 2074), 31 Board Meetings were held as against minimum of 12 meetings in each fiscal year and the difference between two consecutive meeting shall not exceed 60 days as per mandatory provision under section 21(1) of the Banks and Financial Institutions Act, 2017.

The details of the Board Meetings held during the year 2016/17 (2073/74) are as under:

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

Details of meetings of the Board of Directors during the FY 2016/17.

Total number of meetings held 25
Total number of resolutions by circulation 06

Name of the Directors	No. of Meetings Attended	Sitting fees Per Person
Dr. Shankar Prasad Sharma	25/25	13,000
Mr. Bal Krishna Prasai	25/25	11,000
Mr.Prakash Chandra Mainali	22/25	11,000
Mr. Pabitra Kumar Karki	22/25	11,000
Mr. Bijaya Dhoj Karki	24/25	11,000
Dr. Chanda Karki	18/25	11,000
Mr. Chandra Tandon	16/25	11,000
Mr. Avanindra Kumar Shrestha*	17/17	11,000
Mr. Manohar Das Mool**	20/20	11,000

*Mr. Avanindra Kumar Shrestha joined the Board on October 17, 2016 (Kartik 01, 2073).

** Mr. Manohar Das Mool has resigned from the Board effective from April 30, 2017 (Baisakh 17, 2074).

Major Agendas and decisions of the Board meeting for the FY 2016/17 are summarized as follows:

- Review on Bank's Annual Progress Report for the FY 2015/16.
- Review of the Monetary Policy issued by NRB as on FY 2016/17 & discussion on the effects that arose from the Monetary Policy
- Delegation of Authority to CEO.
- Review and Amendment of various policies.
- Documents to be sent to Office of Company Registrar as per Section 78 of Companies Act 2006.
- Decision of Right Share Allotment and distribution of Dividend.
- Appointment of Professional/Expert Director.
- Review of Board Self-Assessment report.
- Decision regarding Performance Appraisal and increment of salary and wages.
- Approval of decision regarding sale and transfer of Promoter Share.
- Approval of Financial Statement of the FY 2015/16 and seeking approval from NRB to distribute proposed dividend & bonus share.

- Reply of Preliminary Report of Auditor of FY 2015/16
- Discussion and decision of the agendas for the 10th AGM.
- Formation of Election Committee to elect one Director from promoter Shareholders.
- Decision to invest in Mutual Fund scheme as sponsor.
- Approval of allotment of promoter shares and public share from auction.
- Discussion on Risk Management Report and function, duty and responsibility of the department.
- Approval of Bank's Internal Audit Policy-2016, Audit Committee Charter-2016, Revised Internal Audit Manual-2016
- Review and amendment of Bye- laws and seeking approval for amendment from regulators.
- Decision of shifting of Corporate Office of the Bank.
- Decision to procure land after evaluation.
- Discussion on fixing the tenure of Chairman, Director and Chief Executive Officer and sending the letter to Office of Company Registrar.
- Discussion on Reply of Onsite Inspection Report 2073 of Nepal Rastra Bank.
- Review of Report on Survey on Customer Satisfaction.
- Approval of Dividend Policy and Retained Earning Policy-2017
- Discussion on SAFA Best Presented Annual Report Awards 2015
- Review of Loss Limit regarding FCY Open Position.
- Re-constitution of Board level sub-committees as per directive of Nepal Rastra Bank after resignation of director and addition of Professional director.
- Analysis on current financial status and the strategy to be taken by the Bank.
- Regarding expansion of branches.
- Decision to relocate branches of the Bank and seek approval from Nepal Rastra Bank.
- Approval of Corporate Social Responsibility Procedure 2017.
- Approval of Director's Enhancement, Refreshment & Employee's Skill Development Procedure, 2017 as required by new NRB circular.
- Decision of re-organization of new Organogram.
- Conduction of Citizens Branchless Banking on Takam VDC, Myagdi District.
- Appointment of Statutory and DDA Auditor of Premier Finance Limited.
- Procurement of Hardware for Finacle Core Banking Software.
- Interaction between Bank's Board and Nepal Rastra Bank's Inspection Team.
- Review & approval of budget for the FY 2017/18.
- Decision regarding listing of right share.
- Regarding decision to deposit of accumulated leave amount and retirement fund amount of the staffs in Citizen Investment Trust.
- Review and amendment of Memo/Agenda of Citizens SME Loan, Citizens Fast Track Loan, Citizens Margin Lending Loan, Citizens Mortgage Loan, Citizens Auto Loan, Citizens Equipment Loan, Citizens Education Loan, Citizens Home Loan, Citizens Gold Loan.
- Review and approval of Sector wise Loan Exposure & approving of Asset Writing Strategy 2017/18.

D. CODE OF CONDUCT

The Code of Conduct for Board of Directors and Senior Management Personnel (Core Management Team) comprising all Managers and Departmental Heads, has been approved by the Board of Directors in compliance of Banks and Financial Institutions Act, 2017, Companies Act, 2006, NRB Directives No 6- Provision related to Corporate Governance and Other Directives and circulars issued by regulatory authorities. All the Board Members and Senior Management Personnel have since affirmed the compliance of the Code for the year till reporting period of 2016/17 and undertaken continued compliance of the same.

3. BOARD LEVEL COMMITTEE/ COMMITTEE OF DIRECTORS/ EXECUTIVES

In terms of the provisions of Directives no. 6 section 5 of Nepal Rastra Bank and section 14 and section 15 of Banks and Financial Institutions Act, 2017, licensed banks and financial institution are allowed to constitute 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:

Name of the Committees

- Audit Committee-Permanent Nature
- Risk Management Committee-Permanent Nature
- Human Resource and Compensation Committee-Permanent Nature
- Anti Money Laundering Committee-Permanent Nature
- Land and Building Purchase Committee-Temporary Nature
- Budget Committee-Temporary Nature

3.1 AUDIT COMMITTEE

Audit Committee has been constituted under the chairmanship of a non-executive director.

The Committee of the Board was constituted on 10.07.2007 (26.03.2064) and was reconstituted since then. The committee functions according to the regulatory provisions of NRB Unified Directives 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, operation and quality control of internal audit, internal control weaknesses and inspection within the Bank and follow-up of the suggestions of Statutory/External Auditors of the Bank and NRB inspections. 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 systems, structure of internal audit department, its staffing pattern and hold discussions with the internal auditors / inspectors on 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.

Composition of Audit Committee :

Names	Coordinator/Member
Chandra Tandon, Director	Coordinator
Bijaya Dhoj Karki, Director	Member
Dr. Chanda Karki, Director	Member
Anit Sapkota, Head Internal Audit Department (Head IAD)	Member Secretary

Details of Audit Committee meeting during FY 2016/17

Total No. of meetings held - 13

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

Names	No. of Meetings Attended	Sitting fees Per Person Per Meeting (NPR)
Chandra Tandon, Director	12/13	11,000
Bijaya Dhoj Karki, Director	12/13	11,000
Dr. Chanda Karki, Director	12/13	11,000
Anit Sapkota (Head IAD)	13/13	-

Major Agendas discussed & decisions made in the meeting of Audit Committee:

- Approval of Annual report of Audit Committee and discussion on Final Internal Audit Report of FY 2015/16.
- Discussion on management response on Review Report of overall financial results of all quarters of the Bank of FY 2015/16, Financial Review Report of 1st Quarter Results, Financial Review Report of 2nd Quarter Results, and Financial Review of 3rd Quarter Results of FY 2016/17.
- Discussion on Preliminary Audit Report FY 2015/16 of the Bank given by External Auditor and management response thereon.
- Recommendation for appointment and remuneration of external auditor for fiscal year 2016/17 to Annual General Meeting of the Bank.
- Discussion on Appointment of DDA auditor and statutory auditor of Premier Finance Ltd.
- Discussion on Half Yearly INR Compliance Report of the Bank of FY 2016/17.
- Revision of Annual Audit Plan for FY 2016/17 as per Revised Internal Audit Manual 2016.
- Discussion on NRB -Report of Inspection Findings – CBIL 2017 as well as Redirections provided by NRB on NRB Report of Inspection Findings-CBIL 2017.
- Discussion on Performance Appraisal of Head-Internal Audit Department 2017.
- Discussion on Internal Audit Report of LC operation of the Bank for FY 2015/16, 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 2016/17 submitted by Internal Audit Department.
- Discussion on Internal Audit Report of Kuleshwor, Bhaisepati, Kamaladi, Kumaripati, Narayangopal Chowk, Chabahil, Narayanghat, Butwal, Siddarthanagar, Mahaboudha, Newroad, Pokhara, Baglung, Beni, Biratnagar, Boudha, Koteswor, Birtamode, Damak, Itahari, Dharan, Bhojpur, Birgunj, Hetauda, Kolhabi, Nijgadh, Nepalgunj, Ghorahi, Surkhet, Jajarkot, Bhaktapur, Banepa, Thahiti, Nayabazar, Maitidevi, Kirtipur, Kapan Thimi, Kalanki, Gaighat, Charikot, Janakpur, Bajhang, Naya Baneswor and Gaushala Branches for FY 2016/17 submitted by Internal Audit Department.
- Review of the Annual Audit plan of Internal Audit Department for FY 2017/18.

3.2 RISK MANAGEMENT COMMITTEE

The Bank has constituted a five member Risk Management Committee (constituting 3 BOD members, Head of Risk Management Department and Chief Operating Officer) for review of risks associated with credit, operations, market, investment and ALCO function, concentration risk, policy risk, compliance risk and portfolio risk. The committee was constituted on 17.12.2010 (02.09.2067) under Risk Management Guidelines of Nepal Rastra Bank and the NRB Directives. The committee was last re-constituted on 15.05.2017 (01.02.2074). Mr. Prakash Chandra Mainali is the Chairman of the committee. Six meetings were held during the FY 2016/17 (2073/74).

Major Responsibility of the Risk Management Committee:

- To appraise 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 Bank may assume and submit necessary recommendation, opinion to the Board.
- To suggest the Board of Directors for development of mechanism and necessary policies as may be necessary as per the appropriate practices as well as internal limits to be fixed by the Bank as per the guidelines/directives issued by Nepal Rastra Bank relating to Risk Management.
- Conduct stress testing on a regular basis and discuss the outcome and on that basis, submit recommendations to the Board as to the policies and procedures that are necessary for adoption in future.
- To review the authority delegation and analyze its appropriateness and submit report along with the recommendation to the Board of Directors.
- To review on quarterly basis, the assets structure, mobilization status of such assets, yield from the assets, improve/ deterioration in assets quality, as well as performance of Assets Liabilities 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

Names	Coordinator/Members
Prakash Chandra Mainali, Director	Coordinator
Chandra Tandon, Director	Member
Manohar Das Mool*, Director	Advisor
Paras Kafle, Chief Operating Officer	Member
Krishna Pandey, Head Risk Management Department	Member Secretary

**The committee has been reconstituted on 01.02.2074. Mr Manohar Das Mool is no longer member of the committee from May 15, 2017.*

Details of Risk Management Committee meeting held during FY 2016/17

Total No. of Meetings - 6

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

Names	No. of Meetings Attended	Sitting fees Per Person
Prakash Chandra Mainali, Director	6/6	11,000
Chandra Tandon, Director	5/6	11,000
Manohar Das Mool*, Director	6/6	11,000
Paras Kafle, Chief Operating Officer	5/6	-
Krishna Pandey, Head Risk Management Department	5/6	-

**The committee has been reconstituted on May 15, 2017. Mr. Manohar Das Mool is no longer member of the committee from May 15, 2017.*

The major agendas discussed & decisions made in the committee are stated below :

- The committee held a discussion on different Framework & Policies of the Bank & recommended the same to Board for approval.
- The committee reviewed the Risk Management Reports of Mid July 2016, Mid Oct 2016, Mid Jan 2017 and Mid April 2017.
- Review of FCY Open Position Report.
- Review of Strategy for financing working capital loan exclusively secured by current assets and/or insufficient real estate collateral (in addition to current assets).
- Assets Liability Committee (ALCO) Minutes for consideration.
- AML-CFT Compliance Review Report of Mid July 2016, Mid Oct 2016, Mid Jan 2017 and Mid April 2017.
- Discussions on setting Loss Limit regarding FCY Open Position.
- Discussed about Interest Rate Movement and its impact on Bank's financials.
- Discussed about the Risk Tolerance and appetite limit as per Risk Management Framework.
- Discussed about the Credit Shocks, Market Shock and liquidity shocks as per regulatory requirement.
- Discussed about the Deposit Concentration, Single Obligor exposure, Product Wise loan exposure, Sector Wise Loan exposure.
- Submission of various reports to Board after review & recommendations as deemed necessary.

3.3 HUMAN RESOURCE & COMPENSATION COMMITTEE

Human Resource and Compensation Committee of the Board was constituted on 25.12.2006 (10.09.2063) and was reconstituted on 15.10.2015 (28.06.2072). 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 outcomes. The all-encompassing purpose of the committee is to consider, agree and recommend to the Board on overall remuneration policy and philosophy for the Bank that is aligned with its long term business strategy, its business objectives, its risk appetite, values and the long term interests and recognizes the interests of relevant stakeholders which includes:

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

Names	Designation
Bal Krishna Prasai, Director	Coordinator
Pavitra Kumar Karki, Director	Member
Rajan Singh Bhandari, Chief Executive officer	Member
Umang Sharma, Chief Administrative Officer	Member Secretary
Pramesh Raj Kayastha, Chief Finance Officer	Member

Details of Human Resource and Compensation Committee meeting held during FY 2016/17

Total No. of Meetings - 4

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

Names	No. of Meetings Attended	Sitting fees Per Person Per Meeting (NPR)
Bal Krishna Prasai, Director	4/4	11,000
Pavitra Kumar Karki, Director	4/4	11,000
Rajan Singh Bhandari, Chief Executive Officer	4/4	-
Umang Sharma, Chief Administrative Office	4/4	-
Pramesh Raj Kayastha, Chief Finance Officer	4/4	-

Agendas discussed in the meeting of Human Resource Committee:

- The committee had a discussion intended to formulate necessary policies, oversee policies and outcomes, set objectives and priorities in relation to production and utilization of human resources (Manpower Planning for F/Y 2017/18.)
- The committee discussed about the criteria for staff promotion and recommended the same to the Board.
- The committee discussed on its organization structure and recommended the changes to Board for approval.
- The committee discussed about the prevailing Human Resource Policy and also discussed on the amendments required in the policy.
- The committee decided upon Employee Retirement Fund related Amendment on vehicle facility as per Schedule 7 of Employee Service Bye-laws and addition of schedule 15.

3.4 LAND AND BUILDING PURCHASE COMMITTEE

The Land and Building Purchase Committee of the Board was constituted on 20.09.2016 (04.06.2073). It is a board level sub-committee formed for the purchase of land and building for Bank's Biratnagar, Birgunj, Pokhara, Nepalgunj, Surkhet, Dhangadhi, Mahendranagar and New Road Branch.

Major Responsibility of the Land and Building Purchase Committee:

The Land and Building Purchase committee oversees all the activities associated with the purchase of land and building of the Bank.

Composition of Land & Building Purchase Committee :

Member of Committee	Designation
Pavitra Kumar Karki, Director	Coordinator
Prakash Chandra Mainali, Director	Member
Bijay Dhoj Karki, Director	Member
Rajan Singh Bhandari, Chief Executive Office	Member
Bodh Raj Devkota, Assistant Chief Executive Officer	Member Secretary

Details of Land and Building Purchase Committee meeting during FY 2016/17
Total No. of Meetings - 9

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

Names	No. of Meetings Attended	Sitting fees Per Person Per Meeting (NPR)
Pavitra Kumar Karki, Director	9/9	11,000
Prakash Chandra Mainali, Director	9/9	11,000
Bijay Dhoj Karki, Director	9/9	-
Rajan Singh Bhandari, Chief Executive Office	6/9	-
Bodh Raj Devkota, Assistant Chief Executive Officer	9/9	-

Agendas discussed in the meeting of Land and Building Purchase Committee:

- Evaluation of reasons and advantages of purchase of Building for Pokhara Branch Office & recommended land purchase in Pokhara to Board.
- Evaluation of reasons and advantages of purchase of Building for Birgunj Branch Office & recommended land purchase in Birgunj to Board.

3.5 BUDGET COMMITTEE

Budget committee has been constituted under the coordination of Executive Director on 11.06.2017 (28.02.2074) with the specific purpose of Budget formulation of FY 2017/18. It is a board level committee formed for reviewing the budget proposed from management and make recommendations for approval of budget to the Board.

Major Responsibility of the Budget Committee:

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

Composition of Budget Committee :

Member of Committee	Designation
Pavitra Kumar Karki, Director	Coordinator
Bijay Dhoj Karki, Director	Member
Avanindra Kumar Shrestha, Director	Member
Rajan Singh Bhandari, Chief Executive Officer	Member
Pramesh Raj Kayastha, Chief Finance Officer	Member Secretary

Details of Budget Committee Meeting held during FY 2016/17
Total No. of Meetings - 2

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

Names	No. of Meetings Attended	Sitting fees Per Person Per Meeting (NPR)
Pavitra Kumar Karki, Director	2/2	11,000
Bijay Dhoj Karki, Director	2/2	11,000
Avanindra Kumar Shrestha, Director	2/2	11,000
Rajan Singh Bhandari, Chief Executive Officer	2/2	-
Pramesh Raj Kayastha, Chief Finance Officer	2/2	-

Agendas discussed in the meeting of Human Resource Committee:

- The discussion mainly focused on reviewing of the budget proposed by management for FY 2017/18 and recommending it to Board of Directors for approval.
- The committee decided to recommend budget for FY 2017/18 to Board of Directors for approval including strategic plan of actions planned to be undertaken for achieving the desired target.

3.6 ANTI MONEY LAUNDERING COMMITTEE

The Anti-Money Laundering Committee has been constituted under the chairmanship of a non-executive director. The committee of the Board was constituted on 17.08.2017 (01.05.2074). The committee functions according to the regulatory provisions of NRB Unified Directives. The Committee assists the BOD in fulfilling its oversight responsibility over the Bank's compliance management to ensure that the Bank complies with the provisions of NRB guidelines, directives and ALPA to the end and to ensure the Bank is not used as a vehicle to legitimate the proceeds of unlawful activity or to facilitate or finance terrorism.

The Committee is authorized to:

a) Ensure the rigorous implementation of the Board - approved framework for risk and compliance management, including the approval of relevant policies and procedures.
b) Request and receive sufficient information to satisfy itself that the AML compliance is operating as intended.

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:

a) Monitor the Bank's risk profile in order to confirm that the Bank is operating within the risk appetite.
b) Review operational and AML risk exposures and ensure appropriate action is taken where necessary.
c) Receive notification of any material breaches of risk limits or procedures and agree proposed action.
d) Review risk and compliance training programmes to ensure the strengthening of a risk and compliance aware culture.
e) Recommend appropriate policies to ensure the Bank's ongoing compliance with relevant legal and regulatory requirements for Board approval.
f) Receive and review quarterly presentation of AML/CFT-Compliance report including risk categorization of customers, Customers/ Transaction Monitoring, AML/CFT Screening procedure, TTR and STR Reporting and all other necessary information to satisfy itself that the compliance framework is operating as intended.

4. Management Level Committees

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. IT Steering Committee
4. Recruitment Committee
5. Purchase Committee
6. Operational Risk Management Committee

4.1. EXECUTIVE COMMITTEE

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

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 monitor the risk ranking activities of the Bank based on the regulations of established approving authorities and reviews and endorse other activities.
- Review day to day operations on weekly basis & discuss and decide on matters that need to be clarified.

Attendance of members at EC meetings during FY 2016/17

Names	No. of Meetings Attended
Rajan Singh Bhandari, Chief Executive Officer	31/39
Ganesh Raj Pokharel, Deputy CEO	36/39
Bodh Raj Devkota, Assistant CEO	34/39
Ram Dhan Shrestha, Assistant CEO	34/39
Rajendra Lal Shretsha, Chief Risk and Recovery Officer	38/39
Paras Kumar Kafle, Chief Operating Officer	35/39
Umang Sharma, Chief Administrative Officer	36/39
Sumit Babu Khatri, Chief Credit Officer	34/39
Sanjeeb Kumar Shrestha, Chief Information Technology Officer	33/39
Pramesh Raj Kayastha, Chief Finance Officer	35/39

The following major agendas were discussed and decisions made by the committee:

- The meeting mainly discussed on the review of the routine day to day affairs of the Bank. Besides that the comments made by the auditors and the NRB inspection team were also discussed. Update on status of the task assigned to each individual was also discussed. Regular achievement viz-a-viz projection/budget were also presented and discussed. Movement of the market and strategies adopted by the competitors to tackle issues were also discussed.
- Meeting was regularly updated about the Finacle migration status and the problems incurred for smooth migration, both in terms of installation/implementation and hardware procurement
- The meeting discussed about the liquidity crisis faced by the industry and launching of new products and monitored the success of the products launched to mitigate them.
- Progress of the Bank's corporate building and the hindrances faced for smooth operation due to blockade in the border was discussed and completion of construction of the corporate office and timely shifting in the new building was appreciated.
- Deliberations were held regarding impact of the financials of Premier Finance Limited after acquisition in the Bank's financials.
- The meeting discussed about the behavior of staff with the customers and the body language and gestures of the front line staff. In this regard decision to implement central level CCTV monitoring of the front line staff was held and decided to have such system in place as a part of customer service delivery excellence.
- Meeting discussed about the performance level of staff especially branch managers and requirement of job rotation of branch managers for enhanced productivity.
- Discussion was held regarding continuation of Regional Office in the current practice, after deliberation, it was decided that the regional offices would be dissolved and the risk department at head office would be strengthened to handle the volume of businesses generated by the branches.
- Presentation was made on the changes in the NRB Directives.
- At various times, discussion were held regarding KYC update and AML/CFT compliance, accordingly trainings were planned and conducted in all the branches of the Bank, online test on the same was also conducted.
- Safety measures to be adopted to mitigate the theft/forgery through ATM machines were discussed.

- It was discussed that as per Employee Bye Laws of the Bank, employee should focus on the Bank's main business and not be involved in other businesses. If someone gets involved in other such activities, income generated from the same should be deposited with the Bank.
- The meeting discussed on honoring the staff who have completed ten years service of the Bank.

4.2. ASSETS LIABILITIES MANAGEMENT COMMITTEE (ALCO)

ALCO is the committee at the Bank responsible for Balance Sheet planning and management from risk-return perspective and also responsible for the strategic management of interest rate and liquidity risks. The ALCO committee reports to CEO which is further monitored by the Risk Management Committee which report 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 profitability.
- Monitor liquidity risk, interest rate risk, operational risk, foreign exchange risk, equity risk and external events that may affect the Bank's forecast and strategic Balance Sheet allocations.
- Control over the capital adequacy and risk diversification.
- Monitor and review fees and commission on regular basis.
- Determination of the Bank's Liquidity Management Policy.
- 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.
- Consider treasury dealing strategies and holdings against the risk appetite set for Treasury Risk Management.

Attendance of members at Asset Liabilities Management Committee meetings during FY 2016/17

No. of Meetings held- 20

Member of Committee	Designation	No. of Meetings Attended
Rajan Singh Bhandari, Chief Executive Officer	Chairman	19/20
Ganesh Raj Pokharel, Deputy CEO	Member	18/20
Bodhraj Devkota, Assistant CEO-Credit/Finance	Member	19/20
Ramdhan Shrestha, Assistant CEO- Operations	Member	18/20
Paras Kumar Kafle, Chief Operating Officer	Member	19/20
Sumit Babu Khatri, Chief Credit Officer	Member	20/20
Pramesh Raj Kayastha, Chief Finance Officer	Member	19/20
Angish Shrestha, Head Treasury	Member Secretary	19/20

Major agendas discussed & decisions made in the meetings of the Asset Liabilities Management Committee

Following are the major agendas discussed & decisions made in the meeting :

- The committee conducted a review of fund position and ratios on all committee meetings.
- The committee reviewed and had a discussion on liquidity position, FCY exposure, borrowing /lending position, investment position of the Bank.
- The committee reviewed its policies on limit of investments in loans and overdrafts, government and other securities.
- The committee reviewed matching of maturity calendar between credit and debit products (liquidity mismatch).
- The committee reviewed the market rates that influence the business practice of the Bank. Rates reviewed included interest rates on deposit and credit products as well as transaction fees and other charges & approved changes as deemed necessary.
- The committee reviewed the market trend on call deposit, fixed deposit, saving deposit and loan products.
- Assess the adequacy of the liquid assets held by the Bank, in terms of quality and quantity, in relation to both expected and unexpected events.
- The committee reviewed the Interest rate risk, Foreign exchange risk and equity risk.
- The committee conducted a discussion on review of treasury policy, credit policy and strategy.
- The committee reviewed all major capital projects/investments.

- The committee conducted a review of Asset Quality, Capital and Growth.
- The committee conducted a discussion on review and approved publishing of Quarterly Interest Rates.
- Monitored Bank net interest income and earnings.
- Monitored Stress testing and Gap Analysis reports.
- The committee discussed on the review of financial performance.

4.3. 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 technology and information systems.

Major Responsibilities of the Committee :

1. Review performance of IT Department.
2. Provide approval to the IT related issues.
3. Set IT related plans considering the overall banking business strategy plan and implement it.
4. Review various Audit issues and compliances.
5. New product analysis and provide approval for new systems as per the market/bank requirement basis.

Attendance of members at IT Steering Committee meetings during FY 2016/17

No. of Meetings held- 11

Committee Members	Designation	No. of Meetings Attended
Rajan Singh Bhandari, Chief Executive Officer	Chairman	11/11
Ganesh Raj Pokharel, Deputy CEO	Member	10/11
Bodh Raj Devkota, Assistant CEO	Member	11/11
Sanjeeb Kumar Shrestha, Chief IT Officer	Member	10/11
Umang Sharma, Chief Administrative Officer	Member	8/11
Saurav Shrestha, Head IT	Member Secretary	11/11

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

- The committee had a discussion regarding procurement of 24 ports manageable network switch and providing approval thereof.
- The committee had a discussion regarding upgradation of data center of DR site as per NRB Audit's recommendations.
- The discussion was carried out regarding New VPN, Wireless and Server policies.
- The committee decided upon adding RAM on existing Virtual Machines.
- The discussion was made towards implementation of Microsoft System Center and renewal of VM Software license.
- The discussion was made regarding Data Center Migration and about IT related bids/tenders.
- The committee decided upon necessary update on "NRB Comments Action Plan" COBIT framework.
- The committee had a discussion over "IT Security Risk and Control Management Policy" and TOR for Information Security Officer (ISO).
- The committee had a discussion regarding "Two Factor Authentication" in e-banking.
- The committee discussed for making necessary update on the DR's Data Center and "Prevention against Ransom ware Action Plan" was provided to the IT Steering committee members.
- The committee had a discussion regarding Implementation of new Servers for AML, Skype for Business and System Center DPM.

4.4. 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, 2014 (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 Purchase Committee meetings during FY 2016/17

No. of Meetings held- 48

Committee Members	Designation	No. of Meetings Attended
Ganesh Raj Pokharel, Deputy CEO	Coordinator	47/48
Bodh Raj Devkota, Assistant CEO	Member	44/48
Ramdhan Shrestha, Assistant CEO	Member	44/48
Umang Sharma, Chief Administrative Officer	Member Secretary	42/48

The major agendas discussed & decisions made in the Committee are stated as below :

- The committee had a discussion regarding appointment of the staff in the Bank and recommend the same to the CEO 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 programmes & recommended the same for approval.
- The committee reviewed & recommended the eligible staff for promotion and providing grade to CEO based on the promotion criteria.
- The committee mainly decided upon selection of resource person for written exam question preparation & correction.
- The committee had a discussion regarding the manpower planning for the upcoming year FY 2017/18 (2074/75).
- The committee had a discussion about the performance appraisal and rewarding employees with gold medal with the intention of motivating employees with long service to the Bank.

4.5. 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 rupees to Chief Executive Officer.

Major responsibilities of the Committee :

1. To define the specifications of goods / items to be procured.
2. To specify the quality of goods / items to be procured.
3. To approve the bids and quotations for procurement of goods / items.
4. To forward the procurement process to Chief Executive Officer or authorized person for approval of the bids or quotations for the procurement of goods / items valued more than NPR 100,000.00 (NPR. One Hundred Thousand Only).

Attendance of members at Purchase Committee meetings during FY 2016/17

No. of Meetings held- 35

Committee Members	Designation	No. of Meetings Attended
Bodh Raj Devkota, Assistant CEO	Chairman	34/35
Umang Sharma, Chief Administrative Officer	Permanent Invitee	34/35
Pramesh Raj Kayastha, Chief Finance Officer	Member	31/35
Bhupendra Bista*, Head-General Service Department	Member Secretary	1/1
Dikendra Ram Kashajoo*, Head-General Service Department	Member Secretary	33/35
Shankar Ramtel, General Service Department	Invitee	32/35

**Members after reconstitution of the committee in place of transferred staff*

The major agendas discussed & decisions made in the Committee are stated as below :

- The committee had a discussion regarding specification of AD Server for its procurement.
- The committee has recommended for procurement of MS Office 2016 (Open License), McAfee Antivirus and renewal of existing licenses.
- The committee had a discussion for Data Center Establishment at Thapathali Branch.
- The committee had a discussion on Data Migration of Premiere Finance Ltd.
- The committee had a discussion regarding branch expansion in Jajarkot, Kalanki and Dhangadhi.
- The committee had a discussion for approval of tenders/ quotation and for recommending procurement of Generator for Thapathali and Corporate Office.
- The committee had a discussion for finalizing procurement of Annual Report of FY 2072/73.
- The committee discussed over renewal of IP connectivity with all the IP connectivity service providers with revision in price.
- The committee decided upon procurement of Slip printer and ATM for the various branch offices.
- The committee had a discussion for approving tenders/ quotations for Construction work and recommending for procurement of Other Logistics for Bardibas, Gwarko, Chame, Chhahara, Bhumahi and Manahari branch office.
- The committee had a discussion for conducting Customer Feedback Survey.
- The committee had a discussion regarding Procurement of Transformer for Corporate office-Narayanhitipath.
- To implement a procedure for procurement of EMV Cards.
- The committee discussed about the procurement of Annual Diary 2017.
- The committee discussed on conducting the interior works at Kupondole Building.
- The committee discussed on implementation of Microsoft System Center in the Bank.
- The committee discussed about replacement of CPU of Bank having Windows XP for the smooth and speed processing of the transactions of the Bank.
- The committee discussed on the expansion of Samakhusi branch for increasing its business.
- The committee recommended the vehicle procurement for various branches.
- The committee discussed on the method of Shifting of Assets from Kamaladi to new Head office building at Narayanhiti Path.
- The discussion was carried out regarding Disaster Recovery Site Upgradation at Siddharthanagar to enhance the Business Continuity Plan of the Bank.
- The committee discussed about honoring staffs working for 10 years in Bank's service.
- The committee made discussions regarding EMV Compliance Implementation in ATM Machines.
- The committee discussed about the procurement of NAS Storage and recommended the CEO for the procurement.
- The committee discussed on the purchase of concurrent user license for PUMORI.
- The committee discussed & recommended procurement of other assets and services.

4.6. OPERATIONAL RISK MANAGEMENT COMMITTEE

The Bank, in consonance with the fundamentals of Corporate Governance has constituted a Operational Risk Management Committee (ORMC) comprising of executives and all department head of the Bank as its members. The objective of the committee is to coordinate the inter-departmental function 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 the Operational Risk Management Committee:

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

- Committee is responsible to implement operational manuals & procedures of the Bank.
- Committee is responsible to implement related NRB directives/ risk management guidelines of NRB.
- Committee shall review and take immediate precautionary measures on the recommendations of sub committees. Each member shall submit departmental reports and newly identified operational risk issues in the meeting for decision.

Attendance of Members at Operational Risk Management Committee during FY 2016/17

No. of meetings held- 5

Member of Committee	Designation	No. of Meetings Attended
Ganesh Raj Pokharel, Deputy CEO	Chairman	5/5
Ramdhan Shrestha, Assistant CEO	Member	4/5
Paras Kumar Kafle, Chief Operating Officer	Member	5/5
Paras Bikram Thapa, Operation Incharge	Member	3/5
Suresh Prashad Thapaliya, Head-Trade Finance	Member	5/5
Hari Babu Thapa, Head-Credit Administration	Member	3/5
Saurav Shrestha, Head- IT	Member	5/5
Ramesh Prasad Ghimire, Head- Compliance	Member	5/5
Sumita Ranjitkar, Head-Treasury Back Office	Member	5/5
Shyam Lamichhane, Head-Remittance Department	Member	2/2
Sujan Adhikari, Incharge Remittance *	Member	2/3
Suyesh Paudel, Head-Card	Member	4/5
Ashish Koirala, Head-Central Reconciliation	Member	5/5
Samjhana Tuladhar, Head-Clearing Department	Member	1/5
Dikendra Ram Kashajoo, Head- General Service Department	Member	5/5
Bandana Pandey, Head- Branchless Banking Unit	Member	2/2
Swechha Dangol, Incharge Branchless Banking*	Member	2/3
Krishna Pandey, Head- Risk Management Department	Member Secretary	5/5

**Members after reconstitution of the committee in place of transferred staff.*

Following are the major agendas discussed & decisions made in the meeting :

- Branch Operation related issues such as: Loan against Fixed Deposit, Services Offered in 360 Banking Service, Citizens Mobile Banking, charges after transmitting SWIFT, Problem with Standing Instruction ADSL, ABBS Charge , Introducer while Opening Account, Minority Ceased Date, Minor Accounts, Client Codes assigned, Matured Time Deposit, Citizens Sharedhani Bachat Khata, Account Opening Procedure, Operational Risk Monitoring & Reporting, Key Risk Indicators, FD interest payable and matured time deposit, Regarding delivery of PIN of BLB Customers , Scanning of Signature and photograph, Citizens Mobile Banking were discussed and necessary instructions given to concerned departments for needful.
- Compliance related issues such as : Unified Directives Guidelines required to be implemented, Amendment in Unified Directive, Regarding “Cust type” in deposit accounts, Regarding “BASEL Codes” in Loan accounts, Approach to detect Suspicious Activity through System, Regarding updating of KYC & Acuity Check before opening new account, Procedures for collecting of CDD, ECDD from branches, Details of the Loan Prepayment in cash, source declaration of the buyers of NBA were discussed and necessary instructions given to concerned departments for needful.
- Reconciliation related issues such as : Nostro Charges, Maintain cheque-wise reconciliation of ECC Payable, CIC Reconciliation, CDS and Clearing Ltd. Amount reconciliation, Reconciliation of Payable Accounts were discussed and necessary instructions given to concerned departments for needful.
- Card related issues such as: Access to ATM from branches, Cash withdrawal limit in India, ATM Security, Alert Service to Cardholder, Branch ATM payable reconciliation were discussed and necessary instructions given to concerned departments for needful.
- Remittance related issues such as: Deposits of Remittance companies, Remittance Transaction were discussed and necessary instructions given to concerned departments for needful.

5. 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 in time, but rather it is continually operating at all levels within the Bank. The Board of Directors and senior management are responsible for establishing the appropriate culture to facilitate an effective internal control process and for monitoring its effectiveness on an ongoing basis; however, each individual within an organization must participate in the process. The main objectives of the internal control process can be categorized as follows:

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

The 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 that the material risks that could adversely affect the achievement of the Bank's goals are being recognized and continually assessed. This assessment cover all risks facing 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 include: 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 staff fully understand and adhere to policies and procedures affecting their duties and responsibilities and that other relevant information is reaching the appropriate personnel.

E. Monitoring Activities and Correcting Deficiencies

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

Internal Audit Team

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

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

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

Departments & Branches covered during the course of Internal Audit

S.No.	Branch	Audit Days
1	Kamaladi	9
2	Biratnagar	7
3	Birgunj	3
4	Pokhara	3
5	Nepalgunj	4
6	Boudha	8
7	Newroad	12
8	Kumaripati	6
9	Koteshwor	6
10	Narayanghat	6
11	Kalanki	4
12	Butwal	4
13	Thahiti	5
14	Dhangadhi	4
15	Nayabazar	5
16	Birtamod	4
17	Maitidevi	4
18	Beni	2
19	Ghorahi	3
20	Gaighat	3
21	Kirtipur	3
22	Narayangopal Chowk	4
23	Mahendranagar	5
24	Kapan	3

S.No.	Branch	Audit Days
25	Thimi	3
26	Charikot	3
27	Itahari	6
28	Bhaktapur	4
29	Janakpur	5
30	Patan	4
31	Surkhet	3
32	Hetauda	4
33	Jajarkot	2
34	Siddharthanagar	2
35	Samakhusi	4
36	Kolhabi	1
37	Baglung	3
38	Nijgadh	2
39	Bhojpur	2
40	Dharan	4
41	Dillibazar	4
42	Banepa	3
43	Mahaboudha	3
44	Kuleshwor	2
45	Naya Baneshwor	3
46	Gausala	2
47	Chabahil	6
48	Bhaisepati	2
49	Damak	5

CORPORATE OFFICE

S.No.	Departments	Audit Days
1	Corporate Credit/ SME	31
2	CBU/ Fast Track Loan	19
3	Finance & NRB Reporting And Compliance	13
4	Treasury	7
5	HR	5
6	GSD	6
7	Trade & Credit Operation	24
8	Recovery	4
9	Card	7
10	IT	5
11	Remittance	4
12	New Products And Transaction Banking	4
13	Legal And Share	2
14	Risk Management Department	3

Maintenance and Back-up of the Records of the Bank

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

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

Companies Act, 2006

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

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

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

Banks and Financial Institutions Act, 2017

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

Income Tax Act, 2002

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

- Documents that are necessary to explain information to be provided in a return or in any other document to be filed with the Department under this Act.
- Documents that enable an accurate determination of the tax payable by the person.
- Documents that substantiate deductions and outgoings.
- The documents as referred above are retained for a period of five years from the end of the income-year or years to which they are relevant unless the Department otherwise specifies by notice in writing.

Negotiable Instruments Act, 1977

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

6. MEANS OF COMMUNICATION

The Bank recognizes the need for keeping its members and stakeholders informed of the events of their interests through present means of communication. The financial results of the Bank are 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. The Bank also organizes analysts'-meets, press conferences etc. for announcing Bank's financial results and its future plans. The Quarterly / Year to Date / Annual financial results of the Bank as well as the copy of presentation made to analysts and other official news are posted on the Bank's website - http://www.ctznbank.com.

7. FINANCIAL CALENDAR

The financial calendar of the Bank is Mid July - Mid July (1st of Shrawan - Ashadh End) each fiscal year.

8. SHAREHOLDERS' INFORMATION

The Bank's shares are listed on the following Stock Exchange of Nepal:

Nepal Stock Exchange
Kathmandu, Nepal.

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

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

CBIL Capital Limited
Dillibazar, Kathmandu, Nepal.
Phone: (977-1) 4417723 / 4417457 / 4418526 / 4421235
Fax: (977 -1) 4239306
E Mail: info@cbilcapital.com

DISTRIBUTION OF SHAREHOLDING

The shareholding pattern of the bank at July 15, 2017 (Ashad end 2074) is as follows:

Promoter share	51.32%
Public share	48.68%
TOTAL	**100%**

9. DISCLOSURES

- There is no materially significant Related Party Transaction that has potential conflict with interests of the Bank at large. The Related Party Transactions are disclosed in the Notes to Accounts in compliance with NRB Directives in this regard.
- There is no non-compliance by the Bank in respect of Regulations/ Directives/ Guidelines issued by statutory authority on any matter related to capital markets during the last 3 years and as such no penalties/strictures imposed on the Bank.
- Unaudited financials
- Right to information
- BASEL disclosures
- Changes in Interest rates
- Summary of annual report

10. COMPLIANCE FUNCTION

The Bank has put in place a Board approved Compliance Policy outlining the compliance philosophy of the Bank based upon the Banks and Financial Institutions Act, Companies Act, MOA and AOA of the Bank, directives issued by regulating authorities on compliance function in the Banks.

Compliance function in the Bank is an integral part of governance along with internal control and compliance, risk management process supported by a healthy compliance culture in the Bank. Compliance function ensures observance of statutory provisions contained in various legislations viz. Banks and Financial Institutions Act, 2017, Companies Act, 2006, NRB Directives No 6- provisions related to Corporate Governance, other directives and circulars issued by other regulatory authorities.

BUSINESS ETHICS AND ANTI-CORRUPTION MEASURES

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

INFORMATION OFFICER

The Bank has designated Mr. Bodh Raj Devkota, Assistant Chief Executive Officer, as Chief Information Officer pursuant to section 6 of Right to Information Act 2008 which provides access to every citizen with following information:

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

LEGAL AND REGULATORY REQUIREMENTS

In line with Directives-6 issued by NRB, though the Directors may delegate authorities to employees in the course of actions, the ultimate responsibility of the work of such employees rests with the Director, record of any supervision and actions taken against the employees are placed in the meeting of the Board of Directors.

The Bank obtains and submits the detail of the self-declaration to NRB made by the Directors with regards to themselves and the details of the registration/ record book prepared by itself with regards to its Directors.

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

Bank's Procedure

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

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

Ways to Handle Complaints of Local Customers

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

The Bank has an inbuilt system for handling customers' complaints and suggestions on priorities.

Following are the basic procedures for this:

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

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

- Staffs receiving any verbally lodged complaints have been sending emails to ***complain@ctznbank.com*** writing the complaint or suggestion verbatim immediately or as soon as possible.
- Branch has been reporting via email any complain/ suggestion received in Complain Box to ***complain@ctznbank.com*** scanning the complaint on every Sunday.
- Customer can also complain using SMS (syntax :< COMPLAIN (space) Text> and send it to 7788). Any complaint and suggestion received through the SMS daily in Mobile banking by CSD-Head/In-Charge, Assistant Branch Manager and Branch Manager are also forwarded to ***complain@ctznbank.com*** immediately.
- Any complain/suggestion received through the SMS, e-banking and any mobile number of executives as well as of any staff of the Bank are reported to ***complain@ctznbank.com*** writing the Complain/suggestion verbatim immediately or as soon as possible.
- Emails received from ***complain@ctznbank.com*** are being forwarded to Operation department, Operation in-charge, Head of E-banking, and Chief Operating Officer. There is also separate field (form) placed in the website (i.e. Feedback) to take the customer complains/suggestion/ complaints so that customers should fill the field online and could submit their feedback to Bank immediately. Further, the filled form is forwarded to ***complain@ctznbank.com*** automatically.
- Operations Department, Head office along with the help of respective Branch Manager and Department Heads have been supervising compliance of the lodge & complaints. The handling procedure is as follows:-

    - Immediately acknowledge the complaint and make sure the issue is understood.
    - Do everything that the Bank could fix.
    - Keep the complainant informed of our progress.
    - Keep the record of the complaints
    - Give our name, a reference number and contact details so that complaint can follow up if she/he wants to; and
    - Provide a final response within 7 days. (most complaints can be resolved in a few days)

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

TURNING UNCERTAINTY INTO OPPORTUNITY



RISK MANAGEMENT

RISK MANAGEMENT AND CONTROL ENVIRONMENT FRAMEWORK:

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

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

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

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

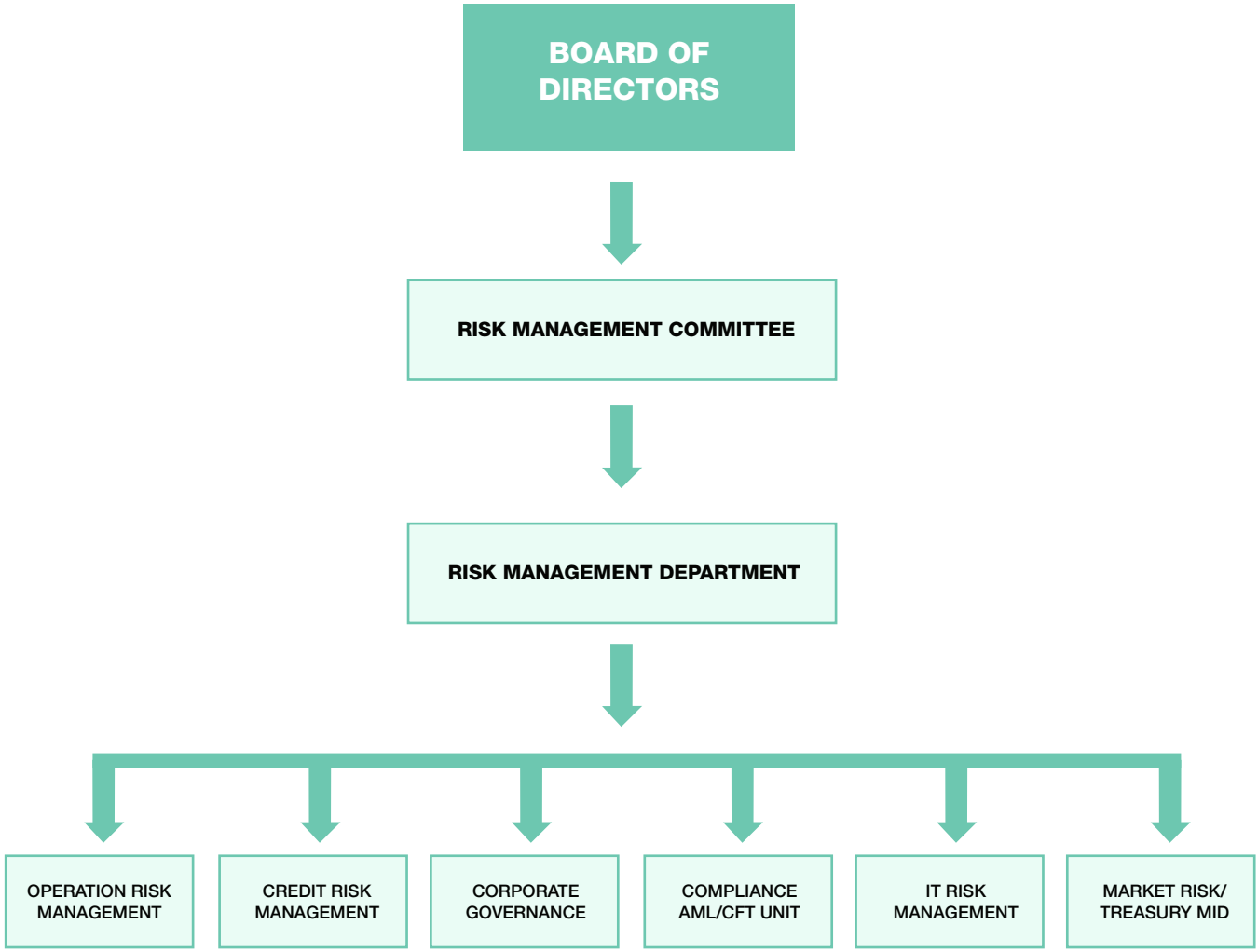
The Bank has also brought into effect "Risk Management Framework" in order to minimize the risks as far as possible. The Bank has clearly defined risk management policies and procedures covering risk identification, acceptance, measurement, monitoring, reporting, and control. The Bank has a well-constituted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

The Bank, in addition to risk management functions for various risk categories, has set up a Risk Management Department to look after effective implementation of approved policies, procedures, regulator's directives, audit issues and decisions of management. For overall risk monitoring, a Risk Management Committee has been formed to report to BOD. The Risk Management Committee consists of five members in total i.e. 3 BOD members, Chief Risk Management Officer of Risk Management Department and Chief Operating Officer for review of risks associated with credit, operation, market, IT, corporate governance and compliance risk.

There is an effective management information system that ensures the flow of information from operational level to top management and a system to address any exceptions observed. There is an explicit procedure regarding measures to be taken to address such deviations.

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

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



Risk Control and Mitigation Methodologies:

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

Specific methodologies for risk identification and management

1. CREDIT RISK:

1.1 Meaning:

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

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

NPR IN MILLION

Mid Oct 2016	Mid Jan 2017	Mid Apr 2017	Mid July 2017
49,302.15	51,596.17	-53,747.67	54,710.41

1.2 Risk Identification:

- 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. CRD 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 credit facilities to higher approval level with the BOD being the highest authority to approve credit facilities that are of the highest value of exposure.

1.3 Risk Management:

- Delegated authority, additional documentation and IT system driven controls and laid down procedures are in place to mitigate risk further.
- In order to manage the liquidity crunch of the market at the review year, the Risk Management Committee had taken the "Wait and See" strategy on lending till the quarter ending on Mid Jan 2017. Attempt had been made to maintain existing level of lending portfolio till next quarter i.e. Mid April 2017. If any additional loans/advances were to be disbursed, as per previous commitments, then, same had been disbursed at higher rate only, maintaining the existing interest spread resulting from increased cost of deposit. Further, new short term deposit scheme was introduced at a lucrative interest rate to grab the additional individual deposit to maintain Liquidity, CCD Ratio & Institutional Deposit Ratio.
- Risk management Committee discussed about Single Obligor exposure, product Wise loan exposure, Sector Wise loan exposure and Strategy for financing Working Capital loans exclusively secured by current assets and/or insufficient real estate collateral (in addition to current assets).
- Inherent credit risks are addressed through better safety margin, additional collateral backup, lower exposure and deposit of borrower in the Bank.
- Credit risk department measures and tracks status of credit portfolio in order to detect any signs of deterioration in financial health of 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. The last resort, legal recovery action is taken in order to reduce negative impact.

2. MARKET RISK:

2.1 Meaning:

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

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

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

NPR IN MILLION

Mid Oct 2016	Mid Jan 2017	Mid Apr 2017	Mid Jul 2017
104.82	46.86	-488.08	55.43

2.2 Risk Identification:

- Market risks are discussed at Assets Liability 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 the daily basis and risk exposure calculated for allocation of required capital in line with the BASEL provision. ALCO ensures jobs in line with policies and procedures and suggests necessary steps to address risk on interest rate, exchange rate movement and equity price changes.
- Possible financial impact due to change in market conditions are assessed periodically and action taken accordingly.

The departments are well equipped with advance dealing platform and advanced information technology.

2.3 Risk Management:

- Overview of current interest rate environment and monitoring of movement of key interest position and maturity gap analysis is prepared considering interest rate sensitive assets and liabilities. Interest rate risk indicators are periodically reviewed. The institution'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 the central bank and interest rate spread is maintained

according to the Central Bank's direction. Lending policy rates are adjusted according to change in market rates in order to mitigate the risk of falling interest rate margins.

- Measurement of Exchange rate shocks, Measurement of exposure on Proprietary Derivative transaction, Measurement of exposure on Non –Proprietary Derivative transaction, Measurement of Interest Rate Shock, Measurement of Equity Price shocks as required by Market Risk Management Policy discussed in Risk Management Committee meeting.

Net Open Position

NPR IN MILLION

Mid Oct 2016	Mid Jan 2017	Mid Apr 2017	Mid Jul 2017
2,096.34	- 937.13	976.16	-110.85

3.LIQUIDITY RISK:

3.1 Meaning:

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

Liquidity Ratio (calculated as per NRB guidelines)

NPR IN MILLION

Mid Oct 2016	Mid Jan 2017	Mid Apr 2017	Mid July 2017
23.26%	21.48%	20.70%	23.05%

3.2 Risk Identification:

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

3.3 Risk Management:

- Treasury department monitors daily liquidity requirement and manages and controls the overall liquidity position of the Bank. The Bank analyzes and review capital adequacy as per the risk assets, Internal Capital Adequacy Assessment Policy (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) at the local and international Banks 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 requirements of funds. While raising short-term funds, the 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 institution also maintains adequate unutilized facilities as a safety cushion to honor future cash outflow commitments.
- Moreover, the Bank regularly projects future cash flows in certain stress scenarios and thus determines the level of liquid assets required. There is appropriate stress testing done regularly for the management of the liquidity risk.
- Risk Management Committee discussed about liquidity risk tolerance limit as per Banks Risk Management Framework

4. OPERATION RISK:

4.1 Meaning:

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

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

NPR IN MILLION

Mid Oct 2016	Mid Jan 2017	Mid Apr 2017	Mid Jul 2017
2,612.45	2,612.45	2612.45	2,612.45

4.2 Risk Identification:

- The factor of operation 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 operation risk of the Bank.
- The Internal Audit Department conducts the audit reviews of operation processes and report to the board level Audit Committee. The Bank then regularly monitors faults or operation failures and respond to them with solution 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.
- The operational risk committee oversees any operation risk with the help of adequate access to daily reports, operation procedures and recommendations to correct any fault in system and procedures. Further, a separate reporting line is maintained in order to preserve the independence of check and balance reporting of daily function of the Bank.

4.3 Risk Management:

- The adequate focus is placed on the staff of the Bank in order to avoid mistakes due to insufficient knowledge or practices. The Bank staffs are required to obtain 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 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 check 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.
- An Active Direction System (ADS) is installed on the server that does not allow data transfer through external devices. In addition, each individual computers is backed up into data center periodically, thus, reducing the risk of data loss to an acceptably low level.
- For the effective management of operational risk, the Bank has constituted an Operation Risk Management Committee (ORMC) headed by Deputy Chief Executive Officer. The ORMC which supports RMC, is responsible for implementing the Operation Risk Management Policy and adopting the best practices. The key function of ORMC:
  - Establish clear lines of management responsibility, accountability and reporting in such a manner that they are distinct to avoid conflict of interest.
  - Review all operation risk 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.
- Operational loss database as per Operational Risk Management Framework of the Bank were thoroughly discussed in RMC meeting.

5. STRATEGIC RISK:

5.1 Meaning

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

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

5.2 Risk Identification

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

5.3 Risk Management

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

6. COMPLIANCE & AML/CFT RISK:

6.1 Meaning

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

6.2 Risk Identification

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

6.3 Risk Management

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

7. IT RISK:

7.1 Meaning

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

7.2 Risk Identification

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

7.3 Risk Management

- The Bank has put the updated IT system and also checks for the regular updates to ensure the banking system is being protected from the 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 to the management and directly to the Board.
- The IT system is tested using different technological tests on regular basis and the report is presented to the Board for the discussion and necessary instructions.
- 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. Bank has Internal Audit Policy-2016, Audit Committee Charter-2016, Revised Internal Audit Manual-2016 Major issues through the study and analysis reports are shared with BOD through the committee meetings from Risk Management Department and other concerned departments on regular basis.

8. CORPORATE GOVERNANCE:

The Corporate Governance has been discussed separately in detail in the Annual Report.

DISCLOSURE OF RISK REPORTING:-

1. 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 on the internal control systems of the Bank in place. The human capital is managed by Human Resource and 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, 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 before any new product is launched and are reviewed regularly.
2. 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 both of these units, one business generating & the other risk monitoring and controlling. The Bank has standard credit policy guidelines that defines the Bank's credit policies, risk-mitigating measures, and the single obligor limit.
3. Credit risk mitigants used by the Bank are a deposit 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 Banks.

S.N.	Risk	Factors	Mitigants	Monitored By
1	Credit Risk	• Counterparty Risk • Concentration Risk • Securitization Risk	• Independent and ongoing credit quality review • Limiting credit exposures • Problem credit management system • Diversification of risk asset portfolio among several sectors and sub sectors of the economy over a large number of customers • Deposit of borrower in Bank, cash margin and additional collateral at individual level • Proper valuation, storage, maintenance and insurance of collaterals.	• Board of Directors (BOD) • Risk Management Committee (Board Level Committee) • Credit Risk Management Department • Compliance Department • Internal Audit Department
2	Market Risk	• Interest Rate Risk • Equity Risk in Banking Book • Foreign Exchange Risk	• Selective and momentary hedging • Stress testing/simulation of market conditions • Gap Analysis • Limiting trading activity of instruments in the different markets • Regular review of risk management processes • Regular review of risk tolerance and appetite limit • Measurement of equity price shocks • Measurement of interest rate Shocks • Interest rate related risk monitoring	• BOD • Risk Management Committee • Assets and Liabilities Management Committee (ALCO) • Internal Audit Department
3	Liquidity Risk	• Deterioration in quality of credit portfolio • Concentrations in either assets or liabilities • Rapid asset growth funded by highly volatile large deposits • A large size of off-balance sheet exposure	• Appropriate composition of assets and liabilities • Diversified and stable sources of funds • Access to inter-bank market • Contingency funding plan for crisis situations • Regular stress testing • Cushion of liquid assets held • Consistent analysis using liquidity ratios • Review of Deposit Mix Concentration	• BOD • ALCO • Treasury department • Internal Audit Department
4	Operational Risk	• Inadequate internal system and controls • Inadequate management of information systems • Corporate Governance • Inadequate safeguarding of physical assets • Unforeseen unfavourable external events • System failures • Legal Risk	• Well defined, documented and updated process, manuals and policies. • Effective Operational Risk Management Framework • Effective Operational Risk Management Policy • Periodic evaluation based on internal and external changes • Regular assessment of risk through maintenance of operational loss database. • Reinforced organizational ethics • Appropriate segregation of duties and control • Adequate insurance coverage • Continuous development and upgrading of strategic information and communication systems	• BOD • Risk Management Committee • Operational Risk Management Committee • Audit Committee • Internal Audit Department • Line Management
5	Strategic Risk	• Inappropriate choice and unclear strategy • Failure to properly execute strategy • Inability to respond to abrupt changes or fast moving conditions • Incompatible strategic goals and resources deployed • Undertaking of unsuccessful acquisitions or mergers	• In depth study of the subject matter • Regular performance review to align with long term goals • Use of integrated Decision Support System (DSS) • Market and competitor analysis • Good corporate governance, business ethics, staff code of conducts, maintaining good relationships with stakeholders, etc.	• BOD • Other sub-committees • Internal Audit Department
6	Compliance AML/CFT Risk	• Inadequate internal control system • Inadequate management of information system • Corporate Governance • Internal and External Fraud	• Effective compliance risk management framework • Periodic evaluation based on internal and external changes • Regular assessment of risk through use of established key risk indicators (KRI) • Periodic evaluation of transactions • Appropriate segregation of duties and controls • Well defined documentation and updated process, manuals and policies	• BOD • Risk Management Committee • Operational Risk Management Committee • Audit Committee • Internal Audit Department
7	IT Risk	• Un-updated system and infrastructure • Incorrect requirement analysis • Corporate Governance • Internal and External Fraud	• Effective IT risk management framework • Periodic evaluation based on internal and external changes • Regular assessment of risk and use of updated technology • Periodic evaluation of backdoors and malicious programs • Appropriate segregation of duties and control • Well defined documentation and updated process, manuals and policies	• BOD • Risk Management Committee • IT Steering Committee • Internal Audit Department

CORPORATE SOCIAL RESPONSIBILITY (CSR)

CSR has been a long standing commitment of Citizens Bank International Limited where responsiveness to the needs of the society and responsibility to meet those needs are due concerns. For us, CSR is not just philanthropy; the Bank cares the needs and expectations of our stakeholders and act as a partner in progress of the community and the country. The Bank stands to set a paradigm to enrich the lives of poor, needy, deprived and differently able people all across the country. The Bank has throughout its journey played an active role towards social, environmental and welfare activities. The Bank has been providing utmost importance to its society and environment; and has incorporated CSR as one of the objective of the Bank. The Bank has been contributing for uplifting education, health, sports, and cultural areas and helping the victims of natural calamities. The Bank has segregated 1 percent of its net profit amounting to NPR 10,816,000 in Corporate Social Responsibility Fund in compliance to the NRB guidelines.

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

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

Focus areas of our CSR activities involving Community

The Bank emphasizes on the following CSR activities:

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

The Bank organized/participated in various functions to fulfill its responsibilities towards the society for which the Bank has made total expenditure of NPR 6.59 Million whereas a total expenditure of NPR 1,057,266 was made in the FY 2015/16. Similarly, the Bank intends to lead the industry in Nepal embracing green energy by implementing solar systems to power the Bank.

Category	Amount (NPR)	%
Supporting Education	13,51,697	20.61%
Supporting Healthcare	10,00,000	15.25%
Supporting Sports	25,29,412	38.57%
Others	16,77,379	25.57%
Total	**65,58,488**	**100%**











1. Financial Literacy Rally organized on the occasion of 10th Anniversary of the Bank.
2. The Chairman of the Bank, Dr. Shankar Prasad Sharma, providing financial assistance of NPR 3,00,000.00 to 'Music Composer Association Nepal' for promotion of music in Nepal.
3. The Chairman of the Bank, Dr. Shankar Prasad Sharma, providing financial assistance of NPR 3,00,000.00 to 'Chitwan Manab Sewa Ashram' to provide support to financially weak and senior citizens.
4. The Chairman of the Bank, Dr. Shankar Prasad Sharma, providing financial assistance of NPR 2,10,000.00 to 'Kuleshwor Secondary School' for wall constructions which was damaged by the earthquake.
5. The Chairman of the Bank, Dr. Shankar Prasad Sharma, providing financial assistance of NPR 2,00,000.00 to 'Abhaya Upachar Kendra'.











6. The Chairman of the Bank, Dr. Shankar Prasad Sharma, providing financial assistance of NPR 1,30,000.00 to 'Child Development Society', an organization ensuring child rights through education, health awareness and protection.

7. The Chairman of the Bank, Dr. Shankar Prasad Sharma, providing financial assistance of NPR 1,50,000.00 to 'Narwadeswar Mahadev Triveni Guthi Sanrachan Samiti' for stone pavement.

8. The Chairman of the Bank, Dr. Shankar Prasad Sharma, providing financial assistance of NPR 1,50,000.00 to 'Dirghayu Guru Hospital and Research Center' as a financial support.

9. The Chairman of the Bank, Dr. Shankar Prasad Sharma, providing financial assistance of NPR 1,40,000.00 to 'Prisoners Assistance Nepal', an organization providing basic needs and human rights to prisoners and their children.

10. The Chairman of the Bank, Dr. Shankar Prasad Sharma, providing financial assistance of NPR 1,00,000.00 to 'Snow Yak Foundation', working for the education programs for under-privileged children of upper regions of Dolpa.

Citizens Golf Tournament

For the last three years, the Bank has been organizing Citizens Bank Golf tournament in the association with M/s L. M. Suvir Brothers (Nepal) Pvt. Ltd. The Bank has provided financial support of NPR 700,000 /- for the promotion of sports.

Citizens Lawn Tennis Tournament

The Bank has also been organizing Citizens Bank Lawn Tennis Tournament for the last three years in association with M/S All Nepal lawn Tennis Association and Dasarath Rangshala Tennis Complex Management Committee. In order to promote lawn tennis in Nepal, the bank has provided the financial support of NPR 700,000/-.

Besides that, the Bank also believes in nurturing the young, energetic, talented enthusiastic player who has been playing for the pride of the nation. Under the same program the Bank has provided an employment to Nangsal Tamang , Veteran National badminton Player of Nepal .

Supporting Education

- The Bank has provided scholarship to 13 under privileged, poor and hard working student through "Children Development Society (Baal Bikash Samaj)" amounting to NPR 130,000. With the objective of providing education to under privileged children of upper Dolpa, the Bank has provided financial assistance to 'Snow Yak Foundation' working for the same cause.
- The Bank has also provided NPR 210,000 to Kuleshwor Secondary School to sponsor 15 orphan students the school is supporting.

Supporting Healthcare

- The Bank has been organizing blood donation program every year on its anniversary program and this year too, the Bank has organized blood donation program along with eye donation and kidney donation program.
- The Bank helped Reporter Mr. Sanjay Neupane, Member of Society of Economic Journalists Nepal (SEJON) by providing financial assistance of NPR 100,000 in order to support the treatment of his Brain Cancer.
- The Bank provided financial assistance to Abhyaya Upachar Kendra affiliated to Kenko-Kyokai- Japan. The Bank provided NPR 200,000 to them.
- Dirghayu Guru Hospital and Research Center is providing medical services to the poor people at a very reasonable cost. The hospital was in need of medical equipment's so the Bank helped them by providing financial assistance of NPR 150,000.
- Clinic One has been providing free health checkup for women. They provide services like ECG, Urine examination, chest X-Ray, abdomen and Pelvic Ultrasound etc.. To support their deeds, the Bank provided financial assistance of NPR 100,000 to this clinic.

Others

- The Bank has also donated NPR 100,000 each to 'SAATH' and 'Baby Life Home Organization' where they help children infected with AIDS. SAATH is an organization focused to provide education, socialization and capacity building for children who belong to marginalized communities.
- The Bank has donated NPR 300,000 to the "Musician Association of Nepal (Sangeetkar Sangh)".
- Similarly, the Bank has conducted one-day program of providing food to elder people residing in 'NisahayaSewaSadan' located at Shantinagar, Kathmandu.
- Triveni Library and Research Center is a public library situated at Nagarjun municipality. This library has been providing service free of cost in collaboration with various organization. The Bank provided financial support of NPR 50,000 to this library.
- The temple of Narvedeshwor Mahadev of Rammechhap district is one of the prominent religious places and was in critical condition. Therefore, for the purpose of renovation, NPR 150,000 has been provided by the Bank.

BANK'S CONTRIBUTION & RESPONSIBILITIES TO EMPLOYEES

Human Resource

As of mid-July 2017, there are 715 employees working for the Bank. During the fiscal year, the Bank had appointed 136 new employees whereas 78 employees had resigned from the Bank's services. Out of the total employees, 271 (37.90 percent) are female employees. For providing more accessible and quicker banking service with a commercial motive to its customer, the Bank has been continuously providing training to its employees for better human resource development. Further, the Bank shall adopt the same training policies for the coming years.

The Bank seeks engagement with employees at all levels to bring out their talent, loyalty and drive individual and garner collective performance. The Bank organizes picnic program annually and different sports events like futsal tournament, cricket tournament for creating high level of employee engagement.

Strategic Priorities	Performance Highlights
Invest strategically in employee growth through training and development programs in line with the Bank's long term goals.	Revised remuneration packages of employees based on their performance.
Benchmark employee compensation packages to attract and retain the best talent.	Organized programs for 51 new recruits.
Foster employee diversity and promote equal opportunities.	Continued on the job training for staff at departmental and branch levels.
Support employee well-being through work-life balance, welfare and health and safety measures.	Reduced staff turnover by retaining staff with measures such as performance-based pay, adequate promotions and instilling best staff cultures.

Recruitment

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

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

Employee Diversity

The Bank exhibits its commitment towards equal opportunities to a greater diversity of employees irrespective of ethnicity, gender, culture and other socio-economic prejudices by focusing on addressing these barriers that may exist between the employees at the same time promoting a work culture that alleviates any conflicts arising from varied outlooks. Moreover, the Bank's recruitment policy is set on the principle of equal opportunities in order to attract the best talent from varied cultures and backgrounds and therefore from a multi-skilled workforce. Furthermore, the Bank can confidently assure that the remuneration, incentives, benefits and promotion are not subject to any form of discrimination. This is further demonstrated by the fact that during the year, the Bank did not record any incidents of discernment towards employees and if any may occur in the future, there are already existing measures and procedures in place to address such issues.

Remuneration and Rewards

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

Staff Facilities

Besides regular salary, allowances and provident fund, the salary package for the staff includes auto loan, home loan, credit card facility, uniform facility and other advances which is periodically reviewed. The Bank also provides gratuity, additional employee retirement fund depending on the profit of the Bank which includes salary of 1-2 months.

Amount (NPR)

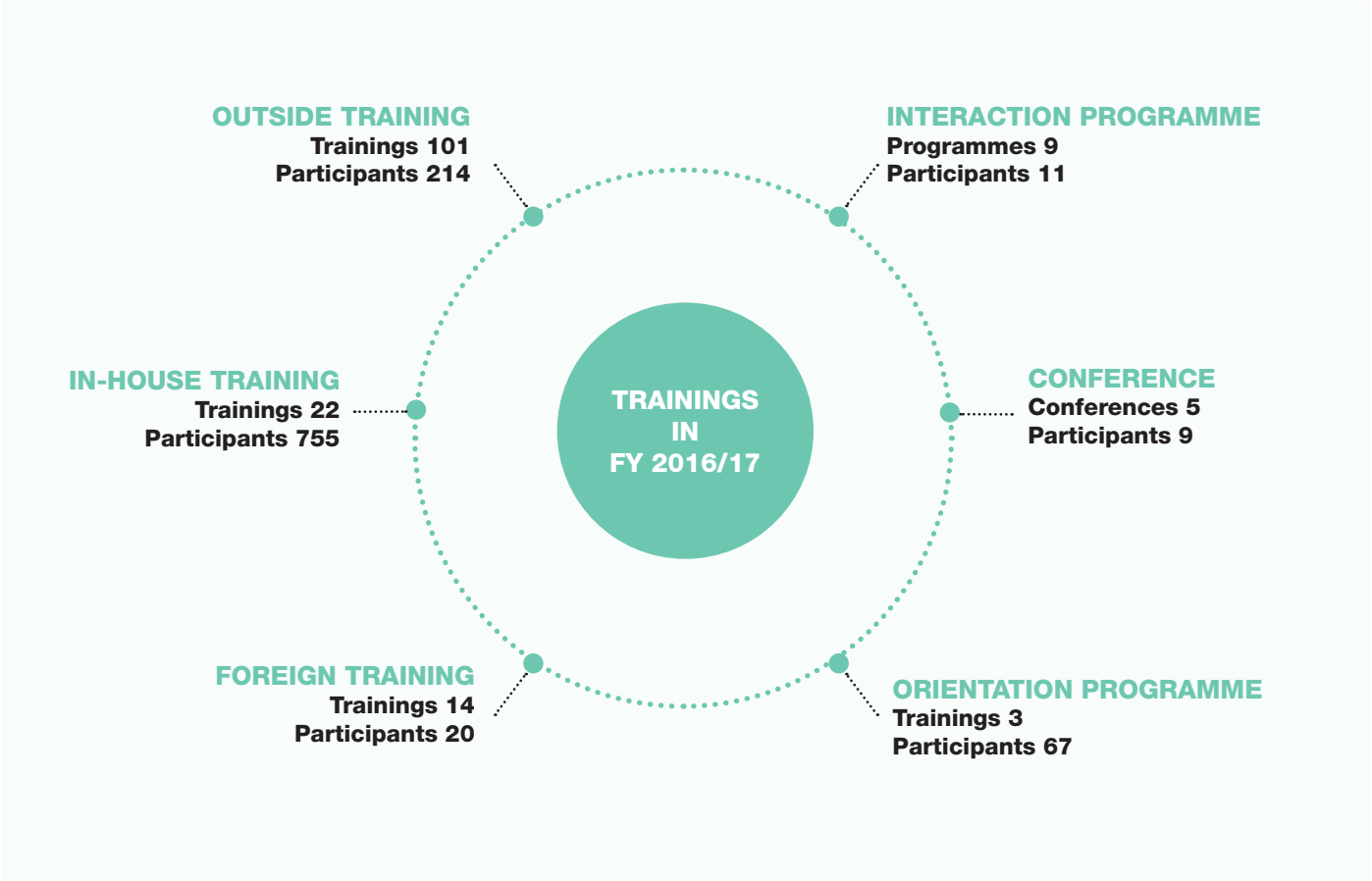
Particulars	2016/17	2015/16
Staff Auto Loan	58,477,725	49,044,720
Staff Home Loan	274,517,617	190,670,835
Revolving salary advance	50,005,421	1,120,203
Credit Card	1,631,933	1,004,828
Total	**384,632,696**	**241,840,586**

Performance Evaluation

The Bank always aims to improve and encourage high performance not only on the individual level but as a team as well. In order to support such policy, the Bank has in place a well structured but challenging process to evaluate employee performance on an annual basis. This encourages constant communication between the higher level and lower level employees and motivates the staff by enabling effective succession planning, career mapping and structured and focused training. Performance evaluation is assessed through certain criteria, such as pre-agreed operational targets, discipline, punctuality and attitude, where high achievers are rewarded for their strengths while remedies and support are provided to others to address their weaknesses.

Training and Development

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



Employee Turnover and Retention

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

Succession Planning

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

Employee Well-Being

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

Measure of employee well-being through staff expenses

Amount in NPR

Particulars	2016/17	2015/16
Salary	202,184,614	122,797,133
Allowance	138,547,184	111,430,859
Contribution to Provident Fund	15,058,369	9,087,405
Training Expenses	9,246,743	4,666,202
Uniform	7,249,516	4,096,399
Insurance	2,489,366	2,360,560
Gratuity and Leave Provision	39,208,234	32,829,468
Staff Welfare Fund	15,313,943	7,508,366
Recruitment Expense	415,235	425,786
Staff Bonus	157,810,783	153,886,400
Staff facilities	9,812,451	-
Total	**597,336,438**	**449,088,578**

Health and Safety

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

Grievance Handling

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

Staff Composition

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

KEY HUMAN RESOURCE INDICATORS

Employee Mix as per Gender group

	As on June, 2017	
Gender	**Count**	**Percentage**
Female	271	37.90
Male	444	62.10
Total	**715**	**100.00 %**

Employee Mix as per permanency

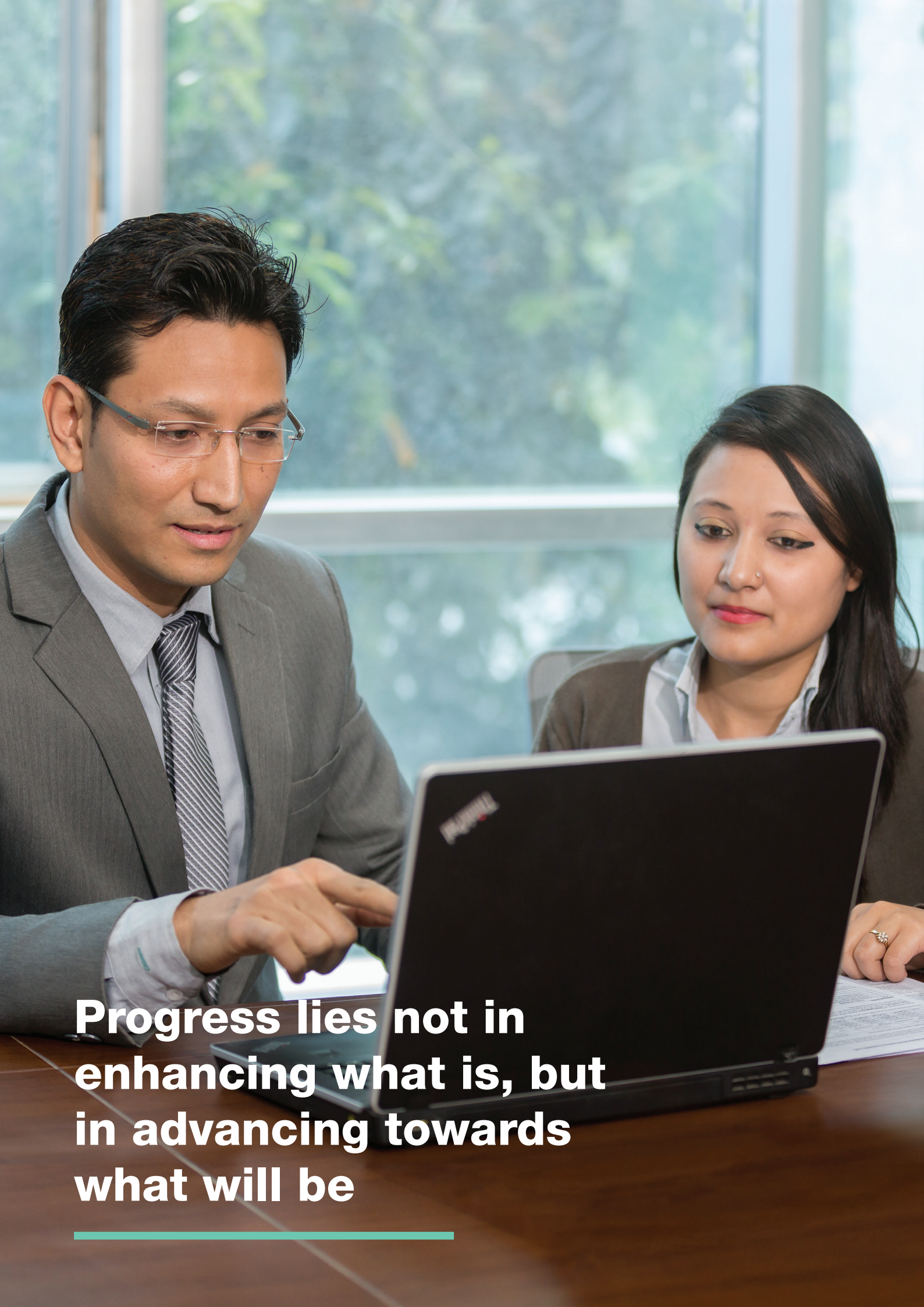
	As on June, 2017
Gender	**Count**
Permanent	684
Contract	31
Total	**715**

Employee Mix as per Age Profile

Age group (In Years)	No. of Staff
Below 26	126
26-30	328
31-35	179
36-40	40
41-45	20
46-50	14
51-55	2
Above 55	6

Employee Mix as per Date of Joining

S.N.	Year of Joining	No. of Staff	%
1	2006	3	0.42%
2	2007	20	2.80%
3	2008	28	3.92%
4	2009	32	4.48%
5	2010	37	5.17%
6	2011	48	6.71%
7	2012	23	3.22%
8	2013	81	11.33%
9	2014	120	16.78%
10	2015	121	16.92%
11	2016	125	17.48%
12	2017	77	10.77%
	Total	**715**	**100.00%**



Progress lies not in enhancing what is, but in advancing towards what will be

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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 6.94 percent in 2016/17 compared to a growth of 0.01 percent in the previous year. Similarly, the real GDP at producer's price is estimated to be 7.5 percent in the review year compared to a growth of 0.41 percent in the previous year.

In 2016/17, the Gross National Disposable Income (GNDI) is estimated to grow by 13.4 percent compared to a growth of 6.5 percent in the previous year. Similarly, the ratio of total consumption to GDP remained at 89.7 percent. In the review year, the ratio of gross fixed capital to GDP increased to 33.8 percent from 28.8 percent last year. Similarly, the ratio of gross national savings to GDP increased to 43.78 percent from 39.96 percent in the previous year

In the review year, government budget on cash basis remained at a deficit of NPR 125.61 Billion. Such budget deficit was NPR 49.83 Billion in 2015/16. The ratio of budget deficit to GDP is estimated to be 4.8 percent in the review year from 1.7 percent in the preceding year.

SHARE MARKET :

NEPSE index decreased by 7.9 percent to 1,582.7 points in mid-July 2017 from 1,718.2 points in the corresponding period of the previous year. The total turnover of the securities traded rose by 24.9 percent to NPR 204.79 Billion in 2016/17. Such turnover was 163.96 Billion in the previous year.

INFLATION AND PRICE LEVEL :

Consumer price inflation

The annual average consumer price inflation decreased by 4.5 percent in 2016/17 compared to an increase of 9.9 percent in the previous year. The higher base price of the preceding year, improved supply situation and lower global prices including that of India contributed to inflation easing in the review year. The consumer price inflation stood at 2.7 percent in mid July 2017 compared to that of 10.4 percent a year ago. Such consumer price inflation is the lowest since Kartik, 2061.

The decline in prices of ghee and oil, pulses and legumes, vegetable, transportation, among others were mainly responsible for a fall in overall consumer price inflation in the review year.

In the terms of ecological regions, the hilly region witnessed a relatively higher annual average inflation at 6.4 percent followed by Terai region at 4.4 percent, Mountain region at 4.1 percent and Kathmandu valley at 3.1 percent in the review year. The inflation rate was 10.4 percent in the hilly region, 8.6 percent in Terai region, 8.8 percent in Mountain region and 11.6 percent in Kathmandu valley in the previous year.

Wholesale Price Inflation

The annual average wholesale price inflation eased to 2.7 percent in 2016/17 from 6.3 percent in the previous year. A significant deceleration in prices of agricultural commodities and the decline in prices of imported commodities eased overall wholesale prices.

CURRENT ACCOUNT AND BALANCE OF PAYMENT (BOP)

The current account slipped into a deficit of NPR 10.13 billion in 2016/17 as against a significant level of the surplus of NPR 140.42 billion in the previous year. The surge in imports relative to exports accounted for a deficit in the current account.

Similarly, the Overall BOP recorded surplus of NPR 82.15 Billion in the review year on account of the decrease in current account surplus and increase in capital inflows. The Surplus in Balance of Payment was NPR 188.95 Billion in the previous year.

In the review year, Nepal received capital transfer of NPR 13.36 Billion and foreign direct investment (FDI) inflow of NPR 13.50 Billion. In the previous year, capital transfer and FDI inflows were 16.99 Billion and NPR 5.92 Billion respectively.

LIQUIDITY MANAGEMENT

In the review year 2016/17, NPR 61 Billion liquidity was injected through open market operations. Under this provision, NRB injected liquidity of NPR 33.21 Billion from repo auction including NPR 5.40 Billion under the corridor system. A total of NPR 27.79 Billion liquidity was availed through outright purchase auction.

In the review year, the NRB injected net liquidity of NPR 435.86 Billion through the net purchase of USD 4.11 Billion from foreign exchange market. Net liquidity of NPR 471.35 Billion was injected through the net purchase of USD 4.45 Billion in the previous year.

In the review year, the liquidity of NPR 124.45 Billion has been mopped. Liquidity absorption consisted of NPR 43.75 Billion through a 14-days deposit collection auction under the corridor system, NPR 16.45 Billion through 90-days deposit collection auctions, and NPR 64.25 Billion through reverse repo auction on a cumulative basis. In the previous year, NPR 542.55 billion liquidity was mopped up. This consists of NPR 297.5 billion through deposit collection auction, NPR 235.95 billion through reverse repo auction and NPR 9.10 billion through outright sale auction.

NRB purchased Indian currency (INR) equivalent to NPR 451.89 Billion through the sale of USD 4.12 Billion and Euro 120 Million. INR equivalent to NPR 385.47 Billion was purchased through the sale of USD 3.4 Billion and Euro 210 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 1,062.4 Billion and those of other financial institutions (excluding transactions among commercial banks) amounted to NPR 381.02 Billion. Such transactions were NPR 961.72 Billion and NPR 129.06 Billion respectively in the previous year. In the review year, commercial banks and financial institutions used the standing liquidity facility (SLF) of NPR 62.39 Billion.

Interest Rates

The weighted average 91-day Treasury Bill rate increased to 0.71 percent in the review month from 0.05 percent a year ago. The weighted average inter-bank transaction rate among commercial banks that was 0.69 percent a year ago declined to 0.64 percent in the review month. However, the weighted average inter-bank rate among other financial institutions increased to 4.47 percent from 3.35 percent a year ago.

Weighted average interest rate spread between deposit and lending rates of commercial banks decreased to 5.2 percent in the review month from 5.6 percent a year ago. Likewise, the average base rate of commercial banks rose to 9.9 percent in the review month from 6.5 percent a year ago.

Deposit Mobilization

Deposits at banks and financial institutions (BFIs) increased by 14 percent in the review year compared to an increase of 19.4 percent in the previous year. Out of total deposits of BFI on mid-July 2017, current, savings and fixed deposit were respectively: 8.7 percent, 35.4 percent, and 43.2 percent. This was 9.1 percent, 43.3 percent and 30.5 percent in the previous year.

LOANS AND ADVANCES

Credit to the private sectors from BFI increased by 18.2 percent in the review year compared to a growth of 23.7 percent in the previous year. In the review year, private sector credit from commercial banks increased by 25 percent whereas credit from development banks and finance companies decreased by 13.7 percent and 13.3 percent.

Indicators relating to financial deepening reflected the marginal change. While the ratios of broad money and total deposit to GDP declined a little bit, ratios of loans and advances and claims on the private sector to GDP increased.

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

The price of oil (Crude Oil Brent) in the international market increased by 3.5 percent to USD 47.89 per barrel in mid-July 2017 from USD 46.25 per barrel a year ago. The price of gold decreased by 7.3 percent to USD 1,230.30 per ounce in mid-July 2017, from USD 1,327 per ounce a year ago.

Nepalese currency vis-à-vis the US dollar depreciated by 3.8 percent in mid-July 2017 from the level of mid-July 2016. It had depreciated 5.2 percent in the previous year. The buying exchange rate per US dollar stood at NPR 102.86 in mid-July 2017 compared to NPR 106.73 in mid-July 2016.

Review of Financial Market of the Country

As a result of the merger and acquisition drive, the total number of BFI licensed by NRB came down to 149 in mid-July 2017 from 179 a year ago. In mid-July 2017, the total number of commercial banks stood at 28, development banks at 40, finance companies at 28 and microfinance development banks at 53. Despite the decline in the number of BFIs, financial access has widened along with the expansion of the branch network. The total number of BFI' branches increased to 5,068 in mid-July 2017 from 4,272 a year ago.

The number of BFI involved in merger and acquisition has been increasing after the introduction of merger/acquisition policy aimed at consolidating financial sector. 150 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 111 BFI was revoked thereby forming 39 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 1,107.79 Billion and NPR 666.41 Billion respectively in the mid-July 2017. Accordingly, the IIP remained in Surplus by NPR 441.38 Billion as at mid-July 2017. Such surplus was NPR 443.53 Billion in mid-July 2016.

Export and Import Price Index

The annual average unit value export price index based on customs data increased by 10.4 percentwhile import price index increase by 0.1 percent in the review year. Consequently, the terms of trade (TOT) index increased by 9.1 percentcompared to an increase of 22.2 percent in the corresponding period of the previous year.

The export-import ratio dropped to 7.4 percent in the review year. This implies the size of import is almost 7.4 times larger than thesize of export in the review year. The export-import ratio was 9.1 percent in the previous year.

Workers' Remittances

The workers' remittance grew by 4.6 percent to NPR 695.45 Billion in the review year compared to a growth of 7.7 percent in the previous year. However, the ratio of remittance to GDP declined to 26.8 percent in the review year from 29.6 percent in the previous year. The net transfer receipt increased by 9.5 percent to NPR 851.80 Billion in the review year. Such receipt had increased 9.6 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 4.7 percent in 2016/17 compared to a decline of 18.4 percent in the previous year.

DIRECTOR'S REPORT
FY 2016/17

Respected Shareholders,

On behalf of the Board of Directors, I would like to welcome all the shareholders for the eleventh Annual General Meeting of Citizens Bank International Limited. I would like to present the Bank's Balance Sheet as on July 15, 2017 (31st Ashadh, 2074), Profit and Loss Account, Profit and Loss Appropriation Account, Cash Flow Statement and other financial statements for the FY 2016/17 for approval by the respected meeting.

I would also like to present to the respected meeting, Financial and Banking Sectors Indicators, followed by a review of the Bank's performance in the previous Fiscal Year and future programs of the Bank.

1. FINANCIAL AND BANKING SECTOR INDICATORS

Gross Domestic Production

a) The real GDP at the basic price is estimated to grow by 6.9 percent in 2016/17, compared to 0.01 percent growth in the previous year. Similarly, the real GDP at producer's price is estimated to have grown by 7.5 percent for the period under review, as compared to 0.4 percent growth in the previous year. The adequate seasonal rainfall, improvement in energy supply and generalization in the supply system, the economic growth rate has increased significantly in comparison to the previous year.

b) For review period, agricultural sector production increased by 5.3 percent and non-agricultural sector production increased by 7.7 percent, as compared to the previous year's increment by, 1.3 percent and 0.6 percent respectively.

c) For the period under review, industrial sector production is estimated to have grown by 10.09 percent as compared to the previous year, where it had decreased by 6.3 percent.

d) For the period under review, service sector production is estimated to have grown by 6.9 percent whereas in the previous year, it had increased by 2.1 percent. Increase in number of tourists, development in businesses and communication sectors are the reasons for the increase in the service sector's production rate.

Foreign Trade

Merchandise export increased by 4.1 percent to NPR 78.5 Billion in the financial year 2016/17, whereas it had decreased by 17.8 percent in the previous year. In the review year, the export increased by 5 percent towards India, 1.2 percent towards China and 3.3 percent towards other countries.

In the review year 2016/17, the ratio of merchandise export to GDP declined to 2.8 percent. The same ratio was recorded as 3.1 percent in the previous year. Export has increased in case of the goods such as juice, pina, jute products, G.I. pipes, etc., whereas the export of woolen carpets, cardamom, readymade garments, polyester yarn has decreased.

Merchandise import increased by 28 percent to NPR 990.11 Billion in the review year. In the previous year, such imports had decreased by 0.1 percent. In the review year, import from India, China and other countries increased by 32.8 percent, 10 percent, and 26.8 percent respectively. The ratio of merchandise import to GDP increased to 38.1 percent while in the previous year, such ratio was recorded as 34.4 percent.

In the review year, the import of petroleum products, automobiles and spare parts, M.S. Billet, cement has increased, whereas the import of chemical fertilizer, medicine, cold rolled sheet, dry cell battery, etc. has decreased. Imports from Bhairahawa customs, Tribhuvan International Airport customs, Mechi customs, Kailali customs, and Jaleshwor customs has decreased, whereas import from other customs points has increased. Exports from Bhairahawa customs, Biratnagar customs, and Kailali customs has decreased, whereas export from other customs offices has increased.

The total trade deficit in the review year 2016/17 has increased by 30.4 percent to NPR 917.6 billion. In the previous year, such deficit was 2 percent.The ratio of trade deficit to GDP is 35.3 percent. Such ratio was 31.3 percent in the previous year.

In the review year, the export-import ratio has declined to 7.4 percent from 9.1 percent in the previous year.

Balance of Payment and Remittance

The current account registered a deficit of NPR 1.13 billion in the review year due to a significant increase in merchandise import rate. The surplus in current account was NPR 140.42 billion in the previous year. As compared to export, import has increased significantly causing a deficit in the current account in the review year. The overall BOP in the review year recorded a surplus of NPR 82.15 Billion. The surplus in BOP was NPR 188.95 Billion in the previous year. In the review year, Nepal received capital transfer of NPR 13.36 Billion and Foreign Direct Investment inflow of NPR 13.50 Billion. In the previous year, capital transfer received was, NPR 16.99 Billion and Foreign Direct Investment inflow was NPR 5.92 Billion.

The remittance has grown by 4.6 percent to NPR 695.45 Billion in the review year, compared to a growth of 7.7 percent in the previous year. The ratio of remittances to GDP decreased to 26.8 percent in the review year, as compared to 29.6 percent in the previous year. The net transfer receipts increased by 9.5 percent to NPR 851.80 Billion. Such receipt had increased 9.6 percent in the previous year. The number of Nepali citizens going for foreign employment (other than reapproval) has decreased. On the basis of the final approval, the number of Nepali citizens going for foreign employment has decreased by 4.7 percent in the review year. In the previous year, the same had decreased by 18.4 percent. In the period under review, workers going to Malaysia, United Arab Emirates, Kuwait etc. has increased and the workers going to Saudi Arabia, Qatar etc. has decreased.

Interest Rates

The weighted average of 91-days Treasury bill rate increased, whereas the weighted average rate of inter-bank transactions decreased in the last month of 2016/17 compared to a year ago. The weighted average of 91-day Treasury bill rate increased to 0.71 percent in the review month from 0.05 percent in the last month of the previous year. The weighted average inter-bank transaction rate among commercial banks that was 0.69 percent a year ago, reached 0.64 percent in the review month. Likewise, the weighted average inter-bank rate among other financial institutions increased to 4.47 percent in 2016/17 from 3.25 percent a year ago.

Deposit Mobilization

Deposits at banks and financial institutions increased by 14 percent in the review year, as compared to an increase of 19.4 percent in the previous year. Out of total deposits of BFI in mid-July 2017, current, savings and fixed deposit were respectively: 8.7 percent, 35.4 percent and 43.2 percent. This was 9.1 percent, 43.3 percent and 30.5 percent in the previous year.

Credit Disbursement

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

In the review year, credit to the agricultural sector, industrial production sector, construction sector, wholesale and retail trade sector and service sector increased by 14.3 percent, 11.4 percent, 16 percent, 16.1 percent and 25.2 percent respectively. In the financial year 2016/17, out of the total loan investment of BFIs, 60.9 percent is extended towards land and building collateral and 13.9 percent is extended towards current assets collateral (agricultural and non- agricultural goods). In the previous year, loan extended for the same collateral was 60.8 percent and 15.2 percent respectively.

Of the total lending of BFIs, the credit to small and medium enterprises was 2.5 percent (NPR 48.88 Billion) in mid-July2017. Trust receipt loan extended by banks decreased by 11.2 percent to NPR 64.53 Billion in the review year. In the review year, hire purchase loan and overdraft loan increased by 35.6 percent and 22.1 percent respectively. The ratio of Gross Domestic Product to foreign exchange reserve, total deposit, loans and investments and private sector claim has increased, in comparison to the previous year.

2. SYNOPSIS OF FINANCIAL PERFORMANCE OF THE BANK

The comparative financials of the FY 2015/16 and 2016/17 has been presented below:

(in Rs. '000)

Particulars	FY 2015/16	FY 2016/17	Increase or (decrease)
Capital Adequacy Ratio	12.40%	16.88%	4.48%
Total Assets	55,062,016	65,405,489	18.79%
Deposits	47,393,501	52,718,581	11.24%
Loans, Advances and Bills Discounted	40,565,821	48,441,987	19.42%
Investment	7,478,037	8,449,820	13.00%
Net Interest Income	1,619,767	1,757,011	8.47%
Non- Operating Interest Income	513,203	661,306	28.86%
Operating Expenses	668,025	978,072	46.41%
Net Profit	1,080,377	1,081,662	0.12%
Real Estate Loan to Total Loan	11.86%	11.31%	(0.55%)

Capital Base

At the end of the current FY 2016/17, the paid up capital of the Bank is NPR 6,921,689,000. After distribution of 16 percent proposed bonus share, paid-up capital of the Bank will be NPR 8,029,160,000.

Capital Adequacy

At the end of the current FY 2016/17, the capital adequacy is 16.88 percent. The same was 12.40 percent in the FY 2015/16. The minimum requirement as per NRB is 11 percent.

Total Assets

At the end of the current FY 2016/17, the total assets is NPR 65,405,489,015 which has increased by 18.79 percent, in comparison to the previous year, where it was NPR 55,062,015,618.

Deposit Collection

The deposit collection for the FY 2016/17 is NPR 52,718,581,456, which has been increased by 11.24 percent. In the previous year, it was NPR 47,393,500,966. In the FY 2015/16, current deposits covered 2.89 percent, saving deposits 20.43 percent, fixed deposits 54.73 percent, call accounts 21.31 percent and remaining were other deposits. In the FY 2016/17, current deposits covered 2.77 percent, saving deposits 20.15 percent, fixed deposits 66.27 percent, call accounts 10.32 percent and remaining were other deposits.

Loans, Advances and Bills discounted

In FY 2015/16, the Bank had provided loans and advances of NPR 40,565,821,494. In comparison to the last Fiscal Year, it has increased by 19.42 percent to NPR 48,441,986,910 in current FY 2016/17. Out of total loans and advances for FY 2016/17, 11.31 percent is in real estate sector, 5.75 percent in housing sector, 6.48 percent in margin lending, 20.21 percent in overdraft loan and 42.51 percent in other loans.

Out of the total approved limit of NPR 4.56 Billion for hydropower projects, the Bank has already disbursed loan to the tune of NPR 2.70 Billion by the end of FY 2016/17. The hydropower projects that the Bank has invested, accounts to about 143 MW in total.

Similarly, in FY 2016/17, the Bank has invested NPR 6.04 Billion, in 1,261 number of loans under the title “Small and Medium Enterprise Loan”. Likewise, to promote the agricultural sector, the Bank has invested NPR 1.27 Billion in 3,482 number of loans under the title “Fast Track Loan”. In addition to that, as per the “One Zone One Product” policy, the Bank has invested NPR 135.5 million to 96 projects. In total, the Bank has invested NPR 1,301,500,000 in agricultural sector.

Investment

The investment for the FY 2016/17 is NPR 8,449,820,208. Out of the total investment, investment in government treasury bills, development bonds, and NRB bonds amount to NPR 6,735,175,980 i.e. 79.71 percent, placements in national and international Banks amount to NPR 1,560,033,896 i.e. 18.46 percent and investment in shares of organized institution amounts to NPR 154,610,000 i.e. 1.83 percent.

Net Interest Income

In FY 2015/16, the net interest income of the Bank was NPR 1,619,767,291. In comparison to last Fiscal Year, it has increased by 8.47 percent to NPR 1,757,011,318 in current FY 2016/17.

Non-Operating Interest Income

In FY 2015/16, the non-operating interest income of the Bank was NPR 513,203,456, whereas it has increased by 28.86 percent to NPR 661,306,023 in the current FY 2016/17.

Operating Expenses

In FY 2015/16, the operating expense of the Bank was NPR 668,024,713, whereas it has increased by 46.41 percent to NPR 978,071,758 in current FY 2016/17.

Net Profit

In FY 2015/16, the net profit of the Bank was NPR 1,080,377,498, as compared to an increase by 0.12 percent to NPR 1,081,661,549 in current FY 2016/17.

3. SYNOPSIS OF FINANCIAL PERFORMANCE OF SUB-SIDIARY COMPANY CBIL CAPITAL LIMITED

The Bank holds 67 percent of paid-up share capital, out of a total paid up capital of NPR 100 Million in subsidiary CBIL Capital Limited i.e. NPR 67 Million. The main objective of the company is to provide merchant banking services, portfolio management services, mutual investment fund operation services, share registration services, etc.

In FY 2016/17, CBIL Capital Limited has earned the profit amounting to NPR 3,979,000.

4. BRANCH NETWORK EXPANSION

As per the Bank’s policy on branch expansion in FY 2016/17, the Bank has expanded 4 branches. The new branches have been expanded in Bardibas, Chame, Chhahara outside the valley and Gwarko, inside the valley. Altogether there are 60 branches of the Bank as on the FY 2016/17.

5. OTHER BANKING FACILITY EXPANSION

In FY 2016/17, the Bank has expanded branchless banking services in Jamuni of Banke district, with the approval of NRB. The Bank has also operated branchless banking in 38 VDCs in earthquake affected areas of Dolakha, Nuwakot and Rasuwa district, in coordination with Sakchyam Access to Finance program, sponsored by UK Aid.

As per the agreement with National Reconstruction Authority to distribute subsidy for rebuilding personal residences destroyed by earthquake, the Bank has been distributing subsidy through 6 branches located in earthquake-affected areas i.e. Dolakha, Kavre, Makwanpur, Bhojpur, Kirtipur and Thapathali of Kathmandu. The Bank aims to assist Nepal Government for the distribution of subsidy for rebuilding personal residence. For this purpose, the Bank has opened accounts of the earthquake affected beneficiaries as per the agreement.

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

The Bank organized a programme of cash distribution to

the earthquake victims of Shemjong, Gumdi, Salyankot, and Marpak VDC of Dhading district with the assistance of Welt Hunger Hilfe operated by World Food Program. This programme was successfully conducted by distributing cash to 3,625 families as an economic assistance.

6. CORPORATE GOVERNANCE AND COMPLIANCE

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

7. INFORMATION TECHNOLOGY

Considering the role of Information Technology in the Banks' development and with regards to customer satisfaction, the Bank has been providing technology-based services such as mobile banking, internet banking and ABBS. For timely up-gradation and development of information technology, the Bank has made an agreement with M/s Edge Verve Systems Limited and M/s CAS Trading House Private Limited for upgrading core banking software. Similarly, the Bank has also been providing Demat account service and facility to view Demat accounts online.

8. INTERNAL CONTROL SYSTEM

The Bank has adopted the policy of implementing a strong internal control system, visualizing the credit risks, market risks, operational risks and other risks of the banking business. In relation to this, the Bank has formulated necessary rules and policies for every area of banking transactions and implemented them. The Bank has also constituted independent Internal Audit Department for reviewing the compliance of prevailing laws and policies, governed by Audit Committee under the coordination of non-executive director. Similarly, the Bank has formulated Risk Management Committee under the coordination of non-executive directors for supervision of risks relating to banking transaction and the Committee has been effectively working on the same. Separate Credit Risk Department has also been constituted and operated for minimizing the credit related risks.

9. CARD BUSINESS

The Bank, in joint investment with other 15 Commercial Banks and Financial Institutions, has established Nepal Electronic Payment System Limited (NEPS). NEPS is in operation since FY 2014/15. The Magnetic Strip Card has been replaced by EMV Based Card, with consideration to the security of transactions operated through the card.

10. REMITTANCE TRANSACTION

For the purpose of enhancing the efficiency and effectiveness of transaction through remittance, the Bank has been expanding its network by entering into contracts with remittance companies inside and outside the country.

During the year, the Bank has earned NPR 13.859 million from the total inward remittance of USD 6.76 million. Remittance from 41 different countries can now be directly paid through the branches and 2,638 agents of the Bank located across the country. The Bank aims to expand remittance business by entering into agreement with exchange companies of potential countries such as South Korea, India, Qatar, Saudi Arabia, Malaysia, USA, etc.

11. CORPORATE SOCIAL RESPONSIBILITY

Since its establishment, the Bank has been contributing for corporate social responsibility through various social institutions. The Bank has been contributing for uplifting education, health, sports and cultural areas as well as helping the victims of natural calamities. In the current FY 2016/17, the total expenditure of the Bank on corporate social responsibility is NPR 6.56 million.

On the occasion of the 10th anniversary, the Bank has conducted blood donation, eye donation and kidney donation programs. The Bank has donated NPR 300,000 to the "Musician Association of Nepal (Sangeetkar Sangh)" and also provided scholarships to 13 under privileged, poor and hard working student through "Children Development Society (Baal Bikash Samaj)" amounting to NPR 130,000. The Bank helped Reporter Mr. Sanjay Neupane for his treatment with NPR 100,000 through SEJON. With the objective of providing education to under privileged children of upper Dolpa, the Bank has provided financial assistance to 'Snow Yak Foundation' working for the same cause. The Bank has also donated NPR 100,000 each to the 'SAATH' and 'Baby life Home organization' where they help children that are infected with AIDS. Similarly, the Bank has conducted a one day program of providing food to the elderly people residing in 'Nisahaya Sewa Sadan' located at Shantinagar, Kathmandu.

12. CHANGES IN BOARD OF DIRECTORS AND ITS REASONS

As per the provisions of Banks and Financial Institutions Act, 2017, a person, at a time, cannot be the board member of an institution licensed from Nepal Rastra Bank and an Insurance Company. Mr. Manohar Das Mool was a board member of both the bank and insurance company at the same time, and has since resigned from the Board of Directors of the Bank. Similarly, Board member, Mr. Chandra Tandon has resigned from the Board of Directors of the Bank citing personal reasons. We are thankful to their active contribution for progress and development of the Bank. Similarly, Mr. Avanindra Kumar Shrestha has been elected as Professional Director. After resignation of board members, the Bank has 7 members in the Board of Directors, which is as per section 14 of Banks and Financial Institutions Act, 2017.

13. OTHER COMMITEES

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

Audit Committee

The Board of Directors has formed the Audit Committee under the coordination of director, Mr. Chandra Tandon. Other

members of the Audit Committee are Mr. Bijaya Dhoj Karki, Dr. Chanda Karki and the Head of Internal Audit Department is the member-secretary of the Committee. The committee gives necessary directions to the management after the discussion on assessment of financial conditions, internal control system, audit program and findings of the audit. After the resignation of director Mr. Chandra Tandon, the Audit Committee has been reformed with Mr. Avanindra Kumar Shrestha as coordinator and other members are Dr. Chanda Karki and the head of internal Audit Department is the member-secretary of the Committee.

For the FY 2016/17, meeting of the Audit Committee was held 13 times. In the meeting, Audit Committee reviewed the entire banking financial condition of the Bank, audit plan and observations and comments pointed out in the audit report, which was presented by both the internal and external auditor, and directed the management to take the corrective actions. Similarly, the Committee has reviewed the adverse remarks pointed out in the report on inspection and supervision of NRB. The issues have been recorded and informed to the Board of Directors. The Committee has also supported the management for the preparation of a true and fair Annual Financial Statement of the Bank, reviewed adherence to the regularity in the Bank's proceedings, economy, relevance, effectiveness and others and provided necessary suggestions, reviewed the Quarterly Financial Statement of the Bank and reported it to the Board of Directors.

Risk Management Committee

The Board of Directors has formed the Risk Management committee under the coordination of director, Mr. Manohar Das Mool along with other directors, Mr. Prakash Chandra Mainali, Mr. Chandra Tandon and Chief Operating Officer as members. The Head of Risk Management Department is the member secretary of the Committee. The coordinator of Audit Committee acts as invitee member of Risk Management Committee and a meeting of the Committee is held at least once in three months. The functions, duties and powers have been defined in alignment with the directives of NRB. In the FY 2016/17, meeting of the Risk Management Committee was held 6 times. The Risk Management Committee of the Bank has been working on finding out risks that are affecting the Bank and its management. The Committee has been providing special attention for risk management to minimize credit risks, market risks, operation risks, liquidity risks, non-compliance risks and other risks. The Bank has a separate credit risk unit for credit risk management. Due to resignation of director Mr. Manohar Das Mool, Risk Management Committee has been reformed, and director, Mr. Prakash Chandra Mainali is coordinator and other members are director, Mr. Chandra Tandon, Chief Operating Officer and the Head of Risk Management Department is the member-secretary of the Committee. Due to the resignation of director Mr. Chandra Tandon, Risk Management Committee has once again been reformed with director, Mr. Prakash Chandra Mainali as coordinator, Mr. Avanindra Kumar Shrestha, as member and other members are, director Mr. Bijay Dhoj Karki, Chief Operating Officer and the Head of Risk Management department is appointed as the member secretary of the Committee.

Human Resource Management and Compensation Committee

The Board of Director has formed the Human Resource and Compensation Committee under the coordination of director Mr. Bal Krishna Prasai along with director Mr. Prabitra Kumar Karki, Chief Executive Officer Mr. Rajan Singh Bhandari and Chief Finance Officer as a member. The Head of Human Resources Department is a member Secretary of the Committee. The functions, duties and rights of this Committee are in alignment with the directives of NRB.

For the FY 2016/17, meeting of the Committee was held 4 times and the committee reviewed HR Policy and made adjustments in service facilities, employee promotion, routine functions, etc. The Committee also recommended the recruitment of necessary employees for FY 2017/18.

Anti-Money Laundering Committee

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

Building Construction Committee

The Board of Directors has formed the Building Construction Committee under the coordination of director, Mr. Prabitra Kumar Karki along with Mr. Prakash Chandra Mainali and Mr. Bijaya Dhoj Karki and Assistant Chief Executive Officer of the General Administration Department, Mr. Bodh Raj Devkota is member secretary of the Committee.

In the FY 2016/17, meeting of the committee was held 9 times and the committee inspected various sites in Biratnagar, Birgunj, Pokhara, Nepalgunj, Surkhet and Mahendranagar and the Committee has taken necessary steps for the purchase of land/ building and office equipments in those locations. In Pokhara and Birgunj, land/building purchase process has been completed. During the inspection of the proposed land/building for other locations, the Bank has not found an appropriate site and hence, decided not to purchase land/building. As duties and responsibilities of this Committee were completed in FY 2016/17, the Board of Directors dissolved the Committee in the Board Meeting held on 2017/07/11.

14. CONTRIBUTION TO THE GOVERNMENT EXCHEQUER

During the FY 2016/17, the Bank deposited in aggregate, NPR 827.68 million with Inland Revenue Office that consisted of NPR 560.59 million for Advance Income Tax and NPR 267.09 million for Tax Deducted at Source on various payments made by the Bank.

15. HUMAN RESOURCE

By the end of the FY 2016/17, there are 715 employees working in the Bank. During the year 2016/17, the Bank has hired/appointed a total of 77 new staffs, whereas a total of 78 employees resigned from the Bank's service. Out of the total staffs, 271 are female i.e. 37.90 percent. With the motive of providing excellent and speedy banking services to its customers, the Bank has provided training to its employees for

human resource development. The Bank has adopted the policy to carry out similar training programs in the future as well.

16. FACTORS AFFECTING BANKING TRANSACTION

Different risks that affect the banking transaction are listed below:

a) Potential risks that may arise due to change in commercial bank policy by Nepal Government and NRB.
b) Risks due to change in exchange rate during foreign exchange transactions.
c) Risks due to change in interest rate on deposit and credit and change in loanable fund as a result of change in liquidity.
d) Risks due to non-recovery of credit on time.
e) Risks due to change in economic conditions of the country.
f) Potential risks arising in providing non-funded services such as letter of credit and bank guarantee.
g) Financial risks in the Nepalese market due to recession in foreign market.
h) Risks due to capital market fluctuation.
i) Effects due to decrease in remittance inflow of the country.
j) Effects due to political instability in country.
k) Effects due to rapid increase in competition in the banking industry.
l) Risks arising due to natural disasters.

17. APPOINTMENT OF AUDITOR

The 10th Annual General Meeting of the Bank has appointed M/S J.K. & S.S Associates, Chartered Accountants, for auditing books of account for FY 2016/17 and the audit has been completed. For the FY 2017/18, appointment of auditor will be done as per recommendation of Audit Committee.

18. FUTURE STRATEGIES AND PROGRAMS

a) In order to reduce the average interest rate on deposits, the Bank plans to introduce and mobilize new deposit schemes and increase the individual deposit base and decrease the dependency on institutional depositors.
b) Upgrade Core Banking Software Pumori Plus IV to Finacle.
c) Increase Non-Fund Based Transactions to increase Non-Fund Based Incomes.
d) Improve the quality of the loans & advances and increase the credit disbursement to Agriculture, Energy, Tourism and Cottage and Small Scale Industries.
e) Further improvement in Internal Control System.
f) Enhancement of Branding the Bank through advertisements and business promotion programs.
g) Organize more programs under Corporate Social Responsibility to show the Bank as a responsible institution in society and enhance the brand of the Bank.
h) Form Research and Analysis Unit to identify new areas for expansion of the business of the Bank, to increase the effectiveness of Customer Service and create a friendly environment for customers and manage foreign exchange market and fluctuation in interest rate, to have a positive impact on profit of the Bank.
i) With consideration to State Province and Monetary Policy, the Bank targets to open & operate 15 new branches at different location.
j) Provide regular training for employees to enhance the effectiveness and efficiency of work.
k) Further improve Corporate Governance of the Bank.
l) Enhance risk management system of the Bank.

19. AUDIT, BALANCE SHEET AND OTHER STATEMENT

The Balance Sheet as on July 15, 2017, Profit and Loss Account for year 2016/17, Profit and Loss Appropriation Account, Cash Flow Statement, Schedules and Auditor's Report have been included as part of this annual report.

Profit and Loss Appropriation Account

In the Fiscal Year 2016/17, 20 percent of the Net Profit i.e., 20 percent of NPR 1,081.66 million, amounting to NPR 216.33 million has been transferred to General Reserve Fund, in line with the requirement of Section 44 of Banks and Financial Institutions Act (BAFIA), 2017. Similarly, the Bank has earned NPR 59.79 million due to the change in foreign rates, and NPR 14.947 million is transferred to Foreign Exchange Fund in line with the section 45 of BAFIA, 2017. As per the directives of NRB, the Bank has separated 1 percent of Net profit i.e., NPR 10.82 million for Corporate Social Responsibility and NPR 100 million has been separated for Debenture Redemption Reserve . The last year tax, amounting to NPR 7.08 million has been recorded as expenses in the current year's Profit and Loss Appropriation Account. Out of the Distributable Profit of the Fiscal Year 2016/17, NPR 1,206.98 million (last year accumulated profit of NPR 42.04 million included); cash dividend of NPR 69.22 million, and bonus share of NPR 1,107.47 million has been proposed to be distributed. The remaining NPR 118.17 million has been proposed to be recorded as the accumulated profit for the year and as per the approval received from Nepal Rastra Bank on September 04, 2017, the Bank may distribute Cash dividend of NPR 58.29 million and Bonus Share of NPR 1,107.47 million, totaling to NPR 1,165.76 million and the remaining amount of NPR 129.098 million has been proposed to be transferred to accumulated profit for the year.

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

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

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

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

Date: 2017/09/02

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 judgments and estimates where necessary,
- State that financial statement comply with the Generally Accepted Accounting Principles, Nepal Financial Reporting Standards, Directives issued by Nepal Rastra Bank, Companies Act, 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

Chairman
Dr. Shankar Prasad Sharma

A REPORT ON THE ACTIVITIES OF AUDIT COMMITTEE

1. Constitution

The Audit Committee chaired by the non-executive director with a total of four members has the terms of reference in line with regulatory provisions of the NRB Unified Directives and the provisions of the Sections 164 and 165 of the Companies Act, 2006. The Audit Committee of the Bank comprises of, Mr. Chandra Tandon – Director as the coordinator and Mr. Bijaya Dhoj Karki - Director, Dr. Chanda Karki - Director and Mr. Anit Sapkota - Head-Internal Audit are the members of the committee. The Committee is chaired by Mr. Chandra Tandon with effect from October 15, 2015 (28.06.2072). Prior to this, it was chaired by Mr. Arjun Lal Rajbanshi. Mr. Anit Sapkota - Head-Internal Audit Department of Bank, acts as the Member Secretary of the Committee.

2. Roles and Responsibilities

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

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

3. Major Activities Undertaken

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

- Ensured that the Financial Reporting system is in place, were effective and well managed as well as reviewed the recent professional and regulatory pronouncements to understand the potential impact on financial statements.
- Reviewed the appropriateness of the accounting policies and ensured adherence to statutory as well as regulatory compliance requirements and applicable Accounting Standards.
- Provided directions and over seed the operations of total audit functions of the Bank, including the structure of internal audit, operation and quality control of internal audit, internal control weaknesses and inspection within the Bank and followed- up to the suggestions of Statutory/ External Auditors of the Bank and NRB inspection report.
- Evaluated the adequacy of internal control systems, and held discussions with the internal auditors / inspectors on any significant finding and followed-up actions thereon. It further reviewed the financial and risk management policies of the Bank and reports prepared based on it.
- Reviewed the Interim Financial Statement of the Bank in order to monitor such statement, prior to submitting it to the Board of Directors.
- The Committee assisted the Board of Directors in engaging the External Auditor for statutory audit services, in compliance with the provisions of the direction and Act, as well as recommended on their remuneration for the approval of the shareholders through AGM. The committee also reviewed the non- audit services provided by the auditor, while monitoring and evaluating the independence and objectivity of the External Auditor.

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

4. Conclusion

The Committee has been performing its functions effectively and is grateful to all for extending cooperation in performing its responsibilities.

Mr. Chandra Tandon
Coordinator
Audit Committee

A REPORT ON THE ACTIVITIES OF RISK MANAGEMENT COMMITTEE

1. Composition of the Committee

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

The Risk Management Committee of the Bank comprises of, Mr. Prakash Chandra Mainali - Director as the coordinator and Mr. Chandra Tandon - Director, Mr. Paras Kafle - Chief Operating Officer and Mr. Krishna Pandey – Head, Risk Management Department are the members of the committee. The committee was reconstituted on May 15, 2017 (01.02.2074). Mr. Krishna Pandey, Head of Risk Management Department of the Bank, acts as the Member Secretary of the Committee.

2. Roles and Responsibilities

Risk Management 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 suggesting the Board of Directors as to their appropriateness.
- To obtain reports from the management on risk management on a regular basis; discuss as to assessment and evaluation of the risks under existing system, control and monitoring mechanism and submit necessary suggestions to the Board of Directors.
- To appraise the Board of Directors as to their appropriateness, of the existing risk identification and management system as well as suggest the development of an appropriate system.
- To analyze and review capital adequacy as per internal capital adequacy assessment policy (ICAAP), assess appropriateness of policies as per the business strategy, maximum level of risk the Bank may assume and submit necessary recommendations and opinions to the Board of Directors.
- To suggest the Board of Directors, for the development of a mechanism and necessary policies, that may be needed as per appropriate practices, as well as internal limits to be fixed by the Bank with respect to the guidelines/ directives issued by Nepal Rastra Bank relating to Risk Management.
- Conduct stress testing on a regular basis and discuss the outcomes. On that basis, submit recommendations to the Board of Directors, about the policies and procedures that might be necessary for adoption in the future.
- To review on a 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 of Directors.

3. Major Activities Undertaken

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

4. Conclusion

The Committee has been performing its functions effectively and is grateful to all for extending cooperation in performing its responsibilities.

Prakash Chandra Mainali
Coordinator
Risk Management Committee

A REPORT ON THE ACTIVITIES OF HUMAN RESOURCE AND COMPENSATION COMMITTEE

1. Composition of the Committee

The Committee, which constitutes of five members, has the Terms of Reference in line with the regulatory provisions of the NRB. The CEO, responsible for the overall management of the Bank, participates in all the deliberations and discussions, except in matters of conflict of interest. The Human Resource and Compensation Committee of the Bank comprises of Mr. Bal Krishna Prasai – Director as the coordinator, and Mr. Pavitra Kumar Karki - Director, Mr. Rajan Singh Bhandari - Chief Executive Officer, Ms. Umang Sharma - Chief Administrative Officer and Mr. Pramesh Raj Kayastha - Chief Finance Officer are the members of the Committee. The Committee is chaired by Mr. Bal Krishna Prasai since October 15, 2015 (28.06.2072) and Ms. Umang Sharma - Chief Administrative Officer of the Bank, is Member Secretary of the Committee.

2. Roles and Responsibilities

The Committee is given following roles and responsibilities:

- Provide necessary support to the Board of Directors in developing, reviewing and amending 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, as well as recommend changes from time to time.
- Review the existing compensation package, including that of the CEO, in line with the industry.
- Develop and evaluate the parameters of job description, targets and goals, and assess the performance evaluation criteria and process based on it.
- Develop policies and parameters related to Recruitment and selection, appointment, placement, transfer, promotion, personnel development, performance evaluation, reward and punishment and recommend it to the Board of Directors.
- Develop Human Resource Policy, organization chart and manpower planning, along with succession planning, and recommend it to the Board of Directors.
- Evaluating the parameters of the compensation and benefits of the employee.
- Determining 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 to agree with any payments proposed.
- Agreeing with the policy for authorizing claims for expenses, and ensuring that all incentive plans comply with the relevant legislation, codes of conduct and good remuneration practice.
- Recommending the Board of Directors from time to time, about additional/ new expertise required by the Bank, and also addressing succession planning and issues connected to the organizational structure.

3. Major Activities Undertaken

The Committee made recommendations to amend the Vehicle Facility as per the schedule of the Employee Service Bye-Laws. It also suggested on number of manpower to be required for the Bank for FY 2017/18, including changes in the milestones for the promotion of the staff for approval of the Board of Directors. The committee also reviewed the Human Resource Policy and recommended amendments required therein to the Board of Directors.

The Committee has been working on appropriate remuneration packages and capacity development plan for its employees in order to motivate employees and enhance their capacities to accomplish the goals of the bank.

4. Conclusion

The Committee has been performing its functions effectively and is grateful to all for extending cooperation in performing its responsibilities.

Bal Krishna Prasai
Coordinator
Human Resource and Compensation Committee

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

STANDARD AND RELIABLE BANKING SERVICES

The main objective of the Bank has been to provide standard and reliable financial services to the general public, by protecting and promoting the rights and interests of the depositors and shareholders of the Bank. In this regard, the Bank has expanded four branches. The new branches have been expanded in Bardibas, Chaame, Chhahara outside the valley and in Gwarko inside the valley. Altogether there are 60 branches of the Bank as on the fiscal year 2016/17. Furthermore, the Bank has also been able to mobilize branchless banking, therefore, taking the count of branchless Banking centres to 97 with the Bank's BLB service reaching to 12,091 customers in the review year. The Bank also acknowledges the growing trend in the use of electronic banking services as a result of which, the Bank has been able to maintain 74,509 customers of mobile banking service whereas the number of internet banking customers has reached 11,543 with an increase of 36.35 percent and 24.83 percent in both services respectively. Furthermore, for the convenience and satisfaction of the Bank's valued customers, the Bank has added 10 more ATM's to increase the number of ATM's to 59.

DEVELOPMENT OF INDUSTRIAL, TRADE AND AGRICULTURAL SECTORS OF THE COUNTRY

Sector	2015/16	2016/17	Growth
Industry	9,517.21	12,160.20	28%
Trade	7277.69	8,114.31	11%
Agriculture	938.37	1,361.48	45%
Others	22,832.54	26,806.01	17%
Total	40,565.82	48,442.00	19%

As can be depicted from the table above, the Bank stands firm on its objective to associate itself with the growth in the economy, with growing amount of investment in all the sectors and an increase of approx. 19 percent in the amounts invested in each sector. The highest increase can be seen in the agriculture sector in comparison to any other sector which saw loans increase by 45%. The industry sector saw loan increase by 28% and the trade sector by 12%. Others sector in the above table saw loan increase of 17% which comprises of sectors like transport, Communication and Public Utilities, Consumption Loans and other loans. Out of the total deposits, 91.89 percent has been disbursed as loans and advances compared to the disbursement of 85.59 percent in the previous year. Interest income on loans and advances has increased by 10.46 percent as compared to 8.69 percent in the previous year. Interest expenses on deposits have increased by 6.012 percent as compared to 3.848 percent in the previous year. The Bank has reduced the concentration of deposits among the top accounts though the same remains on higher side even under the period under review. The Bank acknowledges the fact of having inferior deposit profile with low proportion of low cost CASA deposits which has led to the high cost of deposit among the peers and weakening the Bank's competitive positioning to some extent. The high exposure to the riskier segments and reduction in the low yielding corporate loans by approximately 16 percent since July 2014, has been supporting for the better yields of the Bank. The tightening of the liquidity in the Banking Sector in the period under review had resulted in the increased cost of fund for the Bank due to high growth in advance and consequent reliance on the large depositors. The Bank has provided the all-time higher rate of interest (in the history of the Bank) on the deposit segment to cope up with the economic scenario at that period but has always remained in the purview of the interest rate spread as required by the central bank.

SUPPORT EMPLOYMENT ORIENTED BUSINESSES AND RENDER SUPPORT TO ALLEVIATE POVERTY

Sector	2015/16	2016/17	Growth
Industry	728.00	998.00	37%
Trade	1,086.00	1,208.00	11%
Agriculture	1,696.00	2,568.00	52%
Others	16,567.00	19,369.00	17%
Total	20,077.00	24,143.00	19%

The growth trend is also reflected in the numbers as the highest increase is seen in the agriculture category where customers have increased by 872 and lowest is seen in trade category where customers have increased by 122. Therefore, in total, the Bank has invested in 4,066 new businesses, which represents an increase in approx. 19 percent from the previous year, reflecting the drive to support employment-generating businesses and therefore lend a helping hand in alleviating poverty from the country. The Bank represents itself as a promoter of "goodness" and in the path for investing into goodness, the Bank widen its reach to the agricultural sector lending creating the environment for the long term sustainable development with the help of the increased flow of money to the economically productive sector and rendering of the services to such potential though deprived sector. The Bank also helped in creation of the employment opportunity and also invested in the retail and Small and Medium Enterprise with the objective of boosting the economies of the scale of the country and promoting the Entrepreneurship. The Bank has increased the share of retail/SME loans in Bank's portfolio to approximately 57 percent as on Jan 2017 in comparison to the 40 percent as on July 2014. It also had positive impact on the Bank as the credit concentration risk gradually decreased to approximately 22 percent as on Jan 2017 as compared to higher percentage in earlier period.

PROVIDE FINANCIAL INTERMEDIARY SERVICES

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

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

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

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



CFO'S MESSAGE

"We intend to maintain our existing dividend policy, which is to pay sustainable dividends while maintaining capital ratios consistent with regulations and the expectations of rating agencies, investors, and other stakeholders in increased share capital environment."

Despite the challenging operating environment, the Bank has successfully reported a net profit after tax of NPR 1.082 billion in this year 2016/17 as compared to the NPR 1.080 Billion in the previous year 2015/16. Total shareholders' equity reached NPR 9.389 billion, an increase of NPR 4.0834 billion compared with 2015/16. As at 15 July 2017, total deposit on our balance sheet stood at NPR 52.7186 Billion, an increase of NPR 5.3251 billion from the level was recorded on 15 July 2016. Total loans, advances, bills were increased by NPR 7.45 billion during the year and reached to NPR 47.0854 billion which is reflected on the Balance sheet as on 15 July 2017. The level of capital expenditure increased to NPR 657.281 million to support our strategic objectives and smooth operation. As a consequence of increased loans, advances, bills in comparison to deposits, cash and cash equivalents stood at NPR 6.078 Billion on 15 July 2017 which fell by NPR 62.277 million compared to the 2015/16 year end.

A favorable operating environment supported by quantitative easing from Nepal Rastra Bank, the resultant movements in interest rates and fluctuation in exchange rate had a material influence on our performance. While some of their effects were beneficial, others created challenges that we were able to successfully manage. In spite of the fact that we had challenges , we accepted it as the guidelines which also supported us to boost up our real efficiency in the ocean of vast economic challenges.

The independent auditor has reported the unqualified opinion on the financial statements of the Bank in the FY 2016/17 that it gives a true and fair view in all material respect in accordance with Nepal Financial Reporting Standards. The Bank has also prepared specific purpose financial statements for FY 2016/17 as per Directives of Nepal Rastra Bank on which the independent auditor has also reported unqualified opinion. The base of distributable profit for dividend distribution, tax payable and bonus payable has been taken from financial statement prepared as per Directives of Nepal Rastra Bank. Both of the financial pictures have been presented along with the reconciliation which also reflect the clear difference between results of both of the financials, which definitely helps the stakeholders to take informed decisions.

We intend to maintain our existing dividend policy, which is to pay sustainable dividends while maintaining capital ratios consistent with regulations and the expectations of rating agencies, investors, and other stakeholders. Our payouts also take into account the long-term growth prospects of our businesses.

Last but not the least, I would like to thank all the concerned people who have shown their interest in our FY 2016/17 Annual Report.

PRAMESH RAJ KAYASTHA
Chief Finance Officer

INFORMATION FOR UNDERSTANDING FINANCIAL STATEMENTS

1. Two sets of financial statements have been prepared and presented separately for the year 2016/17. General Purpose Financial Statement has been prepared as per Nepal Financial Reporting Standard (NFRS) and Specific Purpose Financial Statement has been prepared as per Nepal Rastra Bank Directives.

For the dividend distribution, taxation and employee bonus purpose, net profit reported as per regulatory financial statement prepared as per Nepal Rastra Bank Directives has been considered.

2. Comparison of NFRS Financial Statements vis-à-vis Financial Statements as per NRB Directives has been disclosed with remarks for the causes of difference for ease of understanding of the users of financial statements in Notes to Accounts of NFRS Financial Statements (note no. 5.22).

3. Preparation of NFRS financial statements is in conformity with NFRS requirement to the use of certain critical accounting estimates and also requirement of management to exercise judgment in process of applying the Bank's accounting policies.

Similarly, Preparation of NRB Directives financial statements is in conformity with NRB Directives and generally accepted accounting principle to the use of certain critical accounting estimates and also requirement of management to exercise judgment in process of applying the Bank's accounting policies.

4. Financial Statements as per NRB Directives include the following components:

- Balance Sheet disclosing the financial position of the Bank.
- Profit and Loss Account disclosing the financial performance of the Bank.
- Cash Flow Statement disclosing the sources of cash in the Bank and the uses of the cash and cash equivalents.
- Statement of Changes in Equity showing all changes in equity of the Bank.
- Notes to the Financial Statements comprising a summary of principal accounting policies of the Bank and other relevant explanatory notes that is of material importance to the readers of the financial statements to facilitate informed decision making.

5. Financial Statements as per NFRS include the following components:

- Statement of financial position of the Bank.
- Statement of Profit or Loss disclosing the financial performance of the Bank with Other Comprehensive Income.
- Statement of Changes in Equity showing all changes in equity of the Bank.
- Statement of Cash Flows disclosing the sources of cash in the Bank and the uses of the cash and cash equivalents.
- Summary of Significant Accounting Policies and Notes to the Accounts that contains explanatory notes to the readers of the financial statements to facilitate informed decision making.

6. Equity

- Equity is the residual interest of the equity holders in the assets after deducting all its liabilities. It comprises of all funds contributed by equity holders, retained earnings and reserves representing appropriation of retained earnings.
- As per Section 44 of Banks and Financial Institutionss Act 2016, all licensed institutions must maintain a general reserve fund. It is required to transfer minimum 20% of net profit after tax to the General Reserve until it becomes double of paid up capital. The Bank consistently transfers the fund from the profit to the General Reserve to comply with this requirement.
- As per Section 45 of the Banks and Financial Institutions Act 2016, all licensed institutions are required to transfer minimum 25% of the total Revaluation Gain (except gain from revaluation of Indian Currency) in the exchange Fluctuation Reserve Fund. The Bank consistently maintains the Reserve by transferring the fund from the profit to comply with this requirement.
- The Bank has to maintain an Investment Adjustment Reserve for Available for sale Investment
- Investment adjustment reserves are created as a cushion for adverse price movements in the Bank's investments falling under "Available for sale" category. These investments should be marked to market on a regular basis and the difference to be adjusted through reserves

7. Staff loans comprise of housing loan facility, personal loan facility and vehicle loan facility and are presented under "Staff Loans and advances" in Schedule 16 "other assets" of the Financial Statements as per NRB Directives and Annexure 18 "other assets" of the Financial Statements as per NFRS.

8. Interest Receivables

- Interest receivable consists of interest accrued on loans and investments which are recognized on daily basis based on the outstanding balance at the end of the day.
- Interest receivables on investments are stated at full value.
- Interest receivables on loans (except staff loans) are stated at full value and are disclosed net of interest suspense under "Accrued Interest on Loan" in schedule 16 of the Financial Statements as per NRB Directives. Similarly, Interest receivables on staff loans are presented under "others" in the same schedule. In financial statements as per NFRS, interest income is recognized directly in case of interest accrued on loans and investment by booking interest receivables. There is no Interest Suspense on Loans and Advances.

9. Prepaid Expenses

- A prepaid expense is an expenditure paid for in one accounting period, but for which the underlying asset will not be consumed until a future period. When the asset is eventually consumed, it is charged to expense. If consumed over multiple periods, there may be a series of corresponding charges to expense.
  Prepaid Expenses comprise of amount paid in advance for insurance services, rental of leased premises, communication like internet connectivity, maintenance of services and other miscellaneous services.
- Prepaid Expenses are recognized as asset at full value on the date of payment.
- They are derecognized as and when services are received or at the time service accrues or period matures.

10. Liabilities

Liabilities are present obligations of the entity arising from past events, the settlement of which are expected to result in an outflow from the entity of resources embodying economic benefits. Liabilities of the Bank comprise of borrowings, deposits, bills payable, dividend payable, interest accruals, unearned income, sundry creditors and other liabilities.

a. Borrowings

Borrowings consist of local and foreign currencies' inter-bank borrowing and the debentures issued to the public. Borrowings are recorded as the total amount that has been borrowed and recognized on the effective dates mentioned in the contract. Borrowings are derecognized at the time of its maturity or settlement/payment.

b. Deposits

Deposits of the Bank comprise of local and foreign currencies' current deposits, savings deposits, call deposits, margin deposits and other deposits of the customers held by the Bank. Deposits are recorded with the amount deposited and recognized on the date of deposit. Deposits are derecognized at the time of its withdrawal or maturity.

c. Bills Payable

Bills payable includes outstanding manager's cheques issued by the Bank. The bills payables are recorded at full value and recognized at the time of its issuance for the consideration payable. They are derecognized at the time of its disposal at the Bank's counter.

d. Dividend Payable

Dividend payables are the dividends, payable to its equity holders duly approved by the current or earlier AGMs. They are recorded at the value immediately after AGM approves the Board's proposal on dividend.

e. Interest Accruals

Interest accruals consist of interest payables on deposits, borrowings and debenture. They are recognized on the outstanding balance at the end of the day on daily basis. Interest accruals are derecognized at the date when it is due.

f. Unearned Income

Commission on guarantees issued by the Bank is recognized as income on yearly basis over the period of the guarantee, except for guarantee commission not exceeding NPR 10 thousands, which is recognized at the time of issue of the guarantee.

Commission on Letters of Credit (LC) issued by the Bank is recognized as income at the time of issue of the LC. However, income from time LC is accounted for over the period of LC on accrual basis.

Other fees and commission income are recognized on cash basis.

11. Gain/ (Loss) arising on disposal of assets

The gain or loss arising from the sale of a property, plant and equipment is included in profit or loss when the item is derecognized. The gain or loss is determined as the difference between the net disposal proceeds, if any, and the carrying value of the item.

The carrying value of an item of property, plant and equipment is derecognized on its disposal or when there is no expected future economic benefit from it. The gain or losses on disposal of Available for sale Investments are also included in the gain or loss arising on disposal of assets.

12. Provision and impairment on Investment

Impairment on quoted investments is recognized by assessing the recoverable amount of an investment from the stock exchange and the cost of an investment. In case of investments that are not actively traded at stock exchange, recoverable amount is computed on equity basis. Impairment is determined when the carrying amount exceeds the recoverable amount. In case of unquoted investments, recoverable amount of an investment is determined on an equity basis. Impairment loss is recognized if the recoverable amount so calculated on an equity basis is less than the cost of an investment.

Similarly, statutory provision has been made on investment as per NRB Directives.

13. Impairment on Fixed Assets

The Bank evaluates at each reporting date, whether there is any indication that an impairment loss recognized in prior periods for an asset no longer exist or may have reduced. If any such indication exists, the Bank estimates the recoverable amount of that asset. The Bank books impairment loss to the extent it has been expensed off in prior years when the carrying amount exceeds the recoverable amount.

14. Write off Expense

During the review year the Bank has written off loan of NPR 105,936,458.

15. Basis of Interest Computation

Interest expenses on deposits/borrowings/ bonds and interest income on loans & local currency investments are calculated on the basis of 365 days a year.

Also, the interest on foreign currency investments is calculated on the basis of 365 days a year.

16. Events After the Balance Sheet Date

The events after the balance sheet date are all those events, whether favorable or unfavorable, which have occurred between the balance sheet date and the date of preparation or approval of the financial statements for its disclosure. During the review year there exists no events after balance sheet date.

17. Chronology of Stock Issuance

Since the establishment, the Bank has increased its paid up equity capital to NPR 8,029,160,009.00 from initial level of NPR 560,000,000.

Fiscal Year	Total Paid Up Capital	Remarks
2006/07	560,000,000	Promoter's share capital
2007/08	560,000,000	No change
2008/09	1,000,000,000	Additional NPR 140 million Promoter share and NPR 300 million Public share Issued
2009/10	2,000,000,000	Issuance of 1:1 Right share
2010/11	2,100,000,000	5 % Bonus shares Issued
2011/12	2,101,840,000	Fraction share Adjustment in promoter share to maintain the ratio between promoter and public shareholders
2012/13	2,101,840,000	No change
2013/14	2,375,079,200	13% Bonus shares Issued
2014/15	3,065,233,817	After acquisition of NHMFL & PEFIL and fraction share adjustment and bonus issuance.
2015/16	4,401,315,379	After Proposed Bonus shares, Calls in Advance with reference to Right share Issued at the ratio of 100:55
2016/17	8,029,160,009	Right share issued at the ratio 100:25 and thereafter 16% bonus share issued

18. Related Party Disclosure

The related party disclosure helps to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the 'reporting entity').

a) A person or a close member of that person's family is related to a reporting entity if that person: (i) has control or joint control over the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity.
b) An entity is related to a reporting entity if any of the following conditions applies:

i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
ii. Any entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
iii. Both entities are joint ventures of the same third party.
iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
v. The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
vi. The entity is controlled or jointly controlled by a person identified in (a).
vii. A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
viii. The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

19. Deposit Insurance

The Bank has executed contract with Deposit Credit Guarantee Corporation for insuring deposits of depositors up to NPR 0.2 million per depositor.

20. Impairment Loss/ Provision for Loss

During the year, no impairment loss has been recognized in the Financial Assets other than Loans and Advances. Impairment loss on loans and advances and Non- Banking Asset have been made in Financial Statements as per NFRS after assessing whether there is objective evidence that loans and advances or group of it are not carried at fair value through profit or loss. Similarly, in case of Financial Statement as per NRB Directives, provision for loans and advances and Non- Banking Assets has been made as prescribed by NRB Directives.

21. Internal Audit

The Bank has formed an internal audit team. The Internal audit of the Bank is independent from the management and directly reports to the board level committee called Audit Sub-Committee. Internal Audit formulates audit plan on risk based approach which is duly approved by the board level committee. The internal audit team performs activities considering the level of operation and size of the branch or department of the Bank and suggests for necessary actions to minimize/mitigate the risks involved.

22. Rounding Off

All figures have been rounded off to the nearest rupee.

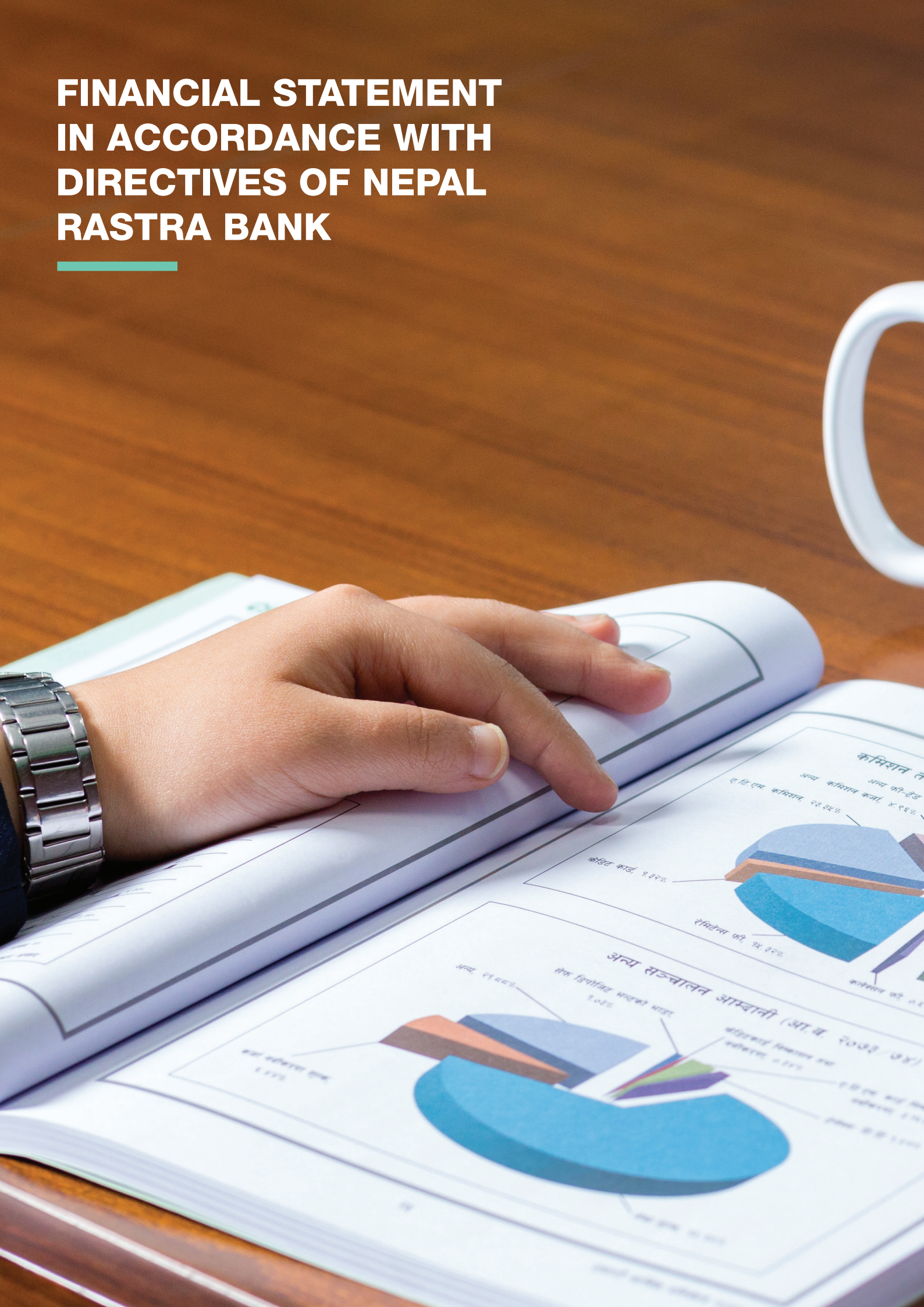
23. Cash and Cash equivalents

Cash and cash equivalents comprises of cash and bank balances.

24. Provision for Taxation

Provision for taxation has been made on the basis of the Income tax Act 2002 and amendments thereto.

FINANCIAL STATEMENT IN ACCORDANCE WITH DIRECTIVES OF NEPAL RASTRA BANK




Citizens
YOUR PARTNER
MRC
GT
MARK UP
+/-
CE
Citizens Bank
YOUR PARTNER FOR PROGRESS

Regd. (ICAN) No.: 407

JK & SS Associates
Chartered Accountants

P.O. Box No: 10895, 196/30 - Radhe Marg
Dillibazar, Kathmandu, Nepal
Tel. 01-4445217, 4440317, 4417395
Fax: +977-1-4445218
Website: www.jkss.com.np

REPORT OF THE INDEPENDENT AUDITORS

ON THE CONSOLIDATED FINANCIAL STATEMENT OF CITIZENS BANK INTERNATIONAL LIMITED PREPARED AS PER THE DIRECTIVES OF NEPAL RASTRA BANK

We have audited the accompanying consolidated financial statements prepared as per Directives of Nepal Rastra Bank of Citizens Bank International Ltd, which comprise the consolidated balance sheet as at Ashadh 31, 2074, and the consolidated profit and loss account, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management of Citizens Bank International Ltd based on the formats and regulations provided by Directives of NEPAL RASTRA BANK.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation of these financial statements in accordance with the formats and regulations provided by Directives of Nepal Rastra Bank, and accordance with Nepal Financial Reporting Standards for the subjects where the NRB regulations are silent, for such internal control as management determines is necessary to enable the preparations of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Nepal standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider the internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of the expressing an opinion on the effectiveness of Bank's internal control. An audit also includes evaluating the appropriateness of the accounting polices used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, on the consolidated financial statements give a true and fair view, in all material respect of the consolidated financial position of Citizens Bank International Limited as at Ashadh 31, 2074 (July 15, 2017) and its consolidated financial performance, consolidated Statement of Changes in Equity and its consolidated cash flows for the year then ended in compliance with Directives of Nepal Rastra Bank and Banks and Financial Act, 2073.

Basis of Accounting
Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describe the basis of Accounting. The consolidated financial statements are prepared as per the Directives of Nepal Rastra Bank. As a result, the consolidated financial statements may not be suitable for another purpose.

Report on other legal and Regulatory Requirements
On the basis of our examination, we would like to further report that:

i. We have obtained all the information and explanations, which were considered necessary for the purpose for our audit,
ii. Financial statements including Consolidated Balance Sheet, Consolidated Profit and Loss Account, Consolidated Profit and Loss Appropriation Account, Consolidated Cash Flow Statement, Consolidated Statements of Change in Equity and attached Schedules have been prepared in accordance with the methods and format specified by Directives of Nepal Rastra Bank and are in agreement with the books of account maintained by the Bank,
iii. The Bank has accounted for interest income from Loans and Advances on cash basis as per Nepal Rastra Bank's Directives,
iv. So far as it appears from our examination, books of accounts are properly maintained in accordance with the prevailing laws,
v. So far as it appears from our examination, we have not come across cases where the Board of Directors or any member thereof or any representative or any office holder or any employee of the Bank has acted contrary to the provisions of law or caused loss or damage to the Bank or committed any misappropriation or violated directives of Nepal Rastra Bank,
vi. The operations of the Bank were within its jurisdiction,
vii. So far as it appears from our examination, the Bank has maintained adequate capital fund and risk bearing fund and has maintained adequate provisions for possible impairment of assets,
viii. The bank has not acted in a manner to jeopardize the interest and security of the depositors and investors,
ix. The returns received from branches of the Bank through the statements are independently not audited were adequate for the purpose of our audit, and
x. We have not come across any fraudulence in the accounts, so far as it appeared from our examination of the book of accounts.

Other matter
Citizens Bank International Ltd has prepared a separate set of general purpose consolidated financial statements for the year ended Ashadh 31, 2074 in accordance with Nepal Financial Reporting Standards on which we issued a separate auditor's report to the shareholders of Citizen Bank International Ltd dated Bhadra 1, 2074.

Date: Bhadra 1, 2074
Place: Narayanhiti Path, Kathmandu

CA Niranjan Chaudhary
Partner
JK & SS Associates
Chartered Accountants

CONSOLIDATED BALANCE SHEET

AS AT JULY 15, 2017 (ASHADH 31, 2074)

Capital & Liabilities	Current Year NPR		Previous Year NPR
1. Share Capital	8,029,160,009		4,401,315,379
2. Reserves and Funds	1,363,331,529		911,820,427
3. Non- Controlling Interest	34,874,052		36,860,871
4. Debentures & Bonds	500,000,000		500,000,000
5. Borrowings	1,538,578,077		1,119,046,010
6. Deposit Accounts	52,702,875,995		47,392,945,271
7. Bills Payable	67,045,774		93,281,715
8. Proposed Cash Dividend	69,216,897		39,509,251
9. Income Tax Liabilities	-		-
10. Other Liabilities	1,809,756,642		623,565,751
Total Capital & Liabilities	**66,114,838,975**		**55,118,344,675**

Assets	Current Year NPR		Previous Year NPR
1. Cash Balance	2,033,110,556		1,884,370,645
2. Balance with Nepal Rastra Bank	2,842,478,220		3,149,515,238
3. Balance with Banks/Financial Institutions	1,715,775,871		859,995,176
4. Money at Call and Short Notice	152,054,562		247,448,846
5. Investments	8,480,277,716		7,529,423,745
6. Loans, Advances and Bills Purchased	47,079,214,476		39,635,465,293
7. Fixed Assets	1,773,058,448		1,109,647,578
8. Non- Banking Assets	-		-
9. Other Assets	2,038,869,126		702,478,154
Total Assets	**66,114,838,975**		**55,118,344,675**

Pramesh Raj Kayastha
Chief Finance Officer

Ganesh Raj Pokharel
Acting 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

Chandra Tandon
Director

Avanindra Kumar Shrestha
Director

As per our report of even date

Date:- August 17, 2017
Place:- Narayanhiti Path, Kathmandu

CA Niranjan Chaudhary
Partner
JK & SS Associates
Chartered Accountants

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE PERIOD FROM JULY 16, 2016 TO JULY 15, 2017 (SHRAWAN 1, 2073 TO ASHADH 31, 2074)

Particulars	Current Year NPR	Previous Year NPR
1. Interest Income	4,924,311,906	3,445,228,762
2. Interest Expenses	3,166,276,259	1,823,683,077
Net Interest Income	**1,758,035,647**	**1,621,545,685**
3. Commission & Discount	161,423,307	97,670,368
4. Other Operating Incomes	336,920,022	292,087,427
5. Exchange Fluctuation Income (Trading Gain)	182,492,690	143,294,226
Total Operating Income	**2,438,871,666**	**2,154,597,706**
6. Staff Expenses	445,360,775	296,695,846
7. Other Operating Expenses	547,532,279	376,685,026
8. Exchange Fluctuation Loss	-	-
Operating Profit Before Provision for Possible Loss	**1,445,978,612**	**1,481,216,834**
9. Provision for Possible Losses	403,941,574	355,120,007
Operating Profit	**1,042,037,038**	**1,126,096,827**
10. Non - Operating Income/Expenses	57,567,738	143,490,397
11. Provision for Possible Lossess Written Back	716,036,695	431,739,372
Profit from Regular Operations	**1,815,641,471**	**1,701,326,596**
12. Profit/Loss from Extra-Ordinary Activities	(80,354,832)	6,712,100
Profit after considering all activities	**1,735,286,639**	**1,708,038,696**
13. Provision for Staff Bonus	158,331,967	153,886,400
14. Provision for Income Tax	497,678,786	462,385,873
Current Year's Tax Provision	266,285,162	468,674,096
Prior Period Taxation	-	-
Deferred Tax (Income)/ Expenses	231,393,624	(6,288,223)
Net Profit/ (Loss)	**1,079,275,886**	**1,091,766,423**
Share of Non- Controlling Interest on Profit of Subsidiary	1,313,181	3,758,345
Net Profit/ (Loss) after Share of Non- Controlling Interest	**1,077,962,705**	**1,088,008,078**

Pramesh Raj Kayastha
Chief Finance Officer

Ganesh Raj Pokharel
Acting 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

Chandra Tandon
Director

Avanindra Kumar Shrestha
Director

As per our report of even date

Date:- August 17, 2017
Place:- Narayanhiti Path, Kathmandu

CA Niranjan Chaudhary
Partner
JK & SS Associates
Chartered Accountants

CONSOLIDATED PROFIT AND LOSS APPROPRIATION ACCOUNT

AS AT JULY 15, 2017 (ASHADH 31, 2074)

Particulars	Current Year NPR	Previous Year NPR
Income		
1. Accumulated Profit upto Last Year	47,742,322	82,815,452
2. Current Year's Profit	1,077,962,705	1,088,008,078
3. Exchange Fluctuation Fund	-	-
4. Deferred Tax Reserve Fund	27,367,881	-
5. Actuarial Gain on Defined Benefit Obligation	28,266,600	-
6. Investment Adjustment Reserve		13,524,000
7. Share Premium	532,361,308	
Total	**1,713,700,815**	**1,184,347,530**
Expenses		
1. Accumulated Loss upto Last Year		
2. Current Year's Loss		
3. General Reserve Fund	216,332,310	216,075,500
4. Contingent Reserve	-	
5. Institutional Development Fund	-	
6. Dividend Equalization Fund	-	
7. Employees' Related Fund	-	
8. Proposed Dividend	69,216,897	39,509,251
9. Proposed Issue of Bonus Share	1,107,470,346	750,675,762
10. Special Reserve Fund	-	
11. Exchange Fluctuation Fund	14,947,824	9,622,914
12. Bond/Debentures Redemption Reserve Fund	100,000,000	100,000,000
13. Capital Adjustment Fund	-	
14. Adjustment of Prior Period Item	-	
15. Deferred Tax Reserve Fund	-	
16. Investment Adjustment Reserve	67,660,000	320,886
17. Corporate Social Responsibility Fund	10,816,615	
18. Prior Period Expenses	7,085,648	18,263,046
19. Capital Reserve Fund		2,137,849
Total	**1,593,529,640**	**1,136,605,208**
17. Accumulated Profit/(Loss)	**120,171,176**	**47,742,322**

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Chief Finance Officer

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Dr. Chanda Karki
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Chandra Tandon
Director

Avanindra Kumar Shrestha
Director

As per our report of even date

Date:- August 17, 2017
Place:- Narayanhiti Path, Kathmandu

CA Niranjan Chaudhary
Partner
JK & SS Associates
Chartered Accountants

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FISCAL YEAR 2016/2017 (2073/2074)

AMOUNT IN NPR

Particulars	Share Capital	Accumulated Profit/Loss	General Reserve	Capital Redemption Reserve	Share Premium	Exchange Fluctuation Fund	Deferred Tax Reserve	Investment Adjustment Reserve	CSR Fund	Other Reserves	Total Amount
Opening Balances as at July 17, 2016	**4,401,315,379**	**47,742,322**	**695,877,047**	**100,000,000**	**2,971,617**	**18,107,711**	**27,367,881**	**17,616,000**		2,137,849	**5,313,135,806**
Adjustment During the year											
Net Profit for the Year		1,077,962,705									1,077,962,705
Investment Adjustment Reserve		(67,660,000)						67,660,000			
Right Share Issue 10:5.5	1,685,878,599	-	-	-	-	-	-				1,685,878,599
Calls in Advance	(585,405,800)	-	-	-	-	-	-				(585,405,800)
Issuance of Share for Premier Finance Ltd. Acquisition	35,563,584	-	-	-	-	-	-				35,563,584
Right Share Issue 10:2.5	1,384,337,900	-	-	-	-	-	-				1,384,337,900
Deferred Tax Reserve	-	27,367,881	-	-	-	-	(27,367,881)				-
Share Premium from Auction of Shares	-	-	-	-	529,389,690	-	-				529,389,690
Transfer from Share Premium	-	532,361,307	-	-	(532,361,307)	-	-				-
Transfer to General Reserve	-	(216,332,310)	216,332,310	-	-	-	-				-
Capital Redemption Reserve	-	(100,000,000)	-	100,000,000	-	-	-				-
Exchange Fluctuation Fund	-	(14,947,824)	-	-	-	14,947,824	-				-
Prior Period Expenses	-	(7,085,648)	-	-	-	-	-				(7,085,648)
Corporate Social Responsibility Fund	-	(10,816,615)	-	-	-	-	-		10,816,615		-
Actuarial Gain on Defined Benefit Obligation	-	28,266,600	-	-	-	-	-		-		28,266,600
Proposed Dividend		(69,216,897)									
Issue of Bonus Share	1,107,470,346	(1,107,470,346)	-	-	-	-	-			-	-
Closing Balance as at July 15,2017	**8,029,160,008**	**120,171,175**	**912,209,357**	**200,000,000**	-	**33,055,535**	-	**85,276,000**	**10,816,615**	**2,137,849**	**9,392,826,539**

Pramesh Raj Kayastha
Chief Finance Officer

Ganesh Raj Pokharel
Acting Chief Executive Officer

Dr. Shankar Prasad Sharma
Chairman

Bal Krishna Prasai
Director

Chandra Tandon
Director

Prakash Chandra Mainali
Director

Bijaya Dhoj Karki
Director

Pabitra Kumar Karki
Director

Dr. Chanda Karki
Director

Avanindra Kumar Shrestha
Director

Date:- August 17, 2017
Place:- Narayanhiti Path, Kathmandu

As per our report of even date

CA Niranjan Chaudhary
Partner
JK & SS Associates
Chartered Accountants

CONSOLIDATED CASH FLOW STATEMENT

FOR THE PERIOD FROM JULY 16, 2016 TO JULY 15, 2017 (SHRAWAN 1, 2073 TO ASHADH 31, 2074)

Particulars	Current Year NPR	Previous Year NPR
(A) Cash Flow from Operation	**(1,015,310,876)**	**1,101,841,341**
1. Cash Receipts	**6,354,063,671**	**4,186,106,921**
1.1 Interest Income	5,248,871,930	3,364,057,185
1.2 Commission and Discount Income	156,170,578	92,209,592
1.3 Gain on Trading of Foreign Exchange	122,701,396	104,802,570
1.4 Recovery of Write off Loan	25,581,626	6,712,100
1.5 Other Income	800,738,141	618,325,474
2. Cash Payments	**(4,644,170,356)**	**(2,901,700,499)**
2.1 Interest Expenses	(3,061,142,477)	(1,780,609,832)
2.2 Staff Expenses	(649,589,056)	(379,610,950)
2.3 Office Overhead Expenses	(355,290,869)	(303,776,355)
2.4 Payment of Income Tax	(571,062,306)	(437,703,362)
2.5 Other Expenses	(7,085,648)	-
Cash Flow Before Working Capital Activities	**1,709,893,315**	**1,284,406,422**
Decrease/(Increase) in Current Asset from Operating Activities	**(8,344,955,424)**	**(12,416,373,190)**
1. Changes in Money at Call and Short Notice	95,394,284	(152,024,732)
2. Changes in Other Short Term Investments	453,461,017	(526,521,661)
3. Changes in Loans, Advances and Bills Purchased	(7,442,759,455)	(11,393,290,478)
4. Changes in Other Assets	1,451,051,270	(344,536,319)
Increase/(Decrease) in Current Liability from Operating Activities	**(5,619,751,233)**	**12,233,808,109**
1. Changes in Deposits	4,638,807,641	11,610,796,507
2. Changes in Certificate of Deposits	-	-
3. Changes in Short Term Borrowings	383,703,990	516,296,010
4. Changes in Other Liabilities	597,239,602	106,715,592
(B) Cash Flow from Investing Activities	**(1,329,801,888)**	**(1,138,330,919)**
1. Changes in Long Term Investments (Increase)/Decrease	(1,380,607,707)	(1,384,773,591)
2. Changes in Fixed Assets (Increase)/Decrease	(372,478,767)	(278,098,979)
3. Interest Income from Long Term Investments	122,452,635	123,183,468
4. Dividend Income	8,732,467	671,769
5. Others (Sale of Non Banking Assets)	292,099,484	400,686,414
6. Others (Cash & Bank balance increased during acquisition)	-	-
(C) Cash Flow from Financial Sources	**2,975,646,871**	**205,281,420**
1. Long Term Borrowings (Bond ,Debenture) Increase/(Decrease)	-	-
2. Paid Up Capital Increase/(Decrease)	2,484,810,699	585,405,800
3. Other Liabilities Increase/(Decrease)	529,389,691	-
4. Refinance / Soft Loan from Nepal Rastra Bank Increase/(Decrease)	30,828,077	(299,250,000)
5. Interest Paid on Bonds	(42,499,998)	(45,304,233)
6. Dividend Paid	(26,881,598)	(35,570,147)
(D) Income/(Expense) Due to Fluctuation in Exchange rate of Cash and Bank Balance	**59,791,295**	**38,491,656**
(E) Net Cash Flow of the Year	**690,325,402**	**207,283,500**
(F) Opening Cash and Bank Balance	**5,916,744,707**	**5,686,597,559**
(G) Closing Cash and Bank Balance	**6,607,070,109**	**5,893,881,059**

Pramesh Raj Kayastha
Chief Finance Officer

Ganesh Raj Pokharel
Acting Chief Executive Officer

Dr. Shankar Prasad Sharma
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Dr. Chanda Karki
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Chandra Tandon
Director

Avanindra Kumar Shrestha
Director

As per our report of even date

Date:- August 17, 2017
Place:- Narayanhiti Path, Kathmandu

CA Niranjan Chaudhary
Partner
JK & SS Associates
Chartered Accountants

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

P.O. Box No: 10895, 196/30 - Radhe Marg
Dillibazar, Kathmandu, Nepal
Tel. 01-4445217, 4440317, 4417395
Fax: +977-1-4445218
Website: www.jkss.com.np

REPORT OF THE INDEPENDENT AUDITORS

ON THE FINANCIAL STATEMENT OF CITIZENS BANK INTERNATIONAL LIMITED PREPARED AS PER THE DIRECTIVES OF NEPAL RASTRA BANK

We have audited the accompanying financial statements prepared as per Directives of Nepal Rastra Bank of Citizens Bank International Ltd, which comprise the Balance Sheet as at Ashad 31, 2074, and the Profit and Loss Account, Profit and Loss Appropriation Account, , Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a summary of significant Accounting Policies and other explanatory information. The financial statements have been prepared by management of Citizens Bank International Ltd based on the formats and regulations provided by Directives of Nepal Rastra Bank.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation of these financial statements in accordance with the formats and regulations provided by Directives of Nepal Rastra Bank, and in accordance with Nepal Financial Reporting Standards for the subjects where NRB regulations are silent, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Basis of Accounting
Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describe the basis of accounting. The financial statements are prepared as per the Directives of Nepal Rastra Bank. As a result, the financial statements may not be suitable for another purpose.

Report on Other Legal and Regulatory Requirements
On the basis of our examination, we would like to further report that:

i. We have obtained all the information and explanations, which were considered necessary for the purpose for our audit,
ii. Financial statements including Balance Sheet, Profit and Loss Account, Profit and Loss Appropriation Account, Cash Flow Statement, Statements of Change in Equity and attached Schedules have been prepared in accordance with the methods and format specified by Directives of Nepal Rastra Bank and are in agreement with the books of account maintained by the Bank,
iii. The Bank has accounted for interest income from Loans and Advances on cash basis as per Nepal Rastra Bank's directives,
iv. So far as it appears from our examination, books of accounts are properly maintained in accordance with the prevailing laws,
v. So far as it appears from our examination, we have not come across cases where the Board of Directors or any member thereof or any representative or any office holder or any employee of the Bank has acted contrary to the provisions of law or caused loss or damage to the Bank or committed any misappropriation or violated directives of Nepal Rastra Bank,
vi. The operations of the Bank were within its jurisdiction,
vii. So far as it appears from our examination, the bank has maintained adequate capital fund and risk bearing fund and has maintained adequate provisions for possible impairment of assets,
viii. The bank has not acted in a manner to jeopardize the interest and security of the depositors and investors,
ix. The returns received from branches of the Bank though the statements are independently not audited were adequate for the purpose of our audit, and
x. We have not come across any fraudulence in the accounts, so far as it appeared from our examination of the book of accounts.

Other matter
Citizens Bank International Ltd has prepared a separate set of general purpose financial statements for the year ended Ashad 31, 2074 in accordance with Nepal Financial Reporting Standards on which we issued a separate auditor's report to the shareholders of Citizen Bank International Ltd. dated Bhadra 1 ,2074.

Date: Bhadra 1, 2074
Place: Narayanhiti Path, Kathmandu

CA Niranjan Chaudhary
Partner
JK & SS Associates
Chartered Accountants

BALANCE SHEET

AS AT JULY 15, 2017 (ASHADH 31, 2074)

Capital & Liabilities	Schedule	Current Year NPR	Previous Year NPR
1. Share Capital	1	8,029,160,009	4,401,315,379
2. Reserves and Funds	2	1,359,526,638	903,981,689
3. Debentures & Bonds	3	500,000,000	500,000,000
4. Borrowings	4	1,533,578,077	1,119,046,010
5. Deposit Accounts	5	52,718,581,456	47,393,500,966
6. Bills Payable	6	67,045,774	93,281,715
7. Proposed Cash Dividend		69,216,897	39,509,251
8. Income Tax Liabilities		-	-
9. Other Liabilities	7	1,128,380,164	611,380,608
Total Capital & Liabilities		**65,405,489,015**	**55,062,015,618**

Assets	Schedule	Current Year NPR	Previous Year NPR
1. Cash Balance	8	2,033,095,847	1,884,360,876
2. Balance with Nepal Rastra Bank	9	2,842,478,220	3,149,515,238
3. Balance with Banks/Financial Institutions	10	1,050,736,892	859,317,987
4. Money at Call and Short Notice	11	152,054,562	247,448,846
5. Investments	12	8,449,820,208	7,478,036,913
6. Loans, Advances and Bills Purchased	13	47,085,381,656	39,635,465,293
7. Fixed Assets	14	1,765,128,851	1,107,847,373
8. Non- Banking Assets	15	-	-
9. Other Assets	16	2,026,792,779	700,023,092
Total Assets		**65,405,489,015**	**55,062,015,618**

Contingent Liabilities	Schedule 17	Principal Financial Indicators	Schedule 31
Directors' Declaration	Schedule 29	Principal Accounting Policies	Schedule 32
Capital Adequacy Table	Schedule 30 (A)	Notes to Accounts	Schedule 33
Risk Weighted Assets Table	Schedule 30 (B)	Loans to Promoters	Schedule 34
Credit Risk Mitigation (CRM) Table	Schedule 30 (C)	Comparision of Audited and Unaudited Financial Statements	Schedule 35
Operation Risk Table	Schedule 30 (D)	Unaudited Financial Statement	Schedule 36
Market Risk Table	Schedule 30 (E)		

Schedules 1 to 17, 32 and 33 form integral part of this Balance Sheet

Pramesh Raj Kayastha
Chief Finance Officer

Ganesh Raj Pokharel
Acting 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

Chandra Tandon
Director

Avanindra Kumar Shrestha
Director

As per our report of even date

Date:- August 17, 2017
Place:- Narayanhiti Path, Kathmandu

CA Niranjan Chaudhary
Partner
JK & SS Associates
Chartered Accountants

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD FROM JULY 16, 2016 TO JULY 15, 2017 (SHRAWAN 1, 2073 TO ASHADH 31, 2074)

Particulars	Schedule	Current Year NPR	Previous Year NPR
1. Interest Income	18	4,926,555,964	3,443,472,897
2. Interest Expenses	19	3,169,544,646	1,823,705,606
Net Interest Income		**1,757,011,318**	**1,619,767,291**
3. Commission & Discount	20	125,924,185	97,670,368
4. Other Operating Incomes	21	352,889,148	272,238,862
5. Exchange Fluctuation Income (Trading Gain)	22	182,492,690	143,294,226
Total Operating Income		**2,418,317,341**	**2,132,970,747**
6. Staff Expenses	23	439,525,665	295,202,178
7. Other Operating Expenses	24	538,546,093	372,822,535
8. Exchange Fluctuation Loss	22	-	-
Operating Profit Before Provision for Possible Loss		**1,440,245,583**	**1,464,946,034**
9. Provision for Possible Losses	25	403,941,574	355,120,007
Operating Profit		**1,036,304,009**	**1,109,826,027**
10. Non - Operating Income/Expenses	26	63,932,738	144,472,897
11. Provision for Possible Lossess Written Back	27	716,036,695	431,739,372
Profit from Regular Operations		**1,816,273,442**	**1,686,038,296**
12. Profit/Loss from Extra-Ordinary Activities	28	(80,354,832)	6,712,100
Profit after considering all activities		**1,735,918,610**	**1,692,750,396**
13. Provision for Staff Bonus		157,810,783	153,886,400
14. Provision for Income Tax		496,446,278	458,486,498
Current Year's Tax Provision		**265,337,676**	**464,827,021**
Prior Period Taxation		**-**	**-**
Deferred Tax (Income)/ Expenses		**231,108,602**	**(6,340,523)**
Net Profit/ (Loss)		**1,081,661,549**	**1,080,377,498**

Schedule 18 to 28, 32 and 33 are integral part of this Profit and Loss Account.

Pramesh Raj Kayastha
Chief Finance Officer

Ganesh Raj Pokharel
Acting 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

Chandra Tandon
Director

Avanindra Kumar Shrestha
Director

As per our report of even date

Date:- August 17, 2017
Place:- Narayanhiti Path, Kathmandu

CA Niranjan Chaudhary
Partner
JK & SS Associates
Chartered Accountants

PROFIT AND LOSS APPROPRIATION ACCOUNT

FOR THE PERIOD FROM JULY 16, 2016 TO JULY 15, 2017 (SHRAWAN 1, 2073 TO ASHADH 31, 2074)

Particulars	Schedule	Current Year NPR	Previous Year NPR
Income			
1. Accumulated Profit upto Last Year		42,041,433	82,607,294
2. Current Year's Profit		1,081,661,549	1,080,377,498
3. Exchange Fluctuation Fund			
4. Deferred Tax Reserve Fund		27,367,881	
5. Actuarial Gain on Defined Benefit Obligation		28,266,600	
6. Share Premium		532,361,308	
7. Investment Adjustment Reserve			13,524,000
Total		**1,711,698,771**	**1,176,508,792**
Expenses			
1. Accumulated Loss upto Last Year			
2. Current Year's Loss			
3. General Reserve Fund		216,332,310	216,075,500
4. Contingent Reserve			
5. Institutional Development Fund			
6. Dividend Equalization Fund			
7. Employees' Related Fund			
8. Proposed Dividend		69,216,897	39,509,251
9. Proposed Issue of Bonus Share		1,107,470,346	750,675,762
10. Special Reserve Fund			
11. Exchange Fluctuation Fund		14,947,824	9,622,914
12. Bond/Debentures Redemption Reserve Fund		100,000,000	
13. Capital Adjustment Fund			100,000,000
14. Adjustment of Prior Period Item			
15. Deferred Tax Reserve Fund			
16. Investment Adjustment Reserve		67,660,000	320,886
17. Corporate Social Responsibility Fund		10,816,615	
18. Prior Period Expenses		7,085,648	18,263,046
Total		**1,593,529,640**	**1,134,467,359**
19. Accumulated Profit/(Loss)		**118,169,131**	**42,041,433**

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Director

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Director

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Director

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Director

Dr. Chanda Karki
Director

Chandra Tandon
Director

Avanindra Kumar Shrestha
Director

As per our report of even date

Date:- August 17, 2017
Place:- Narayanhiti Path, Kathmandu

CA Niranjan Chaudhary
Partner
JK & SS Associates
Chartered Accountants

STATEMENT OF CHANGES IN EQUITY

FISCAL YEAR 2016/2017 (2073/2074)

AMOUNT IN NPR

Particulars	Share Capital	Accumulated Profit/Loss	General Reserve	Capital Redemption Reserve	Share Premium	Exchange Fluctuation Fund	Deferred Tax Reserve	Investment Adjustment Reserve	CSR Fund	Total Amount
Opening Balances as at July 17, 2016	**4,401,315,379**	**42,041,433**	**695,877,047**	**100,000,000**	**2,971,617**	**18,107,711**	**27,367,881**	**17,616,000**		**5,305,297,068**
Adjustment During the year										
Net Profit for the Year		1,081,661,549								1,081,661,549
Investment Adjustment Reserve		(67,660,000)						67,660,000		
Right Share Issue 10:5.5	1,685,878,599									1,685,878,599
Calls in Advance	(585,405,800)									(585,405,800)
Issuance of Share for Premier Finance Ltd. Acquisition	35,563,584									35,563,584
Right Share Issue 10:2.5	1,384,337,900									1,384,337,900
Deferred Tax Reserve		27,367,881					(27,367,881)			-
Share Premium from Auction of Shares					529,389,690					529,389,690
Transfer from Share Premium		532,361,307			(532,361,307)					-
Transfer to General Reserve		(216,332,310)	216,332,310							-
Capital Redemption Reserve		(100,000,000)		100,000,000						-
Corporate Social Responsibility Fund		(10,816,615)								-
Actuarial Gain on Defined Benefit Obligation		28,266,600								28,266,600
Issue of Bonus Share	1,107,470,346	(1,107,470,346)							10,816,615	-
Proposed Dividend		(69,216,897)								
Exchange Fluctuation Fund		(14,947,824)				14,947,824				-
Prior Period Expenses		(7,085,648)								(7,085,648)
Closing Balance as at July 15,2017	**8,029,160,008**	**118,169,131**	**912,209,357**	**200,000,000**	-	**33,055,535**	-	**85,276,000**	**10,816,615**	**9,388,686,646**

Pramesh Raj Kayastha
Chief Finance Officer

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Acting Chief Executive Officer

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Director

Prakash Chandra Mainali
Director

Bijaya Dhoj Karki
Director

Pabitra Kumar Karki
Director

Dr. Chanda Karki
Director

Avanindra Kumar Shrestha
Director

Date:- August 17, 2017
Place:- Narayanhiti Path, Kathmandu

As per our report of even date

CA Niranjan Chaudhary
Partner
JK & SS Associates
Chartered Accountants

CASH FLOW STATEMENT

FOR THE PERIOD FROM JULY 16, 2016 TO JULY 15, 2017 (SHRAWAN 1, 2073 TO ASHADH 31, 2074)

Particulars	Current Year NPR	Previous Year NPR
(A) Cash Flow from Operation	**(1,690,821,611)**	**1,089,313,066**
1. Cash Receipts	**6,322,109,304**	**4,174,622,425**
1.1 Interest Income	5,247,331,447	3,352,291,074
1.2 Commission and Discount Income	119,946,456	92,209,592
1.3 Gain on Trading of Foreign Exchange	122,701,396	104,802,570
1.4 Recovery of Write off Loan	25,581,626	6,712,100
1.5 Other Income	806,548,379	618,607,089
2. Cash Payments	**(4,612,881,070)**	**2,896,435,197**
2.1 Interest Expenses	(3,060,626,323)	1,780,632,361
2.2 Staff Expenses	(642,668,376)	378,117,282
2.3 Office Overhead Expenses	(336,371,525)	300,065,914
2.4 Payment of Income Tax	(566,129,198)	437,619,640
2.5 Other Expenses	(7,085,648)	
Cash Flow Before Working Capital Activities	**1,709,228,234**	**1,278,187,228**
Decrease/(Increase) in Current Asset from Operating Activities	**(8,313,765,598)**	**(12,415,923,657)**
1. Changes in Money at Call and Short Notice	95,394,284	(152,024,732)
2. Changes in Other Short Term Investments	453,461,017	(526,521,661)
3. Changes in Loans, Advances and Bills Purchased	(7,442,759,455)	(11,393,290,478)
4. Changes in Other Assets	(1,419,861,444)	(344,086,786)
Increase/(Decrease) in Current Liability from Operating Activities	**4,913,715,753**	**12,227,049,495**
1. Changes in Deposits	4,638,807,641	11,611,352,204
2. Changes in Certificate of Deposits		-
3. Changes in Short Term Borrowings	383,703,990	516,296,010
4. Changes in Other Liabilities	(108,795,878)	99,401,281
(B) Cash Flow from Investing Activities	**(1,343,651,090)**	**(1,125,821,041)**
1. Changes in Long Term Investments (Increase)/Decrease	(1,401,537,031)	(1,374,149,369)
2. Changes in Fixed Assets (Increase)/Decrease	(365,398,645)	(276,213,323)
3. Interest Income from Long Term Investments	122,452,635	123,183,468
4. Dividend Income	8,732,467	671,769
5. Others (Sale of Non Banking Assets)	292,099,484	400,686,414
6. Others		-
(C) Cash Flow from Financial Sources	**2,985,490,312**	**205,281,420**
1. Long Term Borrowings (Bond ,Debenture) Increase/(Decrease)	-	-
2. Paid Up Capital Increase/(Decrease)	2,484,810,699	585,405,800
3. Other Liabilities Increase/(Decrease) - Share Premium	529,389,691	
4. Refinance / Soft Loan from Nepal Rastra Bank Increase/(Decrease)	30,828,077	(299,250,000)
5. Interest Paid on Bonds	(42,499,998)	(45,304,233)
6. Dividend Paid	(17,038,157)	(35,570,147)
(D) Income/(Expense) Due to Fluctuation in Exchange rate of Cash and Bank Balance	**59,791,294**	**38,491,656**
(E) Net Cash Flow of the Year	**10,808,907**	**207,265,103**
(F) Opening Cash and Bank Balance	**5,915,502,052**	**5,685,928,998**
(G) Closing Cash and Bank Balance	**5,926,310,959**	**5,893,194,101**
* Opening Cash & Bank Balance includes cash & bank balance of Premier Finance Limited of NPR 22,307,951.	-	-

Pramesh Raj Kayastha
Chief Finance Officer

Ganesh Raj Pokharel
Acting Chief Executive Officer

Dr. Shankar Prasad Sharma
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Director

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Director

Avanindra Kumar Shrestha
Director

As per our report of even date

Date:- August 17, 2017
Place:- Narayanhiti Path, Kathmandu

CA Niranjan Chaudhary
Partner
JK & SS Associates
Chartered Accountants

SHARE CAPITAL AND OWNERSHIP

As at July 15, 2017 (Ashadh 31, 2074)

Schedule 1

Particulars	Current Year NPR	Previous Year NPR
1. Share Capital		
1.1 Authorised Capital	**10,000,000,000**	**10,000,000,000**
a) 100,000,000 Ordinary Shares of Rs 100 each	10,000,000,000	10,000,000,000
b) Non-Redeemable Preference Shares		
c) Redeemable Preference Shares		
1.2 Issued Capital	**6,921,689,663**	**4,809,116,900**
a) 69,216,896.63 Ordinary Shares of Rs 100 each (Previous Year Issued Capital of 48,091,169 Ordinary Shares of Rs. 100 each)	6,921,689,663	4,809,116,900
b) Non-Redeemable Preference Shares		
c) Redeemable Preference Shares		
1.3 Paid Up Capital	**6,921,689,663**	**3,065,233,817**
a) 69,216,896.63 Ordinary Shares of Rs 100 each (Previous Year Issued Capital of 30,652,338.16 Ordinary Shares of Rs. 100 each)	6,921,689,663	3,065,233,817
b) Non-Redeemable Preference Shares		
c) Redeemable Preference Shares		
1.4 Proposed Bonus Share	**1,107,470,346**	**750,675,762**
1.5 Calls in Advance	**-**	**585,405,800**
1.6 Total Amount	**8,029,160,009**	**4,401,315,379**

Particulars of Share Ownership	Current Year		Previous Year	
	%	Share Capital NPR	%	Share Capital NPR
1. Local Ownership	**100.00%**	**6,921,689,663**	**100.00%**	**3,065,233,817**
1.1 Government of Nepal				
1.2 "Ka" Class Licensed Institutions				
1.3 Other Licensed Institutions				
1.4 Organized Institutions (Promoters)	5.37%	371,712,448	5.74%	176,063,028
1.5 General Public	48.68%	3,369,459,871	48.72%	1,493,418,089
1.6 Others (Promoters)	45.95%	3,180,517,343	45.53%	1,395,752,700
2. Foreign Ownership				
Total	**100.00%**	**6,921,689,663**	**100.00%**	**3,065,233,817**

* Share Ownership has been shown for Paid- up share capital only.

SHAREHOLDERS HOLDING 0.5% OR MORE SHARES

As at July 15, 2017 (Ashadh 31, 2074)

Schedule 1 (A)

SN	Name	Number of Shares held	Paid Up Value NPR	% of Shareholding
1	Nagarik Lagani Kosh	3,128,253	312,825,292	4.52%
2	Urmila Pandey	3,117,404	311,740,420	4.50%
3	Janak Bista	2,775,882	277,588,171	4.01%
4	Bijen Joshi	1,602,019	160,201,858	2.31%
5	Manohar Das Mool	1,289,625	128,962,500	1.86%
6	Pavitra Kumar Karki	1,205,344	120,534,400	1.74%
8	Soni Joshi	1,202,665	120,266,500	1.74%
7	Rabindra Man Singh Pradhan	1,201,512	120,151,202	1.74%
9	Sabitri Sharma	1,131,625	113,162,500	1.63%
10	Ramesh Sharma	961,214	96,121,413	1.39%
12	Jagannath Gyawali	688,440	68,843,959	0.99%
11	Shankar Prasad Sharma	682,172	68,217,200	0.99%
13	Arjun Prasad Sharma	666,425	66,642,539	0.96%
14	Sulochan Raj Rajbhandary	640,811	64,081,060	0.93%
15	Anin Rajbhandari	589,884	58,988,375	0.85%
16	Narendra Kumar Deo Bhatta	553,098	55,309,759	0.80%
17	Ramita Bhattarai	509,283	50,928,296	0.74%
18	Manita Bhattarai	508,341	50,834,110	0.73%
20	Pratap Jung Pandey	492,401	49,240,092	0.71%
19	S R Hydro and Investment Pvt. Ltd.	491,423	49,142,273	0.71%
21	Ram Prasad Shrestha	481,678	48,167,813	0.70%
23	Rajesh Khadka	480,607	48,060,680	0.69%
22	Prem Bahadur Shrestha	475,585	47,558,537	0.69%
24	Anil Kumar Dhungel	467,104	46,710,418	0.67%
25	Baburam Pokharel	454,568	45,456,800	0.66%
26	Sandhya Regmi (Siwakoti)	452,250	45,225,020	0.65%
27	Chintamani Bhattarai	448,566	44,856,593	0.65%
28	NLG Insurance Co. Ltd	443,314	44,331,400	0.64%
29	Badri Kumar Shrestha	438,017	43,801,688	0.63%
30	Dhurba Kumar Shrestha	438,017	43,801,688	0.63%
31	Pradeep Kumar Shrestha	375,082	37,508,231	0.54%
32	Shrawan Kumar Rana	354,802	35,480,170	0.51%
33	Usha Kiran Shrestha	351,253	35,125,313	0.51%
34	Rag Investment Pvt Ltd	346,988	34,698,804	0.50%
	Grand Total	**29,445,651**	**2,944,565,074**	**42.52%**

RESERVES AND FUNDS

As at July 15, 2017 (Ashadh 31, 2074)

Schedule 2

Particulars	Current Year NPR	Previous Year NPR
1. General/ Statutory Reserve Fund	912,209,357	695,877,047
2. Share Premium	-	2,971,617
3. Capital Redemption Reserve	200,000,000	100,000,000
4. Capital Reserve Fund		
5. Other Reserve Fund		
5.1. Contingent Reserve		
5.2 Institutional Development Fund		
5.3 Dividend Equalization Fund		
5.4 Special Reserve Fund		
5.5 Assets Revaluation Reserve		
5.6 Deferred Tax Reserve		
5.7.Other Free Reserve		
a. Deferred Tax Reserve	-	27,367,881
b. Investment Adjustment Reserve	85,276,000	17,616,000
6. Accumulated Profit	118,169,131	42,041,433
7. Exchange Fluctuation Reserve	33,055,535	18,107,711
8. Corporate Social Responsibility Fund	10,816,615	
Total	**1,359,526,638**	**903,981,689**

DEBENTURE AND BONDS

As at July 15, 2017 (Ashadh 31, 2074)

Schedule 3

Particulars	Current Year NPR	Previous Year NPR
1. 500,000 8.5% Citizens Bank Bond 2077 of Rs. 1,000 each Issued in Poush 2070 and Maturity in Poush 2077 (Redemption Reserve till date : - NPR 200,000,000)**	500,000,000	500,000,000
2. …% Bond/Debenture per Bonds/ Debenture of … Issued on ……..and Maturity on …….. (Redemption Reserve till date : - Rs…….)		
3……..		
Total	**500,000,000**	**500,000,000**

** The Bank has created Debenture Redemption Reserve, and appropriated NPR. 200 million, i.e. 20% of face value, starting from January 2015 (Poush 2072/73)

BORROWINGS

As at July 15, 2017 (Ashadh 31, 2074)

Schedule 4

Particulars	Current Year NPR	Previous Year NPR
A. Local		
1. Government of Nepal		
2. Nepal Rastra Bank	33,578,077	2,750,000
3. Repo Liability		
4. Inter-Banks and Financial Institutions	1,500,000,000	1,100,000,000
5. Other Financial Institutions		
Total	**1,533,578,077**	**1,102,750,000**
B. Foreign		
1. Banks	-	16,296,010
2. Others		
Total	**-**	**16,296,010**
Total (A+B)	**1,533,578,077**	**1,119,046,010**

DEPOSIT LIABILITY

As at July 15, 2017 (Ashadh 31, 2074)

Schedule 5 (A)

Particulars	Current Year NPR	Previous Year NPR
1. Non-Interest Bearing Accounts		
A. Current Deposits	**1,459,820,363**	**1,369,295,850**
1. Local Currency	1,375,031,877	1,289,340,395
1.1 Government of Nepal	26,396,122	49,337,085
1.2 "A" Class Licensed Institutions	600,990	636,140
1.3 Other Licensed Financial Institutions	298,144,278	253,667,072
1.4 Other Organized Institutions	883,845,100	655,166,791
1.5 Individuals	166,045,387	330,533,307
1.6 Others	-	-
2. Foreign Currency	84,788,486	79,955,455
2.1 Government of Nepal	-	
2.2 "A" Class Licensed Institutions	37,000	
2.3 Other Licensed Financial Institutions	-	
2.4 Other Organized Institutions	58,861,341	60,174,779
2.5 Individuals	25,890,145	19,780,676
2.6 Others	-	
B. Margin Deposits	**262,933,875**	**302,746,087**
1. Employees' Guarantee	-	
2. Guarantee Margin	99,346,449	99,854,682
3. Letters of Credit Margin	149,283,915	146,880,863
4. Others	14,303,511	56,010,542
C. Others	**-**	**-**
1. Local Currency		
1.1 Financial Institutions	-	-
1.2 Other Organised Institutions	-	-
1.3 Individuals	-	-
2. Foreign Currency	-	-
2.1 Financial Institutions	-	-
2.2 Other Organized Institutions	-	-
2.3 Individuals	-	-
Total of Non-Interest Bearing Accounts	**1,722,754,238**	**1,672,041,936**

DEPOSIT LIABILITY

As at July 15, 2017 (Ashadh 31, 2074)

Schedule 5 (B)

Particulars	Current Year NPR	Previous Year NPR
2. Interest Bearing Accounts		
A. Savings Deposits	**10,623,211,411**	**9,684,567,020**
1. Local Currency	10,522,836,629	9,586,318,704
1.1 Institutions	8,291,732	8,112,759
1.2 Individuals	10,514,544,897	9,578,205,945
1.3 Others	-	-
2. Foreign Currency	100,374,782	98,248,316
2.1 Institutions	-	4,060
2.2 Individuals	100,374,782	98,244,256
2.3 Others	-	
B. Fixed Deposits	**34,934,495,372**	**25,939,304,541**
1. Local Currency	34,908,006,761	25,778,488,636
1.1 Institutions	21,676,459,018	19,953,464,204
1.2 Individuals	13,219,489,162	5,825,024,432
1.3 Others	12,058,581	-
2. Foreign Currency	26,488,611	160,815,905
2.1 Institutions	20,630,000	156,784,000
2.2 Individuals	5,858,611	4,031,905
2.3 Others	-	-
C. Call Deposits	**5,438,120,435**	**10,097,587,472**
1. Local Currency	5,403,090,589	10,055,263,276
1.1 "A" Class Licensed Institutions	787,431	867,629
1.2 Other Licensed Financial Institutions	2,613,240,481	3,670,928,024
1.3 Other Organised Institutions	2,134,061,258	5,248,769,284
1.4 Individuals	655,001,419	1,121,788,971
1.5 Others	-	12,909,368
2. Foreign Currency	35,029,846	42,324,196
2.1 "A" Class Licensed Institutions	-	-
2.2 Other Licensed Financial Institutions	12,829,633	9,132,993
2.3 Other Organised Institutions	22,200,213	33,180,187
2.4 Individuals	-	11,016
2.5 Others		-
D. Certificate of Deposits	**-**	**-**
1. Organised Institutions	-	-
2. Individuals	-	-
3. Others	-	-
Total of Interest Bearing Accounts	**50,995,827,218**	**45,721,459,032**
Total Deposits (1+2)	**52,718,581,456**	**47,393,500,968**

BILLS PAYABLE

As at July 15, 2017 (Ashadh 31, 2074)

Schedule 6

Particulars	Current Year NPR	Previous Year NPR
1. Local Currency	67,000,440	43,659,982
2. Foreign Currency	45,334	49,621,733
Total	**67,045,774**	**93,281,715**

OTHER LIABILITIES

As at July 15, 2017 (Ashadh 31, 2074)

Schedule 7

Particulars	Current Year NPR	Previous Year NPR
1. Defined Benefit Obligation (Gratuity and Leave) Less: Plan Asset	4,133,964	81,783,314
2. Employees' Provident Fund	132,715	6,276
3. Employees' Welfare Fund	-	-
4. Provision for Staff Bonus	157,810,783	153,886,400
5. Interest Payable on Deposits	92,617,474	28,279,063
6. Interest Payable on Borrowings	13,609,914	11,530,000
7. Unearned Discount and Commission	26,142,457	20,164,728
8. Sundry Creditors	20,219,283	6,569,554
9. Branch Adjustment Account	-	-
10. Deferred Tax Liability	-	-
11. Unpaid Dividend	58,203,937	46,601,094
12. Others	755,509,637	262,560,179
a. Audit Fees Payable	1,186,500	1,186,500
b. Debit Card Payable	19,793,097	14,075,961
c. Account Payable Others	612,314,692	180,105,742
d. Tax Deducted At Source	90,340,249	48,069,523
e. Retention Money	16,058,347	8,817,609
f. Provision for Expenses	15,816,752	10,304,844
Total	**1,128,380,164**	**611,380,608**

CASH BALANCE

As at July 15, 2017 (Ashadh 31, 2074)

Schedule 8

Particulars	Current Year NPR	Previous Year NPR
1. Local Currency (Including Coins and Gold)	2,003,806,455	1,859,787,144
2. Foreign Currency	29,289,392	24,573,732
Total	**2,033,095,847**	**1,884,360,876**

BALANCE AT NEPAL RASTRA BANK

As at July 15, 2017 (Ashadh 31, 2074)

Schedule 9

Particulars	Local Currency NPR	Foreign Currency Equivalent in NPR			Current Year NPR	Previous Year NPR
		INR	Convertible Foreign Currency	Total		
1. Nepal Rastra Bank	**2,835,877,772**	**-**	**6,600,448**	**6,600,448**	**2,842,478,220**	**3,149,515,238**
a. Current Account	2,835,877,772	-	6,600,448	6,600,448	2,842,478,220	3,149,515,238
b. Other Account	-	-	-	-		-

Note: Total Bank Balance as per the balance confirmation from Nepal Rastra Bank NPR. 2,866,741,179

BALANCE WITH BANKS/FINANCIAL INSTITUTIONS

As at July 15, 2017 (Ashadh 31, 2074)

Schedule 10

Particulars	Local Currency NPR	Foreign Currency Equivalent in NPR			Current Year NPR	Previous Year NPR
		INR	Convertible Foreign Currency	Total		
1. Local Licenced Institution	**419,837,364**	**-**	**1,231,489**	**1,231,489**	**421,068,853**	**357,557,694**
a. Current Account	419,837,364	-	1,231,489	1,231,489	421,068,853	357,557,694
b. Other Account	-	-	-	-	-	-
2. Foreign Banks		**93,178,397**	**536,489,642**	**629,668,039**	**629,668,039**	**501,760,293**
a. Current Account		93,178,397	536,489,642	629,668,039	629,668,039	501,760,293
b. Other Account	-	-	-	-	-	-
Total	**419,837,364**	**93,178,397**	**537,721,131**	**630,899,528**	**1,050,736,892**	**859,317,987**

Note: Total Bank Balance as per the balance confirmation from Bank/ Financial Institution NPR. 1,131,333,021.

MONEY AT CALL AND SHORT NOTICE

As at July 15, 2017 (Ashadh 31, 2074)

Schedule 11

Particulars	Current Year NPR	Previous Year NPR
1. Local Currency	-	-
2. Foreign Currency	152,054,562	247,448,846
Total	**152,054,562**	**247,448,846**

INVESTMENTS

As at July 15, 2017 (Ashadh 31, 2074)

Schedule 12

Particulars	Purpose		Current Year NPR	Previous Year NPR
	Trading NPR	Others NPR		
1. Nepal Government's Treasury Bills		307,750,980	307,750,980	1,343,461,611
2. Nepal Government's Savings Bonds		-		
3. Nepal Government's Others Securities		6,427,425,000	6,427,425,000	3,970,200,000
4. Nepal Rastra Bank Bonds		-	-	1,081,025,000
5. Foreign Securities		-		
6. Local Licensed Institutions		195,211,375	195,211,375	42,115,250
7. Foreign Banks		1,364,822,521	1,364,822,521	934,433,924
8. Corporate Shares	51,442,831	103,167,501	154,610,332	106,801,128
9. Corporate Bonds & Debentures		-		
10. Other Investments		-	-	-
Total Investment	**51,442,831**	**8,398,377,377**	**8,449,820,208**	**7,478,036,913**
Provision	-		-	
Net Investment	51,442,831	8,398,377,377	8,449,820,208	7,478,036,913

** Investment adjustment reserve has been created as per requirement of Unified Directive by Nepal Rastra Bank

INVESTMENTS IN SHARES, DEBENTURES AND BONDS

As at July 15, 2017 (Ashadh 31, 2074)

Schedule 12 (A)

Particulars	Cost Price NPR	Market Value NPR	Provision NPR	Current Year NPR	Previous Year NPR
1. Investment in Shares	**138,844,404**	**154,610,332**	**-**	**154,610,332**	**106,801,127**
1.1 Soaltee Hotel Ltd (A)	44,497	40,107		40,107	-
111 equity shares (including 10 bonus shares)					
1.2 Prabhu Insurance Ltd.(A)	147,580	2,413,375		2,413,375	-
2413 equity shares (including 413 bonus shares)					
1.3 Prabhu Insurance Ltd.-Promoter(A)	734,761	9,728,456		9,728,456	1,623,560
17,656 equity shares(including 11,769 bonus shares)					
1.4 Chilime Hydropower Company Limited(A)	-	646,631		646,631	1,060,776
810 bonus shares only					
1.5 Ridi Hydropower Development Company Ltd. (A)	752,886	408,286		408,286	662,075
1882 equity shares(including 107 bonus shares)					
1.6 Nerude Laghubitta Bikas Bank Limited(A)	13,831	1,313,270		1,313,270	2,593,296
1022 equity shares(including 292 bonus shares)					
1.7 Life Insurance Co. Nepal (A)	14,935	1,372,088.48		1,372,088	-
638 equity shares(including 127 bonus shares)					
1.8 Nepal Life Insurance Co. Ltd.(A)	2,470,760	3,351,417		3,351,417	-
1560 equity share (including 560 bonus shares)					
1.9 Asian Life Insurance Co. Limited(A)	1,520,362	1,990,170		1,990,170	-
1365 equity shares(including 365 bonus shares)					
1.10 National Life Insurance Co. Ltd. (A)	3,318,205	3,118,800		3,118,800	-
1,356 equity shares(including 456 bonus shares)					
1.11 Shikhar Insurance Co. Ltd. (A)	3,528,912	3134715		3,134,715	
1615 equity shares(including 606 bonus shares)					
1.12 Neco Insurance Co. Ltd. (A)	1,873,322	1,794,445		1,794,445	
1829.2 equity shares (including 998 bonus shares)					
1.13 Siddhartha Insurance Ltd. (A)	1,452,308	1,505,400		1,505,400	
1003 equity share (including 310 bonus shares)					
1.14 Prudential Insurance Co. Ltd. (A)	583,700	691,464		691,464	
490 equity shares(including 248 bonus shares)					

1.15 Chhimek Laghubitta Bikas Bank Limited (A)	316	305		305	
0.20 bonus shares					
1.16 First Micro Finance Development Bank Ltd. (A)	2,104,065	2,116,500		2,116,500	
2075 equity shares (including 25 bonus shares)					
1.17 Deprosc Development Bank Limited (A)	2,788,065	3,063,569		3,063,569	
2384 equity shares (including 618 bonus shares)					
1.18 Swabalamban Bikas Bank Limited (A)	1,027,468	931,635		931,635	
515 bonus shares					
1.19 Sana Kisan Bikas Bank Ltd (A)	1,277,431	1,164,050		1,164,050	
775 equity shares (including 155 bonus shares)					
1.20 Summit Micro Finance Development Bank Ltd. (A)	231,626	401,084		401,084	
134 bonus shares					
1.21 Nirdhan Utthan Bank Limited (A)	-	1,963		1,963	
1 bonus share					
1.22 NMB Hybrid Fund L-1 (A)	3,154,800	3,135,871		3,135,871	
315 480 equity shares@ Rs 10					
1.23 Nabil Equity Fund (A)	2,252,990	2,252,990		2,252,990	
225 299 equity shares @ Rs 10					
1.24 NIBL Pragati Fund (A)	3,424,800	3,424,800		3,424,800	
342 480 equity shares @ Rs 10					
1.25 Laxmi Equity Fund (A)	2,924,780	2,924,780		2,924,780	
292 478 equity shares @ Rs 10					
1.26 Oriental Hotels Limited(A)	79,000	516,660		516,660	139,920
790 equity shares					
1.27 National Banking Institute Limited (NBI) (B)	1,200,000	1,200,000		1,200,000	1,200,000
12,000 equity Shares @ Rs 100 each Fully Paid Up					
1.28 Nepal Clearing House Limited (B)	2,951,500	2,951,500		2,951,500	2,600,000
29515 Equity Shares @ Rs 100 each Fully Paid Up					
1.29 Mero Microfinance Bittiya Sanstha Limited (B)	13,800,000	13,800,000		13,800,000	13,800,000
138,000 Equity Shares @ Rs 100 each Fully Paid Up					
1.30 Nepal Electronic Payment System Limited (B)	15,000,000	15,000,000		15,000,000	15,000,000
150,000 Equity Shares @ Rs 100 each Fully Paid Up					
1.31 Credit Information Bureau (B)	216,001	216,001		216,001	121,500
4,474 Equity Shares (including 2314 bonus shares)					
1.32 CBIL capital Ltd (B)	67,000,000	67,000,000		67,000,000	67,000,000
67,000 shares@ Rs 100 each Fully Paid Up					
1.33 Prabhu Capital Limited (B)	3,000,000	3,000,000		3,000,000	1,000,000
30,000 Equity Shares @ Rs 100 each Fully Paid Up					
2. Investment in Debentures and Bonds	**-**	**-**			
Total Investment	**138,844,404**	**154,610,332**	**-**	**154,610,332**	**106,801,127**
3. Provision for Loss					
3.1 Upto Previous Year					
3.2 Addition/ Write Back					
Total Provision			**-**	**-**	**-**
Net Investment				**154,610,332**	**106,801,127**

Note:

1. Shares of National Banking Institute Limited (NBI), Nepal Clearing House Limited, Credit Information Bureau, Nepal Electronic Payment System Limited, Prabhu Capital Ltd and CBIL Capital Ltd are not listed in Nepal Stock Exchange

2. Shares marked as (A) are categorized as shares held for trading and shares marked as (B) are Categorized as Available for sale.

3. Shares of Oriental Hotels Ltd, Nepal Clearing House Limited and Credit Information Bureau are in the process of ownership transfer in the name of the Bank. These shares have been acquired from Premier Finance Limited.

HELD FOR TRADING

As at July 15, 2017 (Ashadh 31, 2074)

Schedule 12.1

Particulars	Cost Price	Last Market Price (A)	Current Market Price (B)	Current Year Profit/(Loss)	Previous Year Profit/ (Loss)	Remarks
1. Nepal Government's Treasury bills						
2. Nepal Government's Savings Bonds						
3. Nepal Government's Others Securities						
4. Nepal Rastra Bank Bonds						
5. Foreign Securities						
6. Local Licensed Institution's Share	35,721,400	51,442,831	51,442,831	22,472,173	50,684,558	
7. Local Licensed Institution's Corporate Bonds & Debentures						
8. Local Organized Institution's Share , Debenture and Bonds						
9. Foreign Placement						
10. Interbank Lending						
11. Other Investments						
Total Investment	**35,721,400**	**51,442,831**	**51,442,831**	**22,472,173**	**50,684,558**	

HELD TO MATURITY

As at July 15, 2017 (Ashadh 31, 2074)

Schedule 12.2

Particulars	Cost Price (A)	Loss Till Date (B)	Loss During The Year (C)	Current Year Profit/ (Loss) (A-B-C)	Previous Year Profit/ (Loss)	Remarks
1. Nepal Government's Treasury bills	307,750,980					
2. Nepal Government's Savings Bonds						
3. Nepal Government's Others Securities	6,427,425,000					
4. Nepal Rastra Bank Bonds	-					
5. Foreign Securities						
6. Local Licensed Institution's Share						
7. Local Licensed Institution's Bonds & Debentures						
8. Local Organized Institution's Debenture and Bonds						
9. Foreign Placement	1,364,822,521					
10.Other Investments	195,211,375					
Total Investment	**8,295,209,876**					

AVAILABLE FOR SALE

As at July 15, 2017 (Ashadh 31, 2074)

Schedule 12.3

Particulars	Cost Price	Last Market Price (A)	Current Market Price (B)	Current Year Fund Adjustment Amount	Previous Year Profit/ (Loss)	Remarks
1. Nepal Government's Treasury bills						
2. Nepal Government's Savings Bonds						
3. Nepal Government's Others Securities						
4. Nepal Rastra Bank Bonds						
5. Foreign Securities						
6. Local Licensed Institution's Share						
7. Local Licensed Institution's Bonds & Debentures						
8. Local Organized Institution's Shares, Debenture and Bonds*	103,167,501	103,167,501	103,167,501			
9. Foreign Placement						
10. Other Investments	-	-	-			
Total Investment	**103,167,501**	**103,167,501**	**103,167,501**	**-**		

* Shares of National Banking Institute Limited (NBI), Nepal Clearing House Limited, Credit Information Bureau, Nepal Electronic Payment System Limited, Prabhu Capital Limited and CBIL Capital Limited are not listed in Nepal Stock Exchange.

CLASSIFICATION OF LOANS, ADVANCES AND BILLS PURCHASED AND PROVISIONS

(As at July 15, 2017(Ashadh 31, 2074)

Schedule 13

Particulars	Loans and Advances in NPR					Bills Purchased and Discounted in NPR			Current Year NPR	Previous Year NPR
	Domestic			Foreign	Total	Local	Foreign	Total		
	Deprived Sector		Others							
	Insured	UnInsured								
1. Performing Loan	**-**	**2,786,876,376**	**44,531,091,490**	**-**	**47,317,967,866**	**143,228,769**	**-**	**143,228,769**	**47,461,196,635**	**40,005,215,391**
1.1 Pass	-	2,786,876,376	43,915,097,007		46,701,973,383	143,228,769	-	143,228,769	46,845,202,152	37,960,672,178
1.2 Watch List	-	-	615,994,483		615,994,483			-	615,994,483	2,044,543,213
2. Non Performing Loan	**-**	**-**	**954,690,275**	**-**	**954,690,275**	**26,100,000**	**-**	**26,100,000**	**980,790,275**	**560,606,103**
2.1 Restructured/Re-scheduled	-	-	-		-		-	-	-	-
2.2 Sub Standard	-	-	48,898,672		48,898,672	-	-	-	48,898,672	94,667,651
2.3 Doubtful	-	-	182,507,287		182,507,287	-	-	-	182,507,287	50,697,584
2.4 Loss	-	-	723,284,316		723,284,316	26,100,000	-	26,100,000	749,384,316	415,240,868
Total Loan (A)	**-**	**2,786,876,376**	**45,485,781,765**	**-**	**48,272,658,141**	**169,328,769**	**-**	**169,328,769**	**48,441,986,910**	**40,565,821,494**
3. Loan Loss Provision										
3.1 Pass	-	27,868,764	443,641,850		471,510,614	1,432,288	-	1,432,288	472,942,902	383,200,058
3.2 Watch List	-	-	30,799,724		30,799,724	-	-	-	30,799,724	82,899,570
3.3. Restructured /Re-scheduled	-	-	-		-	-	-	-	-	-
3.4 Sub Standard	-	-	12,224,668		12,224,668	-	-	-	12,224,668	23,666,913
3.5 Doubtful	-	-	91,253,644		91,253,644	-	-	-	91,253,644	25,348,792
3.6 Loss	-	-	723,284,316		723,284,316	26,100,000	-	26,100,000	749,384,316	415,240,868
Total Provisions (B)	**-**	**27,868,764**	**1,301,204,202**	**-**	**1,329,072,966**	**27,532,288**	**-**	**27,532,288**	**1,356,605,254**	**930,356,201**
4. Provision upto Previous year*										
4.1 Pass	-	16,993,309	366,441,887	-	383,435,196	7,275	-	7,275	383,442,471	278,352,371
4.2 Watch List	-	-	79,264,250		79,264,250	-	3,851,200	3,851,200	83,115,450	63,161,330
4.3. Restructured /Re-scheduled	-	-	-	-	-	-	-	-	-	-
4.4 Sub Standard	-	-	24,275,087	-	24,275,087	-	-	-	24,275,087	14,349,705
4.5 Doubtful	-	-	27,663,620	-	27,663,620	-	-	-	27,663,620	26,656,636
4.6 Loss	-	-	865,975,162	-	865,975,162	29,600,000	-	29,600,000	895,575,162	336,853,293
Total Provision upto Previous year (C)	**-**	**16,993,309**	**1,363,620,006**	**-**	**1,380,613,315**	**29,607,275**	**3,851,200**	**33,458,475**	**1,414,071,790**	**719,373,335**
Written Back from Previous Year's Provision (D)			**(442,917,357)**		**(442,917,357)**			**-**	**(442,917,357)**	**(121,091,092)**
Additional Provision of current Year (E)	**-**	**10,875,455**	**380,501,553**	**-**	**391,377,008**	**(2,074,987)**	**(3,851,200)**	**(5,926,187)**	**385,450,821**	**332,073,958**
Net change in this Year (F)	**-**	**10,875,455**	**(62,415,804)**	**-**	**(51,540,349)**	**(2,074,987)**	**(3,851,200)**	**(5,926,187)**	**(57,466,536)**	**210,982,866**
Net Loan (A-B)	**-**	**2,759,007,612**	**44,184,577,563**	**-**	**46,943,585,175**	**141,796,481**	**-**	**141,796,481**	**47,085,381,656**	**39,635,465,293**

* Includes the previous year figure of Premier Finance Ltd. of NPR 483,715,590.

SECURITIES AGAINST LOANS

As at July 15, 2017 (Ashadh 31, 2074)

Schedule 13 (A)

Particulars	Current Year NPR	Previous Year NPR
(A) Secured	**48,441,986,910**	**40,565,821,494**
1. Collateral of Movable/ Immovable Assets	40,708,870,307	33,606,373,841
2. Guarantee of Local Licensed Institutions	-	-
3. Guarantee of Government of Nepal	-	-
4. Guarantee of Internationally Rated Banks	-	-
5. Export Documents	292,282,700	80,000,000
6. Fixed Deposit Receipts	653,766,888	209,153,852
(a) Own FDR	650,845,725	207,754,474
(b) FDR of Other Licensed Institution	2,921,163	1,399,378
7. Government Bonds	2,448,004	2,289,342
8. Counter Guarantees	-	-
9. Personal Guarantee	68,749,298	72,111,791
10. Other Securities	6,715,869,713	6,595,892,668
(B) Unsecured		
Total	**48,441,986,910**	**40,565,821,494**

FIXED ASSETS

As at July 15, 2017 (Ashadh 31, 2074)

Schedule 14

Amount in NPR

Particulars	Assets					Current Year	Previous Year
	Building	Vehicles	Machinery	Office Equipment	Others		
1. Cost Price							
a. Previous Year's Balance	99,601,061	63,123,818	-	355,161,167	31,980,733	549,866,780	458,480,305
b. Addition during the year	243,198,646	15,997,600		140,868,101	5,542,853	405,607,200	95,983,594
c. Revaluation/Written back this year						-	-
d. Sold /Disposed off during the year		5,139,302		10,926,252	557,332	16,622,886	(4,597,115)
e. Written off during the year						-	-
Total Cost (a+b+c-d-e)	**342,799,707**	**73,982,115**	**-**	**485,103,016**	**36,966,258**	**938,851,096**	**549,866,783**
2. Depreciation							
a. Upto Previous Year	13,814,290	22,429,860	-	247,742,862	26,087,496	310,074,508	247,117,736
b. For this year	13,281,884	9,427,214		52,982,424	3,369,438	79,060,960	56,335,530
c. Depreciation on Revaluation/Written Back						-	-
d. Depreciation on Assets Sold/Disposed off		4,683,483		10,544,148	557,233	15,784,864	(4,377,664)
Total Depreciation (a+b+c-d)	27,096,174	27,173,591	-	290,181,138	28,899,701	373,350,604	299,076,666
3. Written Down Value (1-2)	**315,703,533**	**46,808,524**	**-**	**194,921,878**	**8,066,557**	**565,500,493**	**250,790,116**
4. Land						**1,068,151,683**	**581,388,007**
5. Capital Construction (to be Capitalised)						**59,175,052**	**201,069,141**
6. Leasehold Assets (Net of Amortisation)						**72,301,623**	**74,600,109**
Total (3+4+5+6)	**315,703,533**	**46,808,524**	**-**	**194,921,878**	**8,066,557**	**1,765,128,851**	**1,107,847,373**

NON BANKING ASSETS

As at July 15, 2017 (Ashadh 31, 2074)

Schedule 15

Name & Address of Borrower	Date of assuming Non Banking Assets	Gross Non Banking Assets NPR	Less : Provisions		Net Non Banking Assets NPR	Previous Year NPR
			%	NPR		
Shree Nil Saraswati Suppliers Private Limited Balaju, Kathmandu	2013 Janruary 13	6,890,000	100%	6,890,000	-	
Chhabi Lal Sunar Jorpati, Kathmandu	2001 August 9	594,166	100%	594,166	-	
Maiya Shrestha Danchhi, Kathmandu	2013 June 21	1,266,017	100%	1,266,017	-	
Bishnu Narayan Pradhan Dlokha	2013 June 25	4,399,943	100%	4,399,943	-	
Nanu Maya Joshi Gorakhkali	2014 December 24	3,242,893	100%	3,242,893	-	
Hum Singh Giri Kirtipur Municipality	2014 December 24	3,217,020	100%	3,217,020	-	
Ramesh Prasad Mishra Dhumbarahi #4, Kathmandu, Bagmati	2014 December 24	2,786,345	100%	2,786,345	-	
Sarswoti Dhungana Patle khet #5 Kabhrepalanchowk, Bagmati	2014 December 24	2,765,003	100%	2,765,003	-	
Pramila Basnet Phak phuk #4, Illam , Mechi	2014 December 24	2,819,954	100%	2,819,954	-	
Anil Pradhan Koteshwor #35, Kathmandu Bagmati	2014 December 24	2,766,021	100%	2,766,021	-	
Gyanu Pulami Basundhara #9, Kathmandu Bagmati	2014 December 24	2,765,003	100%	2,765,003	-	
Sunil Badal Patlekhet #5 Kavre, Bagmati	2014 December 24	2,765,512	100%	2,765,512	-	
Ishori Devi Pulami Dharampur #8, Jhapa , Mechi	2014 December 24	2,795,475	100%	2,795,475	-	
Nabin Kumar Chauhan Panchami #7, Pachthar Mechi	2014 December 24	2,796,495	100%	2,796,495	-	
Ganga Prasad Gautam Mahendranagar #4, Sunsari, Koshi	2014 December 24	2,813,000	100%	2,813,000	-	
Bhuban Kumar Basnet Janakpur Sindhuli 2	2014 December 24	2,856,388	100%	2,856,388	-	
Manta Subba Chahabil #7, Kathmandu, Bagmati	2014 December 24	2,954,925	100%	2,954,925	-	
Lal bahadhur Tamang Kapan milan chowk Kathmandu, Bagmati	2014 December 24	2,924,765	100%	2,924,765	-	
Punya Maya Chouhan Panchami Pachthar Mechi	2015 January 12	2,800,988	100%	2,800,988	-	
Sapana Kharel Gaushala 9	2015 January 12	2,793,923	100%	2,793,923	-	
Rita Shrestha Ward no 7, Sifal, Kathmandu	2015 January 12	2,807,954	100%	2,807,954	-	
Ganesh Kharel Battisputali, Kathmandu	2015 January 12	2,754,035	100%	2,754,035	-	
Shree Ganesh Art Battisputali, Kathmandu	2015 January 12	7,941,531	100%	7,941,531	-	
Hom Narayan Shrestha Gorkha, Dhuwakot-5 (Gongabu, Kathmandu)	2014 December 26	2,169,000	100%	2,169,000	-	
Rim Kumari Pradhan Tanahu, Bhanu VDC-5 (Gongabu, Kathmandu)	2014 December 26	1,434,911	100%	1,434,911	-	
Tirtha Raj Niroula Mahendranagar-2 Sunsari (Koteswor, Kathmandu)	2014 December 26	3,032,696	100%	3,032,696	-	
Niru Rana Dharampur VDC-9, Jhapa (Kapan, Kathmandu)	2014 December 26	3,032,696	100%	3,032,696	-	
Bal Bdr. Rai Jhalthal-2, Jhapa (Kapan, Kathmandu)	2014 December 26	3,032,696	100%	3,032,696	-	
Santosh Chamling Rai Batse-5, Khotang (Kapan, Kathmandu)	2014 December 26	3,032,696	100%	3,032,696	-	

NON BANKING ASSETS

As at July 15, 2017 (Ashadh 31, 2074)

Schedule 15

Name & Address of Borrower	Date of assuming Non Banking Assets	Gross Non Banking Assets NPR	Less : Provisions		Net Non Banking Assets NPR	Previous Year NPR
			%	NPR		
Dhana Maya Biswokarma Anaikot VDC-5, Kavre (Boudha, Kathmandu)	2014 December 26	493,916	100%	493,916	-	
Naya Kumar Rana Magar Sifal#6, Kathmandu, Bagmati	2015 February 18	2,868,503	100%	2,868,503	-	
Saraswoti Maya Khadka Solukhumbhu, Nele Tusal, Boudha	2015 February 18	2,835,561	100%	2,835,561	-	
Guru Pd. Siwakoti Bishnu#2 budanilkantha, Bagmati	2015 February 18	2,964,262	100%	2,964,262	-	
Dirgha Bdr. Singh Gothi -7, Humla	2015 February 18	2,953,868	100%	2,953,868	-	
Sneha Builders Pvt Ltd Arghauli- 9, Nawalparasi, LUMBINI	2013 August 26	4,308,052	100%	4,308,052	-	
Saphal Chundhunga Udhyog Pvt. Ltd. Tinthana Kathmandu, Bagmati	2013 October 09	13,511,978	100%	13,511,978	-	
Mansorabar Chundhunga Udhyog Pvt. Ltd. Ward#2, Dahachowk GBS Kt Kathmandu, Bagmati	2013 October 29	11,669,256	100%	11,669,256	-	
Satyam Builders Ward#22 Kathmandu, Bagmati	2013 October 29	151,142	100%	151,142	-	
Devyani Builders Pvt Ltd (Debu Lal Neupane) Ward#10 Kathmandu, Bagmati	2013 October 29	72,739	100%	72,739	-	
Smarika Property Dealers (Netra Prasad) Ward#11 Kathmandu, Bagmati	2013 October 30	3,887,273	100%	3,887,273	-	
Gharana Housing Pvt Ltd (Yub Raj Upadhaya) Ward#6, Naya Naikap	2013 October 30	5,086,133	100%	5,086,133	-	
Bhagyaswori Housing Pvt Ltd (Prakash Aryal) Nawalparasi, Lumbini	2013 October 30	3,994,682	100%	3,994,682	-	
Ruru Kanya Housing (Lokmani Aryal) Ward#10, Kathmandu	2013 October 30	2,000	100%	2,000	-	
Tuteshwor Nath Housing (Gunjamani Bhattarai) Ward#6, Naya Naikap	2013 October 30	7,820,543	100%	7,820,543	-	
Dev Gopal Housing (Gopal Bdr. Nepali) Ward#7, Dhapasi	2013 October 30	60,166	100%	60,166	-	
Shristi Binayak Housing (Govind Panthi) Dahachok-2 Kathmandu, Bagmati	2013 October 30	7,194,474	100%	7,194,474	-	
Teen Devi Property Dealer Ward#11, Kathmandu	2013 October 31	4,575,846	100%	4,575,846	-	
Gateway Housing (Jangi Lal Loniya) Ward#6, Naya Naikap	2013 October 31	3,426,952	100%	3,426,952	-	
C.K. Laxmi Developers (Ram Sariwan Yadav) Ward#14, Kathmandu	2013 October 31	3,346,297	100%	3,346,297	-	
Suryadaya Resort Pvt Ltd Naya Naikap Kathmandu, Bagmati	2013 October 31	9,244,402	100%	9,244,402	-	
Poudel Housing Naya Naikap-6 Kathmandu, Bagmati	2013 October 31	406,557	100%	406,557	-	
Govinda Housing (Govinda Prasad Parajuli) Ward#6, Naya Naikap, Kathmandu	2013 October 31	2,189,734	100%	2,189,734	-	
Adhikari Housing (Kamal Raj Adhikari) Ward#6, Naya Naikap, Kathmandu	2013 October 31	2,206,537	100%	2,206,537	-	
New Bhawana Emporium Ka. Ma. Na. Pa. -24, Sabalbahal, Kathmandu	2017 January 13	7,103,238	100%	7,103,238	-	
Menuka Mainali / Prakash Shrestha Jorpati, Wada no 7	2014 September 28	13,545,965	100%	13,545,965	-	
Renuka Shakya Ka. Ma. Na. Pa wada no 2	2016 January 22	3,042,635	100%	3,042,635	-	

NON BANKING ASSETS

As at July 15, 2017 (Ashadh 31, 2074)

Schedule 15

Name & Address of Borrower	Date of assuming Non Banking Assets	Gross Non Banking Assets NPR	Less : Provisions		Net Non Banking Assets NPR	Previous Year NPR
			%	NPR		
Kiran Khatri Thankot, Wada no 1	2015 November 26	14,181,796	100%	14,181,796	-	
Ichha Motors & Indresh Jorpati, Wada no 4	2015 December 24	21,132,888	100%	21,132,888	-	
Panauti Roda Dhunga Udhyog Nasikasthan, Sanga, Wada no 8	2015 December 4	13,425,000	100%	13,425,000	-	
Sharmila Sharma Ka. Ma. Na. Pa wada no 10	2016 January 12	4,460,296	100%	4,460,296	-	
Nitesh Nita Enterprises Machhegau wada no 4	2016 March 2	2,906,250	100%	2,906,250	-	
Kasthamandap Supliers Jorpati Wada no 7	2016 May 2	11,225,751	100%	11,225,751	-	
Dhapasi Trading Pvt. Ltd. Dapasi Wada no 1	2015 December 28	15,007,500	100%	15,007,500	-	
Lucky Seven Ka. Ma. Na. Pa wada no 14	2015 December 15	19,567,261	100%	19,567,261	-	
Chandeshwori Group Ka. Ma. Na. Pa wada no 4	2016 February 18	46,464,000	100%	46,464,000	-	
Dale Developers Dhumbarahi 4, Kathmandu	2017 March 30	18,818,135	100%	18,818,135	-	
Kishore Barawal Shant Hant, Biratnagar	2017 June 15	1,932,540	100%	1,932,540	-	
Total		**376,336,179**		**376,336,179**	**-**	**-**

OTHER ASSETS

As at July 15, 2017 (Ashadh 31, 2074)

Schedule 16

Particulars		Current Year NPR	Previous Year NPR
1. Stock of Stationery		6,324,032	6,325,998
2. Income Receivable on Investments		54,114,282	26,221,538
3. Accrued Interest on Loans	674,533,587		228,592,310
Less: Interest Suspense	(668,358,936)	6,174,651	(228,592,310)
4. Commission Receivable		-	-
5. Sundry Debtors		32,488,147	3,621,981
6. Staff Loans and Advances		384,632,696	268,223,269
7. Prepayments		23,004,861	38,968,544
8. Cash-in-Transit		-	-
9. Other Transit Items (including cheques)		-	-
10. Drafts Paid Without Notice			
11. Expenses not Written off			
12. Branch Adjustment Accounts		-	-
13. Deferred Tax Asset		87,873,011	66,275,084
14. Others		1,432,181,099	290,386,678
a. Account Receivables Others	973,770,831		229,842,358
b. ATM Cards	110,536		111,136
c. Security Deposit	1,353,140		1,045,140
d. Advance Income Tax	300,791,522		3,160,374
e. Debit Card Receivable	7,459,123		6,270,579
f. Tax Deposit	18,769,113		7,623,483
g. Other Assets	129,926,834		42,333,608
Total		**2,026,792,779**	**700,023,092**

OTHER ASSETS (ADDITIONAL STATEMENT)

As at July 15, 2017 (Ashadh 31, 2074)

Schedule 16 (A)

Particulars	Current Year NPR				Previous Year
	Upto 1 year	1 to 3 years	Above 3 years	Total	NPR
1. Accrued Interest on Loans	135,090,892	335,711,974	203,730,721	674,533,587	228,592,310
2. Draft Paid without Notice				-	-
3. Branch Adjustment Account				-	-
4. Domestic/ Foreign Agency Account	-			-	-

CONTINGENT LIABILITIES

As at July 15, 2017 (Ashadh 31, 2074)

Schedule 17

Particulars	Current Year NPR	Previous Year NPR
1. Claims on Institution but not Accepted by the Institutions		
2. Letters of Credit (Full Amount)	1,657,882,000	1,295,527,019
a. Letter of Credit With Maturity of Less than 6 Months	1,295,395,000	609,793,432
b. Letter of Credit With Maturity of More than 6 Months	362,487,000	685,733,588
3. Rediscounted Bills		
4. Unmatured Guarantees/Bonds	1,804,419,284	1,503,410,946
a. Bid Bonds	424,559,180	242,473,200
b. Performance Bonds	1,379,860,104	1,260,937,746
c. Other Guarantee/Bonds		
5. Unpaid Investment in Shares		-
6. Forward Exchange Contract Liabilities	21,976,000	-
7. Bills under Collection	21,051,526	29,593,146
8. Acceptances and Endorsements	671,539,000	510,517,719
9. Underwriting Commitments		
10. Irrevocable Loan Commitments	15,213,360,000	12,757,909,288
11. Guarantees issued against Counter Guarantee of Internationally Rated Foreign Banks		
12. Advance Payment Guarantees	843,337,000	597,687,521
13. Financial Guarantees		
14. Contingent Liabilities on Income Tax	53,454,143	33,369,331
15. Others	11,048,000	12,763,000
Total	**20,298,066,953**	**16,740,777,970**

INTEREST INCOME

For the period from July 17, 2016 to July 15, 2017 (Shrawan 1, 2073 To Ashadh 31, 2074)

Schedule 18

Particulars	Current Year NPR	Previous Year NPR
A. On Loans, Advances and Overdrafts	**4,718,105,275**	**3,281,364,563**
1. Loans and Advances	348,315,911	2,384,537,659
2. Overdrafts	1,234,945,364	896,826,904
B. On Investment	**194,539,513**	**158,315,013**
1. Nepal Government Securities	**164,668,608**	**140,241,309**
a. Treasury Bills	11,610,070	14,747,038
b. Development Bonds	153,058,538	125,494,271
c. National Savings Certificates	-	
2. Foreign Securities		
a.		
b.		
3. Nepal Rastra Bank Bonds		
4. Debentures and Bonds		
5. Inter Bank Investment	**29,870,905**	**18,073,704**
a. Banks/Financial Institutions	29,870,905	18,073,704
b. Foreign Banks		-
C. On Agency Balances	**9,423,867**	**3,486,073**
1. Domestic Banks/ Financial Institution	35,860	1,057
2. Foreign Banks	9,388,007	3,485,016
D. On Money at Call and Short Notice	**4,487,309**	**307,248**
1. Domestic Banks/ Financial Institution	4,459,352	307,248
2. Foreign Banks	27,957	-
E. On Others	**-**	**-**
1. Certificates of Deposit	-	-
2. Income from Inter-Bank Loan		
3. Others		
Total	**4,926,555,964**	**3,443,472,897**

INTEREST EXPENSES

For the period from July 17, 2016 to July 15, 2017 (Shrawan 1, 2073 To Ashadh 31, 2074)

Schedule 19

Particulars	Current Year NPR	Previous Year NPR
A. On Deposit Liabilities	**3,071,930,799**	**1,758,502,367**
1. Fixed Deposits	2,369,591,050	1,265,050,712
1.1 Local Currency	2,367,703,775	1,261,541,993
1.2 Foreign Currency	1,887,275	3,508,719
2. Savings Deposits NPR	258,005,470	162,467,304
2.1 Local Currency	256,474,736	161,005,023
2.2 Foreign Currency	1,530,734	1,462,281
3. Call Deposits	444,334,279	330,984,351
3.1 Local Currency	444,182,215	330,893,475
3.2 Foreign Currency	152,064	90,876
4. Certificate of Deposits	-	-
B. On Borrowings	**89,748,561**	**65,203,239**
1. Debentures & Bonds	42,499,998	42,499,998
2. Loan from Nepal Rastra Bank	1,714,729	1,843,481
3. Inter Bank/Financial Institutions Borrowings	45,533,834	20,859,760
4. Other Organised Institutions	-	-
5. Other Loans	-	-
C. On Others	**7,865,286**	**-**
Total	**3,169,544,646**	**1,823,705,606**

COMMISSIONS AND DISCOUNTS

For the period from July 17, 2016 to July 15, 2017 (Shrawan 1, 2073 To Ashadh 31, 2074)

Schedule 20

Particulars	Current Year NPR	Previous Year NPR
A. Bills Purchased and Discounted	**863,362**	**1,736,359**
1. Local	863,362	1,736,359
2. Foreign		
B. Commission	**81,664,042**	**61,126,515**
1. Letters of Credit	29,877,932	20,926,548
2. Guarantees	30,106,411	23,840,175
3. Collection Fees	720,641	274,718
4. Remittance Fees	19,296,656	15,596,510
5. Credit Cards	1,662,402	488,564
6. Share Underwriting /Issues		
7. Government Transactions		
8 Licenced Institution's Commission		
9. Exchange Fee		
C. Others	**43,396,781**	**34,807,494**
a. ATM Commission	29,407,964	26,601,285
b. Other Commissions of Loan	6,244,300	5,350,644
c. Other Fee -Trade Operation	7,574,855	2,738,003
d. Other Miscellaneous	169,662	117,562
Total	**125,924,185**	**97,670,368**

OTHER OPERATING INCOME

For the period from July 17, 2016 to July 15, 2017 (Shrawan 1, 2073 To Ashadh 31, 2074)

Schedule 21

Particulars	Current Year NPR	Previous Year NPR
1. Rental on Safe Deposit Lockers	3,641,425	2,983,925
2. Issue and Renewal of Credit Cards	1,189,863	15,000
3. Issue and Renewal of ATM Cards	11,138,237	19,332,512
4. Telex/ T. T.	5,173,866	3,499,954
5. Service Charges	231,785,352	198,841,909
Loan Documentation fee	1,311,500	41,000
Loan Proccessing Fee	211,792,518	182,849,886
Management fee	17,040,684	14,464,998
Balance Certificate Issuance Charge	1,132,250	1,165,575
Good For Payment	508,400	320,450
6. Loan Renewal Fees	22,734,278	14,734,733
7. Others	77,226,127	32,830,829
SMS Banking Fee	7,907,450	5,335,581
ABBS Income	3,515,178	2,919,882
Income from Foreign Outward Remitta	4,174,770	2,752,579
Cheque Return Fee	2,942,434	1,985,731
Sakchyam Project	5,283,865	6,649,844
IPS commission	133,565	
Demat Fees	3,623,018	1,843,785
ASBA Fees	1,011,088	
Other Income	48,634,759	11,343,427
Total	**352,889,148**	**272,238,862**

EXCHANGE FLUCTUATION GAIN/(LOSS)

For the period from July 17, 2016 to July 15, 2017 (Shrawan 1, 2073 To Ashadh 31, 2074)

Schedule 22

Particulars	Current Year NPR	Previous Year NPR
A. Revaluation Gain/ (Loss)	59,791,294	38,491,656
B. Trading Gain/ (Loss) (Excluding exchange fee)	122,701,396	104,802,570
Total	**182,492,690**	**143,294,226**

STAFF EXPENSES

For the period from July 17, 2016 to July 15, 2017 (Shrawan 1, 2073 To Ashadh 31, 2074)

Schedule 23

Particulars	Current Year NPR	Previous Year NPR
1. Salary	202,184,614	122,797,133
2. Allowances	138,547,184	111,430,859
3. Contribution to Provident Fund	15,058,369	9,087,405
4. Training Expenses	9,246,743	4,666,202
5. Uniform	7,249,516	4,096,399
6. Medical		
7. Insurance	2,489,366	2,360,560
8. Gratuity and Leave Expenses	39,208,234	32,829,468
9. Others	25,541,639	7,934,152
Staff Welfare Fund	15,313,953	7,508,366
Recruitment Expenses	415,235	425,786
Staff Amenities	9,812,451	-
Total	**439,525,665**	**295,202,178**

OTHER OPERATING EXPENSES

For the period from July 17, 2016 to July 15, 2017 (Shrawan 1, 2073 To Ashadh 31, 2074)

Schedule 24

Particulars	NPR	Current Year NPR	Previous Year NPR
1. House Rent		49,578,264	47,104,761
2. Electricity, Water & Fuel		28,698,196	22,151,419
3. Repairs and Maintenance		14,946,084	18,963,571
a. Leasehold Premises	1,210,257		5,917,231
b. Vehicles	1,713,065		1,497,089
c. Other Assets	12,022,762		11,549,251
4. Insurance Premium		9,886,513	8,605,601
5. Postage, Telex, Telephone, Fax		29,782,863	26,287,159
6. Office Equipment & Furniture Repair (Consumable Capital Goods)		1,117,966	1,524,399
7. Travelling Allowance and Expenses		4,153,608	4,593,447
8. Stationery and Printing		19,647,412	25,276,439
9. Periodicals and Books		198,503	257,781
10. Advertisements		13,570,429	9,624,636
11. Legal Expenses		1,403,602	604,250
12. Donations			-
13. Expenses Relating to Board of Directors		4,986,718	3,694,759
a. Meeting Fees	3,295,000		2,440,000
b. Other Expenses	1,691,718		1,254,759
14. Annual General Meeting Expenses		1,156,948	915,582
15. Expenses Relating to Audit		1,943,842	1,635,732
a. Audit Fees	1,186,500		1,186,500
b. Other Expenses	757,342		449,232
16. Fund Transfer Charge		818,024	892,752
17. Depreciation on Fixed Assets		79,060,962	56,335,530
18. Amortization of Pre-Operating Expenses			
19. Share/ Bond Issuance Expenses		8,988,029	9,142,729
20. Technical Sevices Fees		3,559,937	650,700
21. Entertainment		131,826	122,208
22. Amortization Expenses		117,160,486	19,043,287
23 Security Expenses		37,258,582	34,934,738
24. Deposit/Credit Guarantee Premium		13,246,379	9,140,152
25. Commission and Discount		6,521,056	5,751,798
26. Others Expenses		90,729,864	65,569,105
a. Membership, Fees and Taxes	15,742,647		4,198,860
b. Anniversary Expense	1,691,167		2,415,220
c. Credit Information Charges	5,755,020		5,205,240
d. Cleaning Expenses	4,983,437		3,958,231
e. Corporate Social Responsibility	6,559,443		1,059,466
f. Transportation Expenses	2,135,455		934,003
g. Bank Charges	3,831,442		2,771,214
h. Outsourced Manpower Expenses	18,333,413		15,505,639
i. Debit Card Expenses	20,964,130		19,201,020
j. Miscellaneous Expenses	10,733,710		10,320,212
Total		**538,546,093**	**372,822,535**

PROVISION FOR POSSIBLE LOSSES

For the period from July 17, 2016 to July 15, 2017 (Shrawan 1, 2073 To Ashadh 31, 2074)

Schedule 25

Particulars	Current Year NPR	Previous Year NPR
1. Increase in Loan Loss Provision	385,450,821	332,073,958
2. Increase in Provision for Loss on Investment		-
3. Provision for Non Banking Assets	18,490,753	23,046,049
4. Provision for Other Assets		
Total	**403,941,574**	**355,120,007**

NON- OPERATING INCOME/ (LOSS)

For the period from July 17, 2016 to July 15, 2017 (Shrawan 1, 2073 To Ashadh 31, 2074)

Schedule 26

Particulars	Current Year NPR	Previous Year NPR
1. Profit/ (Loss) on Sale of Investments	22,472,173	33,597,065
2. Profit/ (Loss) on Sale of Assets	21,986,224	90,440,420
3. Dividend (net of Tax Deducted at Source)	8,732,467	671,769
4. Subsidies Received from Nepal Rastra Bank		
a. Reimbursement of Losses of Specified Branches		
b. Interest Subsidy		
c. Exchange Counter		
5. Other Income	10,741,874	19,763,643
Total Non-operating Income/ (Loss)	**63,932,738**	**144,472,897**

PROVISIONS FOR POSSIBLE LOSSESS WRITTEN BACK

For the period from July 17, 2016 to July 15, 2017 (Shrawan 1, 2073 To Ashadh 31, 2074)

Schedule 27

Particulars	Current Year NPR	Previous Year NPR
1. Loan Loss Provision Written Back	442,917,357	121,091,092
2. Provision against Non Banking Assets Written Back	273,119,338	310,648,280
3. Provision against Investment Written Back	-	-
4. Provision against Other Assets Written Back	-	-
Total	**716,036,695**	**431,739,372**

INCOME/(EXPENSES) FROM EXTRAORDINARY ITEMS

For the period from July 17, 2016 to July 15, 2017 (Shrawan 1, 2073 To Ashadh 31, 2074)

Schedule 28

Particulars	Current Year	Previous Year
1. Recovery of Loan Written Off	25,581,626	6,712,100
2. Voluntary Retirement Scheme Expenses	-	-
3. Loan Write Offs {28 (a)}	(105,936,458)	-
4. Other Expense/Income		
Total	**(80,354,832)**	**6,712,100**

DETAIL OF WRITE OFF LOAN

Fiscal Year 2073/2074 (2016/2017)

Schedule 28 (A)

S. N.	Loan Type	Amount Write off NPR	Type of Security	Basis of Valuation	Loan approved by Name/Designation authority	Initiations made for Recovery	Remark Customer's Names
1	Overdraft	-					
2	Other Loan	254,925					
3	Auto Loan	901,827	Pickup	Condition of the vehicle	Bodhraj Devkota/Chief Credit Officer	Followup letter, call back notice, auction notice, blacklisted, DRT	Om Sai Construction
4	Equipment Loan	3,474,866	Excavator	Quotation Price			
5	Other Loan	17,569			Rajan Singh Bhandari/CEO	Followup letter, call back notice, blacklisted, DRT	Nitan Traders Pvt Ltd
6	Overdraft	-	Private Vehicle-car	Quotation Price			
7	Other Loan	2,064			Bodhraj Devkota/Chief Credit Officer	Followup letter, call back notice, auction notice, blacklisted	Upendra Rain
8	Auto Loan	393,349					
9	Other Loan	675	Private Vehicle-car	Quotation Price	Umang Sharma/Head Consumer Banking Unit	Followup letter, call back notice, auction notice, blacklisted, DRT	Shree Man Tamang
10	Auto Loan	548,614					
11	Overdraft	-	Truck		Parshuram Kunwar Chhetri/ General Manager	Followup letter, call back notice, auction notice, blacklisted	Khush Bahadur Thapa
12	Auto Loan	373,439		Quotation Price			Khush Bahadur Thapa
13	Overdraft	-	Tipper	Quotation Price			
14	Other Loan	24,369					
15	Auto Loan	1,299,670					
16	Auto Loan	1,299,670			Bodhraj Devkota/Chief Credit Officer	Followup letter, call back notice, auction notice, blacklisted, DRT	Mohan Lal Shrestha
17	Auto Loan	1,288,515					
18	Auto Loan	1,272,227					
19	Auto Loan	1,272,227					
20	Overdraft	2,000	Truck	Quotation Price	Bodhraj Devkota/chief Credit Officer	Followup letter, call back notice, auction notice, blacklisted	Janaki Bahadur Thapa Chhetri
21	Auto Loan	837,693					
22	Overdraft	7,089	Truck	Condition of the vehicle	Umang Sharma/Head Consumer Banking Unit	Followup letter, call back notice, auction notice, blacklisted	Bishworaj Rai Kirat/ Shanta Rai
23	Other Loan	11,679					
24	Auto Loan	679,483					
25	Overdraft	-	Truck	Quotation Price	Parshuram Kunwar Chhetri/General Manager	Followup letter, call back notice, auction notice, blacklisted	Ram Chandra Shah
26	Other Loan	-					
27	Auto Loan	375,449					
28	Overdraft	9,492	Tanker	Quotation Price	Bodhraj Devkota/chief Credit Officer	Followup letter, call back notice, auction notice, blacklisted	Saroj Bikram Sijapati
29	Auto Loan	564,364					
30	Other Loan	15,763	Private Vehicle-car	Quotation Price	Umang Sharma/Head Consumer Banking Unit	Followup letter, call back notice, auction notice, blacklisted	Ram Narayan Shrestha
31	Auto Loan	672,453					
32	Overdraft	28,452	Truck		Parshuram Kunwar Chhetri/General Manager	Followup letter, call back notice, auction notice, blacklisted	Duckan Trading
33	Auto Loan	-		Quotation Price			
34	Overdraft	-	Land and Building	Market Rate & Government Rate	Rajan Singh Bhandari/CEO	Followup letter, call back notice, auction notice, blacklisted	Kathmandu Shopping Mall Pvt Ltd
35	Other Loan	43,222					
36	Other Loan	221,609	Hypothecation over entire stock & assignment of bills and receivables		Rajan Singh Bhandari/CEO	Followup letter, call back notice, auction notice, blacklisted	Amleshwor Construction Com (P) Ltd
37	Demand Loan	22,489					
38	Overdraft	87,394	Land and Building	Market Rate & Government Rate	Rajan Singh Bhandari/CEO	Followup letter, call back notice, auction notice, blacklisted	Network Solution Pvt. Ltd.
39	Other Loan	2,000					
40	Other Loan	2,000	Share		Kamal Raj Rupakheti/Director	Followup letter, call back notice, auction notice, blacklisted	Modh Prasad Tripathi
41	Margin Lending	1,234,288					
42	Other Loan	2,000	Land & Share		Anil Hada/GM	Followup letter, call back notice, auction notice, blacklisted	Prakash Tripathi
43	Margin Lending	903,069					
44	Margin Lending	1,670,734	Share		Rajan Singh Bhandari/CEO	Followup letter, call back notice, auction notice, blacklisted	Star Holdings Pvt. Ltd.
45	Other Loan	2,000					
46	Working Capital Loan	39,886,973	Apartment	Market Rate & Government Rate	Credit Committee Aproval	Followup letter, call back notice, auction notice, blacklisted	Oriental Builder & Devlopers (P) L.
47	Other Loan	375,861					
48	Working Capital Loan	17,781,375	Flat-Apartment, L&B	Market Rate & Government Rate	BOD	Followup letter, call back notice, auction notice, blacklisted	Ninasha Builder (P) Ltd.
49	Other Loan	707,277					

DETAIL OF WRITE OFF LOAN

Fiscal Year 2073/2074 (2016/2017)

Schedule 28 (A)

S. N.	Loan Type	Amount Write off NPR	Type of Security	Basis of Valuation	Loan approved by Name/Designation authority	Initiations made for Recovery	Remark Customer's Names
50	Demand Loan	13,541,614	Land and Building	Market Rate & Government Rate	BOD (Premiere Finance Ltd.)	Followup letter, call back notice, auction notice, blacklisted	Surya Bahadur Bishwokarma
51	Personal Overdraft	3,504,000			Management Committee(Premier Finance Co. Ltd.)		
52	Other Loan	2,954	Truck	Quotation Price	Parsuram Kunwar Chhetri/General Manager	Followup letter, call back notice, auction notice, blacklisted, DRT	Bharat Kumar Thapa
53	Auto Loan	-					
54	Auto Loan	-		Quotation Price			
55	Auto Loan	-	Private Vehicle-car	Quotation Price	Bodhraj Devkota/Chief Credit Officer	Followup letter, call back notice, auction notice, blacklisted	Resham Chhetri
56	Auto Loan	-	Truck	Depreciation & condition of vehicle	Umang Sharma/Head-Consumer Banking Unit	Followup letter, call back notice, auction notice, blacklisted	Madhu Sudan Thapa
57	Overdraft	-					
58	Other Loan	4,432	Land	Market Rate & Government Rate	152nd Board Meeting	Followup letter, call back notice, blacklisted	Reeta Rana Magar
59	Home Loan	659,320					
60	Overdraft	13,099	Share		Credit Approval Committee(PFL)	Followup letter, call back notice, auction notice, blacklisted	Suraj Shakya
61	Margin Lending	9,640,825					
	Total	**105,936,458**					

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

As at July 15, 2017 (Ashadh 31, 2074)

Schedule 29

Name of Promoter/Director/Chief Executive	Last Year's Balance		This Year's Recovery		This Year's	Balance as at July 15, 2017	
	Principal Rs.	Interest Rs.	Principal Rs.	Interest Rs.	Disbursed Rs.	Principal Rs.	Interest Rs.
(A) Directors							
1							
2							
(B) Chief Executive							
1							
2							
(C) Promoters							
1. Rabindra Man Singh Pradhan	7,200,000		4,905,000	138,850		2,295,000	138,850
2. Santosh Bista				84,526	1,996,522	1,996,522	84,526
3. Manita Bhattarai	150,000			32,548	2,850,000	3,000,000	32,548
4. Ramita Bhattarai				32,548	3,000,000	3,000,000	32,548
(D) Employees							
1. Anit Sapkota	499,797		129,209	21,383		370,588	21,383
2. Raj Kumar Thapa	396,499			49,604	99,328	495,827	49,604
3. Niten Malego				1,466	35,979	35,979	1,466
4. Kiran Mahat				2,419	337,398	337,398	2,419
5. Umang Sharma				24,748	918,000	918,000	24,748
6. Ramdhan Shrestha	3,548,000			423,792	3,901,000	7,449,000	423,792
7. Ritu Shakya	848,431			84,745	19,537	867,968	84,745
8. Rabindra Paudel				8,586	55,000	55,000	8,586
9. Rajal Tuladhar				2,576	40,000	40,000	2,576
10. Nigeeta Thapa				1,808	203,000	203,000	1,808
11 Dipak Chitrakar	415,738			38,639	24,051	439,789	38,639
12.Binay Rauniyar					549,922	549,922	-
13. Pramesh Raj Kayastha	210,000		210,000	3,107		-	
14. Sunil Maharjan	254,000		254,000	3,925		-	
15. Dipika Agarwal	48,000		48,000	1,747		-	
16. Shrijana Neupane	81,000		81,000	7,629		-	
17. Pravin Upadhyay	900,000		900,000	35,739		-	
(E) Shareholders							
1							
2							
Total	**14,551,465**	**-**	**5,034,209**	**948,238**	**14,029,737**	**22,053,993**	**948,238**

Note:-

1. Loans and Advances to employees provided as per employee byelaws of the Bank are accounted in Schedule 16 Other Assets.
2. Bank has not extended any credit facility to BOD members, promoters, employees, shareholders and Chief Executive Officer in FY 2073/74 other than Loan against Gold/ Fixed Deposit as permitted by NRB Directives.

CAPITAL ADEQUACY TABLE

As at July 15, 2017 (Ashadh 31, 2074)

Schedule - 30 (A1)

Amount in NPR in '000

1.1 RISK WEIGHTED EXPOSURES		Mid July 2017	Mid July 2016
a. Risk Weighted Exposure for Credit Risk		54,710,412	44,819,052
b. Risk Weighted Exposure for Operational Risk		2,612,454	2,187,990
c. Risk Weighted Exposure for Market Risk		55,427	10,748
Total Risk Weighted Exposures (Before adjustments of Pillar II)		**57,378,293**	**47,017,790**
ADJUSTMENT UNDER PILLAR II		**-**	**-**
SRP 6.4a (5)	ALM policies & practices are not satisfactory, add 1% of net interest income to RWE	-	-
SRP 6.4a (6)	Add .....% of the total deposit due to insufficient Liquid Assets	-	-
SRP 6.4a (7)	Add RWE equvalent to reciprocal of capital charge of 3 % of gross income	646,509	482,022
SRP 6.4a (9)	Overall risk management policies and precedures are not satisfactory. Add 2% of RWE	1,147,566	940,356
SRP 6.4a (10)	If desired level of disclosure requirement has not been achieved, Add .....% of RWE	-	-
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)		**59,172,368**	**48,440,168**
1.2 CAPITAL		**Mid July 2017**	**Mid July 2016**
Core Capital (Tier 1)		**9,096,598**	**5,121,298**
a. Paid up Equity Share Capital		6,921,690	3,650,640
b. Irredeemable Non-cumulative preference shares		-	-
c. Share Premium			2,972
d. Proposed Bonus Equity Shares		1,107,470	750,676
e. Statutory General Reserves		912,208	695,876
f. Retained Earnings		118,169	42,041
g. Un-audited current year cumulative profit/(loss)		-	-
h. Capital Redemption Reserve		200,000	100,000
i. Capital Adjustment Reserve		-	-
j. Dividend Equalization Reserves		-	-
k. Debenture Redemption Reserves		-	-
l. Deferred Tax Reserve		-	27,368
m. Other Free Reserve			-
Less:		-	-
a. Goodwill		-	-
b. Fictitious Assets		(8,066)	-
c. Deferred Tax Assets		(87,873)	(66,275)
d. Investment in equity in licensed Financial Institutions		-	-
e. Investment in equity of institutions with financial interests		(67,000)	(82,000)
f. Investment in equity of institutions in excess of limits		-	-
g. Investments arising out of underwriting commitments		-	-
h. Reciprocal crossholdings		-	-
i. Purchase of land & building in excess of limit and unutilized		-	-
j. Other Deductions		-	-
ADJUSTMENT UNDER PILLAR II			
SRP 6.4a(1)	Less: Shortfall in Provision	-	-
SRP 6.4a(2)	Less: Loans & Facilities extended to related parties and restricted lending	-	-
Supplementary Capital (Tier 2)		890,773	885,548
a. Cumulative and/or Redeemable Preference Share		-	-
b. Subordinated Term Debt		300,000	400,000
c. Hybrid Capital Instruments		-	-
d. General Loan Loss Provision		461,624	466,100
e. Exchange Equalization Reserve		33,056	18,108
f. Investment Adjustment Reserve		85,276	1,340
g. Assets Revaluation Reserve			-
h. Other Reserves		10,817	
Total Capital Fund (Tier I and Tier II)		**9,987,371**	**6,006,846**
1.3 CAPITAL ADEQUACY RATIOS			
Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)		**15.37%**	**10.57%**
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures(After Bank's adjustments of Pillar II)		**16.88%**	**12.40%**

RISK WEIGHTED EXPOSURE FOR CREDIT RISK

As at July 15, 2017 (Ashadh 15, 2074)

Schedule 30 (B)

Amount in NPR in '000

A. Balance Sheet Exposures	Mid July 2017						Mid July 2016	
	Book Value a	Specific Provision b	Eligible CRM c	Net Value d=a-b-c	Risk Weight e	Risk Weighted Exposures f=d*e	Net Value	Risk Weighted Exposures
Cash Balance	2,033,096	-	-	2,033,096	0%	-	1,884,361	-
Balance with Nepal Rastra Bank	2,842,478	-	-	2,842,478	0%	-	3,149,515	-
Gold	129,927	-	-	129,927	0%	-	42,246	-
Investment in Nepalese Government Securities	6,735,176	-	-	6,735,176	0%	-	6,394,687	-
All Claims on Government of Nepal	88,537	-	-	88,537	0%	-	86,537	-
Investment in Nepal Rastra Bank	-	-	-	-	0%	-	-	-
All Claims on Nepal Rastra Bank	-	-	-	-	0%	-	-	-
Claims on Foreign Govertment & Central Banks (ECA Rating 0-1)	-	-	-	-	0%	-	-	-
Claims on Foreign Govertment & Central Banks (ECA Rating -2)	-	-	-	-	20%	-	-	-
Claims on Foreign Govertment & Central Banks (ECA Rating -3)	-	-	-	-	50%	-	-	-
Claims on Foreign Govertment & Central Banks (ECA Rating 4-6)	-	-	-	-	100%	-	-	-
Claims on Foreign Govertment & Central Banks (ECA Rating -7)	-	-	-	-	150%	-	-	-
Claims on BIS, IMF, ECB, EC and Multilateral Development Banks (MDB's) recognized by the framework	-	-	-	-	0%	-	-	-
Claims on Other Multilateral Development Banks	-	-	-	-	100%	-	-	-
Claims on Public Sector Entity (ECA Rating 0-1)	-	-	-	-	20%	-	-	-
Claims on Public Sector Entity (ECA Rating 2)	-	-	-	-	50%	-	-	-
Claims on Public Sector Entity (ECA Rating 3-6)	-	-	-	-	100%	-	-	-
Claims on Public Sector Entity (ECA Rating 7)	-	-	-	-	150%	-	-	-
Claims on Domestic Banks that meet capital adequacy requirements	616,280	-	-	616,280	20%	123,256	243,551	48,710
Claims on Domestic Banks that do not meet capital adequacy requirements	-	-	-	-	100%	-	156,122	156,122
Claims on Foreign Bank (ECA Rating 0-1)	839,497	-	-	839,497	20%	167,899	766,203	153,241
Claims on Foreign Bank (ECA Rating 2)	1,209,707	-	-	1,209,707	50%	604,854	876,915	438,458
Claims on Foreign Bank (ECA Rating 3-6)	-	-	-	-	100%	-	-	-
Claims on Foreign Bank (ECA Rating 7)	-	-	-	-	150%	-	-	-
Claims on Foreign Bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	97,330	-	-	97,330	20%	19,466	40,524	8,105
Claims on Domestic Corporates	22,495,498	-	-	22,495,498	100%	22,495,498	19,658,508	19,658,508
Claims on Foreign Corporates (ECA Rating 0-1)	-	-	-	-	20%	-	-	-
Claims on Foreign Corporates (ECA Rating 2)	-	-	-	-	50%	-	-	-
Claims on Foreign Corporates (ECA Rating 3-6)	-	-	-	-	100%	-	-	-
Claims on Foreign Corporates (ECA Rating 7)	-	-	-	-	150%	-	-	-
Regulatory Retail Portfolio (Not Overdue)	9,196,881	-	-	9,196,881	75%	6,897,661	7,918,290	5,938,718
Claims Fulfilling all Criterion Of Regulatory Retail Portfolio Except For Granularity	-	-	-	-	100%	-	-	-
Claims Secured by Residential Properties	2,473,256	-	-	2,473,256	60%	1,483,954	2,134,907	1,280,944
Claims not Fully Secured By Residential Properties	-	-	-	-	150%	-	-	-
Claims Secured by Residential Properties (Overdue)	74,970	21,513	-	53,457	100%	53,457	40,309	40,309
Claims Secured by Commercial Real Estate	2,990,738	-	-	2,990,738	100%	2,990,738	2,560,025	2,560,025
Past Due Claims (Except For Claim Secured By Residential Properties)	2,019,424	868,978	-	1,150,446	150%	1,725,669	467,332	700,998
High Risk Claims	9,173,912	-	3,314,985	5,858,927	150%	8,788,391	4,832,269	7,248,404
Investments in Equity and Other Capital Instruments Of Institutions Listed In The Stock Exchange	67,689	-	-	67,689	100%	67,689	88,080	88,080
Investments In Equity and Other Capital Instruments Of Institutions Not Listed In The Stock Exchange	19,922	-	-	19,922	150%	29,883	18,722	28,083
Staff Loan Secured By Residential Property	274,518	-	-	274,518	60%	164,711	190,671	114,403
Interest Receivable/Claim on Government Securities	46,014	-	-	46,014	0%	-	21,846	-
Cash In Transit and Other Cash Items In The Process Of Collection	-	-	-	-	20%	-	-	-
Other Assets	4,729,050	1,483,526	-	3,245,524	100%	3,245,524	1,486,745	1,486,745
TOTAL	**68,153,900**	**2,374,017**	**3,314,985**	**62,464,898**		**48,858,650**	**53,058,365**	**39,949,853**

RISK WEIGHTED EXPOSURE FOR CREDIT RISK

As at July 15, 2017 (Ashadh 15, 2074)

Schedule 30 (B)

Amount in NPR in '000

B. Off Balance Sheet Exposures	Gross Book Value a	Specific Provision b	Eligible CRM c	Net Value d=a-b-c	Risk Weight e	Risk Weighted Exposures f=d*e	Net Value	Risk Weighted Exposures
Revocable Commitments	-	-	-	-	0%	-	-	-
Bills Under Collection	21,052	-	-	21,052	0%	-	29,593	-
Forward Exchange Contract Liabilities	21,976	-	-	21,976	10%	2,198	-	-
LC Commitments With Original Maturity Upto 6 months Domestic Counterparty	1,295,395	-	121,090	1,174,305	20%	234,861	571,339	114,268
Foreign Counterparty (ECA Rating 0-1)	-	-	-	-	20%	-	-	-
Foreign Counterparty (ECA Rating 2)	-	-	-	-	50%	-	-	-
Foreign Counterparty (ECA Rating 3-6)	-	-	-	-	100%	-	-	-
Foreign Counterparty (ECA Rating 7)	-	-	-	-	150%	-	-	-
LC Commitments With Original Maturity Over 6 months Domestic Counterparty	362,487	-	20,034	342,453	50%	171,227	645,390	322,695
Foreign Counterparty (ECA Rating 0-1)	-	-	-	-	20%	-	-	-
Foreign Counterparty (ECA Rating 2)	-	-	-	-	50%	-	-	-
Foreign Counterparty (ECA Rating 3-6)	-	-	-	-	100%	-	-	-
Foreign Counterparty (ECA Rating 7)	-	-	-	-	150%	-	-	-
Bid Bond, Performance Bond and Counter guarantee Domestic Counterparty	1,804,419	-	76,755	1,727,664	50%	863,832	1,427,105	713,553
Foreign Counterparty (ECA Rating 0-1)	-	-	-	-	20%	-	-	-
Foreign Counterparty (ECA Rating 2)	-	-	-	-	50%	-	-	-
Foreign Counterparty (ECA Rating 3-6)	-	-	-	-	100%	-	-	-
Foreign Counterparty (ECA Rating 7)	-	-	-	-	150%	-	-	-
Underwriting commitments	-	-	-	-	50%	-	-	-
Lending of Bank's Securities or Posting of Securities as collateral	-	-	-	-	100%	-	-	-
Repurchase Agreements, Assets sale with recourse	-	-	-	-	100%	-	-	-
Advance Payment Guarantee	843,337	-	-	843,337	100%	843,337	597,688	597,688
Financial Guarantee	-	-	-	-	100%	-	-	-
Acceptances and Endorsements	671,539	-	-	671,539	100%	671,539	510,518	510,518
Unpaid portion of Partly paid shares and Securities	-	-	-	-	100%	-	-	-
Irrevocable Credit commitments (short term)	15,213,360	-	-	15,213,360	20%	3,042,672	12,757,909	2,551,582
Irrevocable Credit commitments (long term)	-	-	-	-	50%	-	-	-
Claims on Foreign Bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	-	-	-	-	20%	-	-	-
Other Contingent Liabilities	-	-	-	-	100%	-	33,369	33,369
Unpaid Guarantee Claims	11,048	-	-	11,048	200%	22,096	12,763	25,526
TOTAL (B)	**20,244,613**	**-**	**217,879**	**20,026,734**		**5,851,762**	**16,585,674**	**4,869,199**
Total RWE for Credit Risk Before Adjustment (A) + (B)	88,398,513	2,374,017	3,532,864	82,491,632		54,710,412	69,644,039	44,819,052
Adjustments under Pillar II			**-**	**-**		**-**	**-**	**-**
SRP 6.4a(3) - Add 10% of the loans & facilities in excess of Single Obligor Limits to RWE						-	-	-
SRP 6.4a(4) - Add 1% of the contract (sale) value in case of the sale of credit with recourse to RWE						-	-	-
Total RWE for Credit Risk after Bank's adjustments under Pillar II	**88,398,513**	**2,374,017**	**3,532,864**	**82,491,632**	**-**	**54,710,412**	**69,644,039**	**44,819,052**

ELIGIBLE CREDIT RISK MITIGANTS

As at July 15, 2017 (Ashadh 31, 2074)

Schedule 30 (C)

Amount in NPR in '000

Credit Exposures	Deposits with Bank a	Deposits with other banks/FI b	Gold c	Nepal Government & NRB Securities d	G'tee of Govt. of Nepal e	Sec/G'tee of Other Sovereigns f	G'tee of domestic banks g	G;tee of MDBs h	Sec/G'tee of Foreign Banks i	Total
Balance sheet Exposure										
Cash Balance	-	-	-	-	-	-	-	-	-	
Balance with Nepal Rastra Bank	-	-	-	-	-	-	-	-	-	
Gold	-	-	-	-	-	-	-	-	-	
Investment in Nepalese Government Securities	-	-	-	-	-	-	-	-	-	
All Claims on Government of Nepal	-	-	-	-	-	-	-	-	-	
Investment in Nepal Rastra Bank Securities	-	-	-	-	-	-	-	-	-	
All Claims on Nepal Rastra Bank	-	-	-	-	-	-	-	-	-	
Claims on Foreign Govertment & Central Banks (ECA Rating 0-1)	-	-	-	-	-	-	-	-	-	
Claims on Foreign Govertment & Central Banks (ECA Rating -2)	-	-	-	-	-	-	-	-	-	
Claims on Foreign Govertment & Central Banks (ECA Rating -3)	-	-	-	-	-	-	-	-	-	
Claims on Foreign Govertment & Central Banks (ECA Rating 4-6)	-	-	-	-	-	-	-	-	-	
Claims on Foreign Govertment & Central Banks (ECA Rating -7)	-	-	-	-	-	-	-	-	-	
Claims on BIS, IMF, ECB, EC and Multilateral Development Banks (MDB's) recognized by the framework	-	-	-	-	-	-	-	-	-	
Claims on Other Multilateral Development Banks	-	-	-	-	-	-	-	-	-	
Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	-	-	-	-	-	
Claims on Public Sector Entity (ECA 2)	-	-	-	-	-	-	-	-	-	
Claims on Public Sector Entity (ECA3-6)	-	-	-	-	-	-	-	-	-	
Claims on Public Sector Entity (ECA 7)	-	-	-	-	-	-	-	-	-	
Claims on Domestic Banks that meet Capitral Adequacy Requirements	-	-	-	-	-	-	-	-	-	
Claims on Domestic Banks that do not meet Capitral Adequacy Requirements	-	-	-	-	-	-	-	-	-	
Claims on Foreign Bank (Eca Rating 0-1)	-	-	-	-	-	-	-	-	-	
Claims on Foreign Bank (Eca Rating 2)	-	-	-	-	-	-	-	-	-	
Claims on Foreign Bank (Eca Rating 3-6)	-	-	-	-	-	-	-	-	-	
Claims on Foreign Bank (Eca Rating 7)	-	-	-	-	-	-	-	-	-	
Claims on Foreign Bank Incorporated In Saarc Region Operating With A Buffer Of 1% Above Their Respective Regulatory Capital Requirement	-	-	-	-	-	-	-	-	-	
Claims on Domestic Corporates	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Corporates (Eca 0-1)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Corporates (Eca 2)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Corporates (Eca 3-6)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Corporates (Eca 7)	-	-	-	-	-	-	-	-	-	-
Regulatory Retail Portfolio (Not Overdue)	-	-	-	-	-	-	-	-	-	-
Regulatory Retail Portfolio (Overdue)	-	-	-	-	-	-	-	-	-	

ELIGIBLE CREDIT RISK MITIGANTS

As at July 15, 2017 (Ashadh 31, 2074)

Schedule 30 (C)

Amount in NPR in '000

Credit Exposures	Deposits with Bank a	Deposits with other banks/FI b	Gold c	Nepal Government & NRB Securities d	G'tee of Govt. of Nepal e	Sec/G'tee of Other Sovereigns f	G'tee of domestic banks g	G;tee of MDBs h	Sec/G'tee of Foreign Banks i	Total
Claims Fulfilling all Criterion of Regulatory Retail Except Granularity	-	-	-	-	-	-	-	-	-	-
Claims Secured By Residential Properties	-	-	-	-	-	-	-	-	-	-
Claims not Fully Secured By Residential Properties	-	-	-	-	-	-	-	-	-	-
Claims Secured by Residential Properties (Overdue)	-	-	-	-	-	-	-	-	-	-
Claims Secured by Commercial Real Estate	-	-	-	-	-	-	-	-	-	-
Past Due Claims (Expect For Claim Secured By Residential Propeties)	-	-	-	-	-	-	-	-	-	-
High Risk Claims (Venture Capital, Private Equity Investments, Personal Loans And Credit Card Receivables)	646,602	-	2,668,383	-	-	-	-	-	-	3,314,985
Investments In Equity Of Institutions Listed In The Stock Exchange And Other Investment In Capital Instrument	-	-	-	-	-	-	-	-	-	-
Investments In Equity Of Institutions Not Listed In The Stock Exchange	-	-	-	-	-	-	-	-	-	-
Other Assets (As Per Attachment)	-	-	-	-	-	-	-	-	-	-
Total Balance Sheet Exposure	646,602	-	2,668,383	-	-	-	-	-	-	3,314,985
Off Balance Sheet Exposures										-
Revocable Commitments	-	-	-	-	-	-	-	-	-	-
Bills Collection	-	-	-	-	-	-	-	-	-	-
Forward Exchange Contract Liabilities	-	-	-	-	-	-	-	-	-	-
Lc Commitments With Original Maurity Up To 6 Months (Domestic Counterparty)	-	-	-	-	-	-	-	-	-	-
Foreign Counterparty (Eca Rating 0-1)	121,090	-	-	-	-	-	-	-	-	121,090
Foreign Counterparty (Eca Rating 2)	-	-	-	-	-	-	-	-	-	-
Foreign Counterparty(Eca Rating 3-6)	-	-	-	-	-	-	-	-	-	-
Foreign Counterparty(Eca Rating 7)	-	-	-	-	-	-	-	-	-	-
Lc Commitments With Original Maurity Over 6 Months (Domestic Counterparty)	-	-	-	-	-	-	-	-	-	-
Foreign Counterparty (Eca Rating 0-1)	20,034	-	-	-	-	-	-	-	-	20,034
Foreign Counterparty (Eca Rating 2)	-	-	-	-	-	-	-	-	-	-
Foreign Counterparty(Eca Rating 3-6)	-	-	-	-	-	-	-	-	-	-
Foreign Counterparty(Eca Rating 7)	-	-	-	-	-	-	-	-	-	-
Bid Bond, Performance Bond And Counter Guarantee(Domestic Counterparty)	-	-	-	-	-	-	-	-	-	-
Foreign Counterparty (Eca Rating 0-1)	76,755	-	-	-	-	-	-	-	-	76,755
Foreign Counterparty (Eca Rating 2)	-	-	-	-	-	-	-	-	-	-
Foreign Counterparty(Eca Rating 3-6)	-	-	-	-	-	-	-	-	-	-
Foreign Counterparty(Eca Rating 7)	-	-	-	-	-	-	-	-	-	-
Unpaid Guarantee Claims	-	-	-	-	-	-	-	-	-	
Underwriting Commitments	-	-	-	-	-	-	-	-	-	-

ELIGIBLE CREDIT RISK MITIGANTS

As at July 15, 2017 (Ashadh 31, 2074)

Schedule 30 (C)

Amount in NPR in '000

Credit Exposures	Deposits with Bank a	Deposits with other banks/FI b	Gold c	Nepal Government & NRB Securities d	G'tee of Govt. of Nepal e	Sec/G'tee of Other Sovereigns f	G'tee of domestic banks g	G;tee of MDBs h	Sec/G'tee of Foreign Banks i	Total
Lending Of Bank'S Securities Or Posting Of Securities As Collateral	-	-	-	-	-	-	-	-	-	-
Repurchase Agreements, Assets Sale With Recourse (Including Repo/Reverse Repo)	-	-	-	-	-	-	-	-	-	-
Advance Payment Guarantee	-	-	-	-	-	-	-	-	-	-
Financial Guarantee	-	-	-	-	-	-	-	-	-	-
Acceptances And Endorsements	-	-	-	-	-	-	-	-	-	-
Unpaid Portion Of Partly Paid Shares And Securities	-	-	-	-	-	-	-	-	-	-
Irrevocable Credit Commitments Short Term	-	-	-	-	-	-	-	-	-	-
Irrevocable Credit Commitments Long Term	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Bank Incorporated In Saarc Region Operating With A Buffer Of 1% Above Their Respective Regulatory Capital Requirement	-	-	-	-	-	-	-	-	-	
Other Contingent Liabilities	-	-	-	-	-	-	-	-	-	-
Total Off Balance Sheet Exposure	217,879	-	-	-	-	-	-	-	-	217,879
Grand Total	**864,481**	**-**	**2,668,383**	**-**	**-**	**-**	**-**	**-**	**-**	**3,532,864**

RISK WEIGHTED EXPOSURE FOR OPERATIONAL RISK

As at July 15, 2017 (Ashadh 31, 2074)

Schedule 30 (D)

Amount in NPR in '000

S.N.	Particulars	Previous Year of Mid July 2017 Fiscal Year			Mid July 2016
		2013/ 2014	2014/ 2015	2015/ 2016	
1	Net Interest Income	1,073,127	1,268,403	1,619,767	
2	Commission and Discount Income	54,742	62,457	97,670	
3	Other Operating Income	206,170	181,212	272,239	
4	Exchange Fluctuation Income	75,833	98,668	143,294	
5	Addition/Deduction in Interest Suspense during the period	53,265	(3,999)	22,058	
6	**Gross income (a)**	**1,463,137**	**1,606,741**	**2,155,028**	
7	Alfa (b)	15%	15%	15%	
8	Fixed Percentage of Gross Income [c=(a×b)]	219,471	241,011	323,254	
9	Capital Requirement for operational risk (d) (average of c)			261,245	218,799
10	Risk Weight (reciprocal of capital requirement of 10%) in times (e)			10	10
11	Equivalent Risk Weight Exposure [f=(d×e)]			2,612,454	2,187,990
SRP 6.4a (8)	Adjustments under Pillar II (If Gross Income for the last three years is negative)				
1	Total Credit and Investment (net of Specific Provision)			-	
2	Capital Requirement for Operational Risk (5% of net credit and investment)			-	
3	Risk Weight (reciprocal of capital requirement of 10%) in times				
4	Equivalent Risk Weight Exposure (g)			-	
5	**Equivalent Risk Weight Exposure [h=f+g]**			**2,612,454**	**2,187,990**

RISK WEIGHTED EXPOSURE FOR MARKET RISK

As at July 15, 2017 (Ashadh 31, 2074)

Schedule 30 (E)

Amount in NPR in '000

S.No.	Currency	Ashadh End 2074			Mid July 2016
		Open Position (FCY)	Open Position (NPR)	Relevant Open Position	Relevant Open Position
1	INR	58,937	94,343	94,343	7,023
2	USD	55	5,623	5,623	1,952
3	GBP	12	1,567	1,567	734
4	AUD	4	356	356	4,353
5	CAD	5	440	440	860
6	CHF	4	477	477	422
7	SGD	6	475	475	308
8	JPY	183	166	166	768
9	SEK	-	1	1	5
10	DKK	51	796	796	326
11	HKD	29	377	377	118
12	SAR	52	1,414	1,414	1,534
13	QAR	20	560	560	898
14	AED	40	1,131	1,131	521
15	THB	3	9	9	10
16	EUR	3	315	315	549
17	MYR	33	779	779	768
18	CNY	26	392	392	39
19	KWD	3	958	958	251
20	BHD	-	98	98	57
21	KRW	6,060	576	576	
(a)	**Total Open Position**			**110,853**	**21,496**
(b)	Fixed Percentage			5%	5%
(c)	Capital Charge for Market Risk (=a×b)			5,543	1,075
(d)	Risk Weight (reciprocal of capital requirement of 10%) in times			10	10
(e)	**Equivalent Risk Weight Exposure (=c×d)**			**55,427**	**10,748**

PRINCIPAL INDICATORS OF LAST 5 FISCAL YEARS

As at July 15, 2017 (Ashadh 31, 2074)

Schedule 31

Indicators		Fiscal Year 2012/13	Fiscal Year 2013/14	Fiscal Year 2014/15	Fiscal Year 2015/16	Fiscal Year 2016/17
1. Net Profit / Gross Income	Percent	16.84	17.81	23.17	27.31	19.36
2. Earning Per Share (Average share outstanding)	NPR	19.66	23.7	30.94	35.25	20.27
3. Market Value Per Share	NPR	267	539	489	680	403
4. Price Earning Ratio	Times	13.58	22.74	15.8	19.29	19.88
5. Dividend (including bonus) on Share Capital	Percent	15	18.95	21.05	25.78	17
6. Cash Dividend on Share Capital	Percent	15	5.95	1.05	1.29	1
7. Interest Income / Loans and Advances	Percent	13.07	11.44	10.19	9.41	10.55
8. Staff Expenses / Total Operating Expenses	Percent	37.06	38.11	42.57	44.19	44.94
9. Interest Expenses / Total Deposits and Borrowings	Percent	5.81	5.37	4.6	4.38	6.32
10. Exchange Gain / Total Income	Percent	1.11	2.71	3.17	3.62	3.27
11. Staff Bonus / Total Staff Expenses	Percent	39.47	40.56	41.2	52.13	35.9
12 Net Profit / Loans and Advances	Percent	2.55	2.42	2.75	3.1	2.43
13. Return on Total Assets	Percent	1.79	1.71	1.95	2.24	1.8
14. Total Credit / Deposits	Percent	78.97	82.87	81.6	85.59	91.89
15. Total Operating Expenses / Total Assets	Percent	1.69	1.49	1.58	1.38	1.62
16. Adequacy of Capital Fund on Risk Weighted Assets	Percent	11.89	12.99	13.27	12.4	16.88
Core Capital	Percent	11.05	10.26	10.74	10.57	15.37
Supplementary Capital	Percent	0.84	2.73	2.53	1.83	1.51
17. Liquidity (CRR)	Percent	13.24	11.48	8.2	6.74	6.34
18. Non-Performing Loans / Total Loans	Percent	2.01	3.4	1.53	1.38	2.02
19. Weighted Average Interest Rate Spread	Percent	4.82	4.99	4.22	3.96	3.19
20. Book Net Worth Per Share	NPR	113	116	121	121	136
21. Number of Equity Shares (At Year End)	Nos.	21018400	21018400	25543615	30652338	69216897
22. Number of Permanent Staffs	Nos.	330	399	532	652	684
23. Return on Equity	Percent	17.37	18.09	19.26	20.36	11.52
24. Dividend Pay Out Ratio	Percent	76.29	25.1	3.73	3.66	6.4
25. Earnings Yield	Percent	5.67	1.17	5.25	4.36	6.43
26. Dividend Yield	Percent	5.62	3.52	4.3	3.79	4.22
27. Cost to Operating Income Ratio	Percent	30.52	30.72	36.15	31.32	40.44
28. Total Assets to Shareholder' Fund	Times	10.92	11.7	11.09	10.38	6.97
29. Shareholders' Fund to Total Liability including Contingent Liability	Percent	7.98	7.38	7.42	7.39	10.95
30. Base Rate	Percent	9.72	8.16	7.3	6.06	11.17
31. CCD Ratio as per NRB Directives	Percent	72.38	75.45	74.95	77.63	78.63
32. Number of Branches	Nos.	34	42	54	56	60
33. Number of ATMs	Nos.	35	38	44	49	57
34. Net Profit Per Staff	NPR	1252258	1248353	1353963	1657021	1581377
35. Per Employee Staff Cost	NPR	437683	414959	465940	452764	642581
36. Diluted Earning Per Share	NPR				24.55	20.27

Note:

1. Gross Income in S.N. 1 comprises of Interest Income, Commission and Discount, Other Operating Income and Exchange Income.
2. EPS in S.No.2 is restated in line with Nepal Accounting Standard (NAS 26-EPS) that requires computation of EPS dividing earnings attributable to equity holders by weighted average number of shares. Average number of shares during the year is considered as weighted average number of shares.
3. Market Value per Share in S.N. 3 is the closing price quoted in Nepal Stock Exchange on Thursday, the 13th July 2017, being last time trading for the year.
4. The Interest Income in S. N. 7 is the interest income from loans and advances (excluding staff loans). The loans and advances are the average loans and advances for the entire financial year.
5. Total Operating Expense in S.N. 8 comprises Staff Expense and Other Operating Expense.
6. The Deposits and Borrowings in S.N.9 are the average deposits and borrowings for the entire financial year.
7. Total Income in S.N. 10 is same as Gross Income in S.N. 1 comprising of Interest Income, Commission and Discount, Other Operating Income and Exchange Income.
8. The Loans and Advances in S.N. 12 is same as Loans and Advances in S.N. 7 and is the average balance for the entire financial year.
9. Total Assets in S.N 13 and S.N. 15 are average balance of assets computed by averaging outstanding balance of previous financial year and current financial year.
10. Credit and Deposit in S.N. 14 is the outstanding balance as of balance sheet date.
11. CRR has been maintained based on the average of domestic deposits of preceding one week of the latter two weeks. The mandatory provision of maintaining 70 percent of such reserve on daily basis has been complied.
12. NPA in S.N. 18 also includes restructured / rescheduled loans.
13. Equity in SN 23 and shareholder's fund in 29 & 30 comprises share capital and reserve funds.
14. Earnings Yield represent earnings (attributable to equity holders) per market value of share.
15. Dividend Yield represent dividend per market value of share.

PRINCIPLE ACCOUNTING POLICIES

For the period of July 16, 2016 to July 15, 2017

1.OVERVIEW

Reporting Entity

Citizens Bank International Limited (the 'Bank' or 'CBIL') is a publicly held bank engaged in providing a wide range of banking and financial services. CBIL is a banking company governed by the Banks and Financial Institutions Act, 2017. The Bank has its Corporate Office at Sharada Sadan, Kamaladi, Kathmandu and was incorporated as a limited company under the Companies Act, 2006. The Bank received the license to commence banking operations from the Nepal Rastra Bank on April 20, 2007 (Baishakh 7, 2064). CBIL is an "A" class Commercial Bank. Its Equity Shares are listed in Nepal Stock Exchange.

On April 8, 2015 (Baisakh 25,2072), the Bank acquired two "C" class financial institutions Nepal Housing & Merchant Finance Limited and People's Finance Limited as per final approval for acquisition received from Nepal Rastra Bank on April 9, 2015 (Chaitra 26, 2071). Similarly, on July 16, 2016 (Shrawan 2, 2073), the Bank acquired another "C" class financial institutions Premier Finance Limited as per final approval for acquisition received from Nepal Rastra Bank on July 4, 2016 (Ashadh 20, 2073).

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.

Subsidiary

CBIL Capital Limited (the Subsidiary) is the subsidiary company of the Bank. It was incorporated on January 30, 2006 (Magh 17, 2062) as public company. The Bank made an equity investment in CBIL Capital on March 13, 2016 (Falgun 30, 2072). The principal activities of the Subsidiary are to provide Merchant Banking Services. The Bank as on date holds 67% controlling interest in the Subsidiary.

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

2. Statement of Compliance

The financial statements have been prepared in accordance with requirements prescribed under directives issued by Nepal Rastra Bank. The accounting and reporting policies of the Bank used in the preparation of these financial statements confirm the guidelines issued by the Nepal Rastra Bank from time to time, Nepal Accounting Standards (NAS) to the extent applicable and practices generally prevalent in the banking industry in Nepal.

3. Basis of preparation

The assets and liabilities reported in the financial statements of the Bank are presented in functional currency which is Nepalese Rupees (NPR) and are prepared following the accrual method of accounting (except where otherwise stated), and the historical cost convention except for translated foreign currency value and investments that are market to market.

4. Use of estimates

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 liabilities) as of the date of the financial statements and income and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

5. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied by the Bank in the preparation of these financial statements are presented below. These policies have been consistently applied to all the years presented unless stated otherwise.

a. 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 Bank and the revenue can be reliably measured.

- Interest income is recognized in the profit and loss account on accrual basis, except in the case of loans & advances as per NRB Directives.
- Interest suspense on Loans and Advances as on fiscal year closing that are received within 15th of Shrawan of subsequent fiscal year is recognized as interest income in the books of accounts as per NRB Directives.
- Interest on loans & advances is recognized on cash basis as prescribed by NRB Directives, which is not in accordance with NAS that prescribes recognition of interest on accrual basis considering the effective interest method. The practice followed by the Bank as per NRB Directives is more conservative.Interest on loans & advances is recognized on accrual basis in case of interest accrued during the moratorium period in case of projects of national priority sector after pre-approval from NRB.
- Interest on loans & advances is recognized on accrual basis in case of staff loans provided as per Employee Bye-laws of the Bank.
- Amount received from the borrowers are first used to settle all the interest receivable from borrower before settlement of principal receivable.
- Commission on guarantees issued by the Bank is recognized as income over the period of the guarantee, except for guarantee commission not exceeding Rs 10 thousands, which is recognized at the time of issue of the guarantee.
- Commission on Letters of Credit (LC) issued by the Bank is recognized as income at the time of issue of the LC. However, income from usance LC is accounted for on the basis of period of LC on accrual basis.

- Income on discounted instruments like bills purchased, documents negotiation is recognized at the time of discounting.
- Other fees and commission income are recognized on accrual basis.
- Cash dividend declared by resident company is recognized when the right to receive payment is established at net of withholding tax. The quantity of shares received as bonus dividend is disclosed in Schedule 12 (A) of the financial statements.

b. Interest Expense

Interest on deposit liabilities and borrowing from other banks are accounted for on accrual basis.

c. Fixed Assets, Depreciation & Amortization Policy

Fixed assets are stated at historical cost less depreciation. Historical cost includes expenditures that are directly attributable to the acquisition of the assets. Depreciation on fixed assets is provided on straight-line method, over estimated useful lives, as determined by the Management. Depreciation is calculated applying following useful life on straight line basis.

Class of Assets	Useful Life	Rate of Depreciation
Building	20 years	5.00%
Metal Furniture	6 years	16.67%
Wooden Furniture	5 years	20.00%
Office Vehicles	7 years	14.29%
Computer (including Printer)	4 years	25.00%
Office Equipments	5 years	20.00%

However,

- For income tax calculation purpose, depreciation is calculated as per the rate and procedures defined in Income Tax Act 2002.
- 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 Rs 5,000 are fully depreciated in the year of purchase. For assets purchased/sold during the year, depreciation is provided from/ upto the date of use on pro-rata basis.

d. Investments

Classification and valuation of the Bank's investments are carried out in accordance with NRB directives. Bank's investment portfolio are segregated in the following categories viz. the investment as held for trade, investment available for sale and investment held till maturity. Accordingly, investments are shown in separate headings.

Costs such as brokerage pertaining to investments, paid at the time of acquisition are included in cost of investments. Re-classification of investments from one category to the other is done in accordance with NRB guidelines.

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

2- *Investment held to maturity:* Investment made with positive intent and capacity to hold till maturity falls under this class. Positive intent to hold shall not be deemed in the following circumstances:-

(1) In case there is intent and capacity to hold until undefined period;

(2) In case the institution stands ready to sell the assets, except in case a situation arises which is non-recurring and could not have been reasonably anticipated, owing to changes in market interest rate or risk, liquidity requirements, changes in availability of and yield on alternate investment, financial sources and terms or changes in the risks of foreign currency.

Investment held to maturity are accounted for at the amortized costs. Write off costs is calculated having deducted impairment from cost price. Impairment is included in the profit/loss account of the concerned period.

3- *Investment available for sale:* All investment not falling under the held for trading and held to maturity are placed under this class. Such investment are marked to market on regular basis and the difference is adjusted through reserves.

In case of the investment held for trading and available for sales which have not been enlisted in the stock exchange market and having no active market, are booked at the cost price and the actual investment therefore are presented in the balance sheet having made provision of investment adjustment reserve pursuant to Nepal Rastra Bank Directives. Bank creates investment adjustment reserve at 2% of investment classified as available for sale except on investment on shares specifically allowed by Nepal Rastra Bank. Moreover, in case bonus shares are acquired, only the number of shares are added and they are not accounted as an income.

e. Non-Banking Assets

The valuation of the asset is accounted at the prevailing market value of the collateral property or aggregate recoverable amount due up to the day before the date of assumption whichever is lower. Where the market value of assumed property is less than the total recoverable amount, the difference amount is charged to Profit and Loss Account in the year of acquisition. Provision for Non Banking Asset has been fully provided for as per NRB Directive and continues to remain until it is disposed off. Non Banking Asset is derecognized at the time of its disposal.

f. Loans and advances including bills purchases

Loans and advances including bills purchased include direct finance provided to the customers such as bank overdrafts, credit card, personal loans, term loans, hire purchase finance and loans to deprived sectors. Advances are classified as performing and non-performing based on the relevant NRB Directives. Advances are stated net of specific loan loss provisions, interest suspense (if capitalized), export credit guarantee corporations claims received, inter-bank participation certificates issued and bills rediscounted. Specific loan loss provisions in respect of non-performing advances are made based on management's assessment of the degree of impairment of the advances, subject to the minimum provisioning level prescribed in relevant NRB Directives. Provision is made for possible losses on loans and advances, overdraft and bills purchased at 1% to 100% on the basis of classification of loans and advances, overdraft and bills purchased in accordance with the directives of Nepal Rastra Bank.

g. Loans and advances write offs

Loans considered uncollectible is written off in accordance with directive issued by NRB and Bank's Loan Write-Off policy duly approved by NRB, without prejudice to Bank's right to recovery.

Impairment provisions held for the loss accounts are written back immediately after the loans are written-off. Amounts recovered against debts written off in earlier years and provisions no longer considered necessary based on the current status of the borrower are recognized in the Profit and Loss Account.

h. Staff Loans

Loans and advances granted to staff in accordance with the staff loan scheme are booked as loan but categorized as Other Assets.

i. Stationery

Stationery purchased is accounted for on cost and expended as and when it is issued for consumption on a FIFO basis and inventory as at the end of reporting period are measured at the lower of cost or net realizable value.

j. Transactions involving Foreign Exchange

Monetary foreign currency assets and liabilities are translated at the balance sheet date at mid- exchange rates published by the bank at the end of each day. The resulting profits or losses are recognized in the profit and loss account. Income and expenditure in foreign currency are accounted for at exchange rates prevalent on the date of the transaction.

Profit or loss realized from the difference between buying and selling rates of foreign currencies are accounted for as "Trading Gain or Loss on Foreign Exchange". Profit or Loss arising from fluctuations in exchange rates of foreign currencies are accounted for as "Revaluation Gain or Loss on Foreign Exchange". At the annual closing, if the revaluation loss is reported, the same is charged to Profit and Loss Account and if revaluation profit is reported, such amount is shown as income in Profit and loss Account and 25 percent of such profit is appropriated to Exchange Fluctuation Reserve through Profit and Loss Appropriation Account as required by NRB Directives.

Premium/ discount on foreign exchange forward contract is accounted for as trading gain or loss at the time of transaction and presented under "Trading Gain/ (Loss)" in Schedule 22 of the financial statements.

k. Retirement and employee benefits

Leave salary

The employees of the Bank are entitled to carry forward a part of their unavailed/unutilized leave subject to a maximum limit. The employees can encash unavailed/unutilized leave partially in terms of Employee Service Bye-Laws of the bank. Bank accounts for the liability for entire accumulated outstanding leave balance on actuarial basis as per Employee Service Bye-laws of the Bank.

Gratuity

Bank provides for gratuity on actuarial basis covering eligible employees in terms of Employee Service Bye Laws of the Bank. The plan provides for lump sum payments to vested employees at retirement or upon death while in employment or on termination of employment for an amount equivalent defined days' eligible salary payable for each completed year of service.

Provident fund

In accordance with law, all employees of the Bank are entitled to receive benefits under the provident fund, a defined contribution plan in which both the employee and the Bank contribute monthly at a pre determined rate (currently, 10% of the basic salary plus grades). Bank does not assume any future liability for provident fund benefits other than its annual contribution and recognizes such contributions as an expense in the year incurred.

l. Income Tax Provision

Income tax expense comprises current tax provision (i.e. the

amount of tax for the period determined in accordance with the prevailing Income Tax Act, 2058 and the rules framed thereunder) and the net change in the deferred tax asset or liability in the year.

Deferred tax assets and liabilities are recognized for the future tax consequences of timing differences between the carrying values of assets and liabilities and their respective tax bases, and operating loss carry forwards. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates at the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future. Deferred tax assets are reviewed at each balance sheet date and appropriately adjusted to reflect the amount that is reasonably/virtually certain to be realized.

In addition to the exhibition of regular tax expenses as "Current Tax" under Income Tax Provisions in Profit and Loss account, the current year's deferred tax is also accounted under the heading of "Deferred Taxation".

m. Provisions and Contingent Assets/ Liabilities

Bank creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of 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.

Provisions are reviewed at each balance sheet 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 and currency swap transactions. The profit or loss that arise from Forward Exchange Contract is recognized at the time of settlement.

NOTES TO THE ACCOUNTS

As at July 15, 2017 (Ashadh 31, 2074)

Schedule 33

1. Details of Paid Up Capital of the Bank

Fiscal Year	Total Paid Up Capital NPR	Remarks
2006/07	560,000,000	Promoter's Share capital
2007/08	560,000,000	No change.
2008/09	1,000,000,000	Additional NPR 14 Crore Pomoter Share and NPR 30 Crore Public Share Issued
2009/10	2,000,000,000	Issuance of 1:1 Right Share
2010/11	2,100,000,000	5 % Bonus Shares Issued
2011/12	2,101,840,000	Fraction Share Adjustment in promoter share to maintain the ratio between promoter and public shareholders
2012/13	2,101,840,000	No change.
2013/14	2,375,079,200	13% Bonus Shares Issued
2014/15	2,554,361,514	After acquisition of NHMFL & PEFIL and fraction share adjustment.
2015/16	4,401,315,379	Proposed Bonus Shares, Calls in Advance with reference to Right Share Issued at the ratio of 10:5.5.
2016/2017	8,029,160,009	Right Share Allocation of 10:5.5 issued previous year, share issuance for acquisition of Premier Finance Limited, Fresh Right Issued at the ratio of 10:2.5 and proposed bonus share of 16% on paid up capital.

2. Investments

The details of the Investments of the Bank are summarized below:

Particulars	Classification	Amount NPR	Investment Adjustment Reserve NPR	Net Investment NPR
Investment in Equity Shares	Available for Sale	154,610,332	85,276,000	69,334,332
Investment in Treasury Bills	Held To Maturity	307,750,980		307,750,980
Investment in Government Bonds	Held To Maturity	6,427,425,000		6,427,425,000
Placements In banks	Held To Maturity	1,560,033,896		1,560,033,896
Total		**8,449,820,208**	**85,276,000**	**8,364,544,208**

The details with reference to Investment in Subsidiary and Associates are disclosed in Schedule 32 "Principal Accounting Policies" and Notes to Accounts 30 Related Party Disclosures.

3. Interest Income Recognition on Loans and Advances

Interest on loans & advances is recognized on cash basis as prescribed by NRB Directive 4. Similarly, the same Directive has also allowed BFIs to recognize interest income that has accrued at year end but has been subsequently recovered in cash within 15 days after year-end date. The Bank has recognized interest income of NPR 6,174,651 received in cash within 15 days after year end as income in the current year.

4. Events after Balance Sheet Date

There are no events after Balance Sheet Date affecting financial status as on Ashadh end, 2074.

5. Proposed Bonus Share in Current Fiscal Year 2073/74

The Board of Directors has proposed Bonus Share at the rate of 16% of paid up capital of the Bank.

6. Proposed Dividend for Current Fiscal Year 2073/74

The Board of Directors has proposed Cash Dividend of 1% on paid up capital of the Bank.

7. Unpaid Dividend

Dividend declared to the shareholders but not collected till the end date of the reported fiscal year 2016/17 are as below:

Particulars		Amount
1. Dividend payable for FY 2008/09	NPR	298,380
2. Dividend payable for FY 2009/10	NPR	571,485
3. Dividend payable for FY 2010/11	NPR	2,725,831
4. Dividend payable for FY 2011/12	NPR	5,972,135
5. Dividend payable for FY 2012/13	NPR	11,408,489
6. Dividend payable for FY 2013/14	NPR	6,591,075
7. Dividend payable for FY 2014/15	NPR	4,960,050
8. Dividend payable for FY 2015/16	NPR	22,471,094
9. Dividend payable for FY 2008/09- NHMFL	NPR	243,105
10. Dividend payable for FY 2010/11- NHMFL	NPR	148,179
11. Dividend payable for FY 2009/10- PEFIL	NPR	1,379,918
12. Unclaimed Dividend FY 2003/04 & 04/05 - PEFIL	NPR	481,770
13. Unclaimed Dividend FY 2006/07- Premier Finance Limited	NPR	75,723
14. Unclaimed Dividend FY 2009/10- Premier Finance Limited	NPR	876,703

8. General Reserve Fund

As per section 44 of Banks and Financial Institutions Act (BAFIA) 2017, 20% of the Current Year's Profit NPR 21,6332,310 has been transferred to General Reserve Fund.

9. Exchange Fluctuation Reserve Fund

The Bank has appropriated NPR 14,947,824 to Exchange Fluctuation Reserve out of the Revaluation Gain of NPR 59,791,294 made during the year.

10. Capital Redemption Reserve (Bond Redemption Reserve)

The Bank has issued Subordinated Debt of 500,000 8.5% Citizens Bank Bond, 2077 of NPR 500,000,000 as per NRB approval dated December 16, 2013 (2070/09/01). As per clause 5 of NRB Directive 16, the Banks are required to set aside fund to Capital Redemption Reserve. The Bank has set aside additional NPR 100,000,000 to Capital Redemption Reserve in the FY 2016/17. The cumulative Capital Redemption Reserve is NPR 200,000,000.

11. Corporate Social Responsibility (CSR) Fund

CSR Fund of NPR 10,816,615 has been created equivalent to 1% of Net Profit of the year as per NRB Circular Bai.Bi.Ni.Bi./Niti/Paripatra/Ka.Kha.Ga./11/073/74. 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.

12. Employees Training Cost and Employees Capacity Development Fund

Employees training cost of NPR 9,246,743 has been incurred during the year which is above the 3% of the employee cost of the previous year 2072/73 as per NRB Circular Bai.Bi.Ni.Bi./Niti/Paripatra/Ka.Kha.Ga./10/073/74 . Hence, employees capacity development fund has not been created during the year.

13. Share Premium

During the year, the Bank has issued Right Share at the rate of 10:5.5 and 10:2.5. The Bank has booked the excess of the issue price over the par value on shares issued in Share Premium Account equivalent to NPR 529,389,690.
The detail of Share Premium amount booked is as follows:

Auction Date	Auction Quantity	Share Premium (NPR)
July 21, 2016 (Shrawan 6, 2073)	705,717	399,078,426
July 09, 2017 (Ashadh 25, 2074)	617,978	130,311,265
		529,389,691

The balance outstanding on Ashadh end 2074 of NPR 532,361,307 has been utilized for distributing fully paid up shares to the shareholders of the Bank as per Section 29 of the Companies Act, 2006.

14. Income Taxes

Income Tax Provision has been made at the rate of 30% on Taxable Profit. During financial year 2016/17, the Bank has deposited total income tax of NPR 560,592,254.26 to the Large Tax Payer's Office. Similarly, the Bank has also deposited NPR 267,086,710.90 on the account of tax deducted on various payments.

In the current fiscal year, tax office has completed the tax assessment of the Bank of FY 2011/12 and 2012/13 with additional Tax demand of NPR 8,346,517.42 and NPR 12,396,861.14 respectively. The Bank has filed for the administrative review for additional income tax demand of FY 2011/12 and 2012/13.

The Bank has filed for appeal in Revenue Tribunal against tax assessment of FY 2010/11 with additional income tax demand of NPR 2,885,728.93. Similarly, tax assessment of acquired institution, People's Finance Limited of FY 2010/11 and Nepal Housing and Merchant Finance Limited of FY 2011/12 are under Administrative Review with additional tax demand of NPR. 21,002,255.30 and NPR. 3,446,693.65 respectively.

Similarly, in case of FY 2006/07 and 2007/08, the Bank has filed for petition with Supreme Court which is yet to be decided. The disputed tax amount is NPR 5,376,086.58 of FY 2006/07 and 2007/08.

Bank has disclosed the disputed tax amount of NPR. 53,454,143.02 as contingent liability in Schedule 17.

a. Current Tax Liability Computation

Amount in NPR

Particulars	NPR	Current Year NPR
Profit Before Tax		1,578,107,827
Income Tax @30%		**473,432,348**
Adjustments		
Increase in tax liabilty due to less expense allowable than expense incurred		
Capital Items Cost Upto Rs 5,000 Written Off	1,117,966	
Unabsorbed Repairs and Maintenance	2,473,539	
Staff Bonus pertaining to Final Dividend	793,861	
Loan W/off	105,936,458	
Depreciation & Amortization	101,036,326	
Other Expenses	6,551,431	
Total	**217,909,581**	**65,372,874**
Decrease in tax liabilty as the incomes are not taxable or more allowable than reported		
Gratuity & Leave Expense Provision	49,382,750	
Provision Expenses on Non- Banking Assets and Loan	776,138,255	
Profit on Sale of Fixed Asset	3,006,078	
Dividend Income	8,732,467	
Recovery of Loan Written Off	25,581,626	
Carried Forward Unabsorbed Lossess of NHMFL and PEFIL	48,717,311	
Total	**911,558,487**	**273,467,546**
Income Tax Prior to Adjustment		**265,337,676**
Interest U/S 118		**-**
Prior Period Taxation		**-**
Deferred Tax Adjustment		**231,108,602**
Total Income Tax Expenses		**496,446,278**

b. Deffered Tax

Deferred tax is computed 30% of the temporary differences. Deferred tax Assets/ Liabilities and the calculation of Deferred taxes are tabulated below.

Amount in NPR

Particulars	Accounting Base	Tax Base	Difference	Deferred Tax Assets (Liability) of This Year	Deferred Tax Assets (Liability) of Last Year	Deferred Tax Income (Expenses) of This Year
Fixed Assets	1,765,128,851	1,798,913,749	33,784,898	10,135,469	14,157,512	(4,022,043)
Provision for Gratuity	4,133,964	-	4,133,964	1,240,189	9,535,012	(8,294,823)
Provision for Leave encashment	-	-	-	-	14,999,983	(14,999,983)
Provision for Investment	-	-	-	-	-	-
Provision for Prepayment c/f from Premier	-	-	-	-	466,045	(466,045)
Provision on Non- Banking Assets	-	-	-	-	188,660,139	(188,660,139)
Unabsorbed Losses	-	254,991,176	254,991,176	76,497,353	91,207,977	(14,710,624)
Total	**1,769,262,815**	**2,053,904,925**	**292,910,038**	**87,873,011**	**319,026,668**	**(231,108,602)**

15. Gratuity and Leave Fund

The Bank has provided NPR 38,738,060 for Gratuity (Previous Year NPR 31,783,372) and NPR 36,624,279, for Annual Leave (Previous Year NPR 49,999,942) as per Actuarial Valuation in Current Fiscal Year 2073/74 which has been credited to Gratuity and Leave Fund.

NPR in '000

Particulars	Gratuity	Annual & Sick Leave	Total
Defined benefit obligations at July 16, 2016	31,783	50,000	81,783
Actuarial losses/(gains)	(3,986)	(24,281)	(28,267)
Benefits paid	(3,013)	(14,350)	(17,363)
Current service costs and interest	13,953	25,255	39,208
Defined benefit obligations at July 15, 2017	38,737	36,624	75,361

NPR in '000

Expenses recognized in profit or loss	Gratuity	Annual & Sick Leave	Total
Current service costs	11,417	21,266	32,683
Interest on obligation	2,536	3,989	6,525
Expected return on plan assets			-
Total	**13,953**	**25,255**	**39,208**

NPR in '000

Particulars	Gratuity	Annual & Sick Leave	Total
Fair value of plan assets as on July 16, 2016	-	-	-
Contributions paid into the plan	34,604	36,624	71,228
Benefits paid by the plan			
Actuarial (losses) gains			
Expected return on plan assets			
Fair value of plan assets as on July 15, 2017	34,604	36,624	71,228

NPR in '000

Net Liability for Defined Benefit Obligation	Gratuity	Annual & Sick Leave	Total
Total present value of obligations	38,737	36,624	75,361
Fair value of plan assets	34,604	36,624	71,228
Present value of net obligations	4,133	-	4,133

Actuarial Assumptions	Gratuity Plan	Annual & Sick Leave
Discount rate	8.00%	8.00%
Expected return on plan asset	4.75%	4.75%
Future salary increase		
Basic Salary Increment every year	5.00%	5.00%
Executive Salary Increment every 2 years	5.00%	5.00%
Officer Level Salary Increment every 2 years	5.00%	5.00%
Assistant Level Salary Increment every 2 years	5.00%	5.00%
Withdrawal rate	10.50%	10.50%

16. Provision for Bonus to Employees

Provision for staff bonus has been made as per Bonus Act 974 (2030), calculated at 10% of net profit after bonus. For the year 2016/17, the Bank has made provision of NPR. 157,810,783 towards Staff Bonus.

17. 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, 1992 (2049).

18. Fixed Assets, Depreciation & Amortization

1. Depreciation for the year is NPR.79,060,962 Expenses for office furnishing are capitalized as Fixed Assets and depreciated over a maximum 5 years period. Similarly, Software Purchase and installation costs are also capitalized as Fixed Assets and depreciated over a maximum 5 years period or within the ownership period.
2. The expenses of leasehold improvements are amortized over a maximum of 10 years period or the lease rental period, whichever is earlier. As such, during the fiscal year 2016/17 NPR 15,115,388 has been amortized as expenses on account of leasehold improve-

ments and NPR 102,045,098 has been booked as amortization expenses on account of negative capital reserve. The balance of NPR 72,301,623 on account of leasehold improvements will be amortized in coming years.

3. Net Profit on sale of Fixed Assets is NPR 3,006,077 and Net Profit on sale of Non- Banking Assets is NPR 18,980,146 have been shown in Schedule 25.

19. a. Particulars of Loans disbursed, recovered and Principal written off during the Fiscal Year :

NPR in '000

Particulars	Amount
Balance of Loans and Advances as on July 16, 2016	40,565,822
Loan Disbursed during the Year	39,323,538
Loan Recovered during the Year	(31,341,437)
Loans Written Off during the year	(105,937)
Balance of Loans and Advances as on July 15, 2017	48,441,987

19. b. Particulars of Interest Accrued, recovered and written off of Loan during the Fiscal Year :

NPR in '000

Particulars	Amount
Balance of Interest Accrued as on July 16, 2016	228,592
Interest Accrued during the Year	5,272,276
Interest Recovered during the Year	(4,690,451)
Interest Written Off	(135,883)
Balance of Interest Accrued as on July 15, 2017	674,534

20. Summary of changes in Loans & Advances :

NPR in '000

Particulars	Current Year 15.07.2017	Last Year 15.07.2016	Changes
Loans & Advances	48,272,658	40,439,214	19.37%
Bills Purchased & Discounted	169,329	126,608	33.74%
Accrued Interest Receivables	674,534	228,592	195.08%

21. Summary of changes in Deposit Liabilities :

NPR in '000

Particulars	Current Year 15.07.2017	Last Year 15.07.2016	Changes
Current and Margin Accounts	1,722,754	1,672,042	3.03%
Savings Bank Account	10,623,211	9,684,567	9.69%
Call Deposits	5,438,120	10,097,587	-46.14%
Fixed Deposits	34,934,495	25,939,305	34.68%
Interest Payables on Deposits	92,617	28,279	227.51%

22. Weighted Average Interest Spread (as per NRB Directives) :

Particulars	Rate
Average Rate of Loan and Advances & Investment in Government Securities	11.19%
Average Rate of Local Currency Deposits	8.00%
Net Spread	**3.19%**

23. Summary of Concentration Of Exposure :

NPR in '000

Particulars	Loans, Advances and Bills Purchased	Deposits & Borrowings	Off Balance Sheet
Total Amount as on July 15, 2017	48,441,987	54,252,160	20,298,067
Highest Exposure to a Single Unit	1,067,100	3,769,445	267,931
Highest % of Exposure to a Single Unit	2.20%	6.95%	1.32%
Core Capital	9,096,598	9,096,598	9,096,598

24. Matching Assets and Liabilities: Liquidity Profile/ Structural Liquidity Table

As on July 15, 2017

NRP in Million

Particulars		1-7 days	8-30 days	31-90 days	91-180 days	181-270 days	271-365 days	More than 1 year	Total
Assets									
1	Cash Balance	2,033	-	-	-	-	-		2,033
2	Balance with Banks & FIs	3,893	-	-	-	-	-		3,890
3	Investment in Foreign Banks	152	204	387	103	516	155		1,517
4	Call Money	-	-	-	-	-	-		
5	Government Securities	-	-	288	20	-	-	6,427	6,735
6	Nepal Rastra Bank Bonds	-	-	-	-	-	-		
7	Inter Bank & FI Lending	155	-	-	29	-	12		196
8	Loans & Advances	1,790	2,347	3,889	6,836	7,037	6,265	20,278	48,442
9	Interest Receivable	6	-	1	8	-	-	45	60
10	Reverse Repo	-	-	-	-	-	-		
11	Acceptance Receivable	-	-	-	-	-	-		
12	Payments under S.No. 20,21 & 22	1,514	760	1,830	4,999	3,254	6,035	1,594	19,986
13	Others	1,641	-	3	6	9	7	2,220	3,886
Total (A)		**11,184**	**3,311**	**6,398**	**12,001**	**10,816**	**12,474**	**30,564**	**86,748**
Liabilities									
14	Current Deposits	482	-	-	-	-	-	1,241	1,723
15	Saving Deposits (including call)	2,422	1,360	544	1,088	544	544	9,561	16,063
16	Fixed Deposits	302	1,598	4,091	7,165	4,801	2,544	14,433	34,934
17	Debentures/Bonds	-	-	-	-	-	-	500	500
18	Borrowings	1,500	-	3	7	16	8		1,534
	Call/Short Notice	-	-	-	-	-	-		
	Inter-bank/Financial Institutions	1,500	-	-	-	-	-		
	Refinance	-	-	3	7	16	8		
	Others	-	-	-	-	-	-		
19	Other Liabilities and Provisions	1,195	-	-	-	-	-		1,195
	Sundry Creditors	20	-	-	-	-	-		
	Bills Payable	67	-	-	-	-	-		
	Interest Payable	106	-	-	-	-	-		
	Provisions	-	-	-	-	-	-		
	Others	1,002	-	-	-	-	-		
20	Acceptance Liabilities	13	9	221	337	-	91		671
21	Irrevocable Loan Commitment	1,501	750	750	3,752	3,002	5,253		15,008
22	Letter of Credit/Guarantee	-	1	858	910	253	691	1,588	4,301
23	Repo	-	-	-	-	-	-		
24	Payable under s.no.11	-	-	-	-	-	-		
25	Others	1,357	-	-	-	-	-	9,458	10,815
Total (B)		**8,772**	**3,718**	**6,467**	**13,259**	**8,616**	**9,131**	**36,781**	**86,748**
Net Financial Assets (A-B)		**2,412**	**(407)**	**(69)**	**(1,258)**	**2,200**	**3,343**	**(6,217)**	
Cumulative Net Financial Assets		**2,412**	**2,005**	**1,936**	**678**	**2,878**	**6,217**		

Assumption:

Particulars	1-7 days	8-30 days	31-90 days	91-180 days	181-270 days	271-365 days	More than 1 year
Categorization of Current Deposit	15%						85%
Categorization of Saving Deposit	10%						90%
Call Deposit	5%	10%	10%	10%	5%	5%	55%
Irrecoverable loan commitment	10%	5%	5%	25%	20%	35%	

Assets and liability with no specified maturity date are apportioned in following basis.

1. Stationery, Sundry Debtors, Deferred Tax Asset, Account Receivable Others, Security Deposit, Gold/Silver at Vault are assumed to be received in 1-30 days and all other assets are categorized as per residual maturity bands.
2. Employees Provident Fund, Sundry Creditors, Bills Payable, Unpaid Dividend, Audit Fees Payable, Account Payable Others, Tax deducted at Source, Provision For expenses and Loan Loss Provision are assumed to be paid in 1-30 days.
3. Interest payable within 30 days or maturity period whichever is earlier.
4. Accumulated Depreciation, Reserved and surplus and share capital are assumed to be more than 1 year.

25. Particulars of Secured borrowings

The Bank has secured borrowing of NPR 33,578,077 taken against export refinancing loan and earthquake construction refinancing loan from Nepal Rastra Bank.

26. Details of Non Banking Assets

NPR in '000

Particulars	Amount
Balance as on July 16, 2016	380,245
Additions during the Year	283,854
Disposals during the Year	(182,988)
Adjustment during the year	(104,774)
Balance as on July 15, 2017	376,337

27. Details of paid up share capital relating to amount Paid in Advance, Calls in Arrear and Forfeited but not re-issued.

None.

28. Particulars relating to amortization of leased hold property up to the previous and in the current year.

NPR in '000

Particulars	Amortization up to Last Year	Amortization for this Year	Amortization for disposed off Assets	Amortization upto this Year
Leasehold Assets (included in Other Assets of Schedule 14)	107,471,251	15,115,387	(30,579,987)	92,006,651

29. Age-wise particulars of reconciliation pending items (1 year, 1-3 years, and above 3 years) in agency accounts.

a. Inter Branch Account

There is no unreconciled transaction in Inter-branch Accounts as on year end FY 2016/17

b. Nepal Rastra Bank

NPR in '000

Time Duration	Ledger Debit	Ledger Credit	Statement Debit	Statement Credit
1 month and below	-	2,775	4	251
1 - 3 months		243		
3 - 6 months				
6 - 12 months	3	21,001		
1 - 2 years				

c. Local Financial Institutions

NPR in '000

Time Duration	Ledger Debit	Ledger Credit	Statement Debit	Statement Credit
1 month and below	1,400	450	1,534	2,555
1 - 3 months		136	95	
3 - 6 months		60		
6 - 12 months	555			
1 - 2 years		-		

d. Foreign Bank

Rs in NPR '000

Time Duration	Ledger Debit	Ledger Credit	Statement Debit	Statement Credit
1 month and below		72,901		2,465
1 - 3 months		4,575		
3 - 6 months		808		
6 - 12 months		163		
1 - 2 years		66		

30. Related Party Disclosure

a. Key Management Persons (KMP) of the Bank

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. Chandra Tandon	Director
Mr. Avanindra Kumar Shrestha	Director
Mr. Manohar Das Mool	Former Director
Mr. Rajan Singh Bhandari	Chief Executive Officer
Mr. Ganesh Raj Pokharel	Deputy Chief Executive Officer
Mr. Bodh Raj Devkota	Assistant Chief Executive Officer
Mr. Ramdhan Shrestha	Assistant Chief Executive Officer
Mr. Samir Prasad Dahal	Chief Executive Officer- CBIL Capital Limited (on deputation)
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

b. Transactions between the Bank and the Directors

Particulars	Amount in NPR
Meeting Fees	3,295,000
Other Expenses	1,691,718

c. Facilities to Chief Executive Officer and other Executives of the Bank

Rs in "000"

Particular	Chief Executive Officer (NPR)	Management Team (NPR)
1. Short Term Employement Benefits		
a. Salary	7,867	12,748
b. Allowance	5,226	12,265
c. Provident Fund	787	1,002
d. Staff Bonus and Welfare	6,839	10,406
e. Accumulated Leave Encashment	-	1,325
f. Staff Welfare Fund	1,674	1,857
g. Others	79	839
Total Income	**22,472**	**40,442**
Less: Income Tax Paid	7,404	9,517
Net Income	**15,068**	**30,925**
2. Telephone/Mobile	As per contract with the Bank	As per Employee Byelaws of the Bank
3. Post Employment Benefits	No	No
4. Other Long Term Benefits	No	No
5. Termination Benefits	No	Yes
6. Shares Based Payments	No	No

Note:

1. Management Team includes Chief Finance Officer and Manager and above staffs.
2. Chief Executive Officer is entitled for facilities as per Contract of appointment with the Bank, Bonus as per Bonus Act 2033 and vehicle facility.
3. Permanent staffs of the Bank are entitled to gratuity and leave encashment facility as termination benefits.

d. Transactions with Subsidiary

1. 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 67% controlling interest in the subsidiary. Similarly, the Bank has deputed the managerial level staff as the Chief Executive Officer of the subsidiary and Deputy CEO of the Bank is the Chairman of CBIL Capital. The ACEOs of the Bank are directors of the subsidiary.
2. The subsidiary is engaged in Merchant Banking Services. The Bank entered into a Management Service Agreement (MSA) with Subsidiary for providing management services. Provisions laid in MSA are in line with arms-length principle.
3. An agreement has been made between the Bank and the Subsidiary Company to provide following facilities to Subsidiary Company by the bank for a monthly fee of Rs 300,000.00

   a) Bank has deputed its Senior Manager as CEO to its subsidiary providing, salary allowance and other eligible facilities as per the Bank's Employee Byelaws.

   b) The Bank provides technical assistance required for Computer hardware, software and network maintenance.

   c) Internal audit 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.

4. Similarly, bank has rented its building located a ward no.33 ,Dillibazzar to the Subsidiary Company with the agreement to pay Monthly Rent of NRs 110,000.00, which will be increased by 10% in every 2 year.
5. The Bank has appointed subsidiary company as the share registrar of the Bank. Subsidiary company is also the fund manager of mutual fund scheme sponsored by the Bank. The Bank has invested seed capital for issuance of mutual fund.

The overall transactions with the Subsidiary included in Financial Statements of the Bank has been tabulated below:

Particulars	Total Amount NPR
Profit and Loss Account	
Rental Income	1,320,000
Management Fee income	7,200,000
Server & Database Rental Income	1,638,888
Dividend Income	6,365,000
Interest Income	375,948
Total Income	**16,899,836**
CEO's Remuneration	3,864,197
Interest Paid to Subsdiary	3,408,593
RTS fee to Subsdairy	725,000
Total Expenses	**7,997,790**
Balance Sheet	
Deposit of Subsidiary in Call Deposit	15,705,461
Loan against FD	6,167,180

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.

e. Transactions with Associates

The Bank has made strategic investments to support operational activities of the Bank by way of share investments in Nepal Electronic Payment Systems Limited and Nepal Clearing House Limited. Similarly, investment in share capital of Mero Micro Finance Limited has been done since such investments are considered as Deprived Sector Lending.

All transactions with associates have been done in arms length basis.

i. Nepal Electronic Payment Systems Limited (NEPS)

CEO of the Bank is the chairman in NEPS. The Bank holds investment of NPR 15,000,000 in share capital of the company which comes to 8.62% 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 income and expenses arising from the transactions during the year from the relevant related parties at the year end are summarized below:

Particulars	Total Amount NPR
Payments made towards transaction fees	7,722,858

ii. Nepal Clearing House Limited (NCHL)

CEO of the Bank is the chairman in NCHL. The Bank holds investment of NPR 2,600,000 in share capital of the company which comes to 1.73% of the total capital of NCHL.

Agreement has been entered by the Bank with NCHL for availing services related to Electronic Cheque Clearing (ECC) and Inter-Bank Payment System (IPS) for which Bank makes the payment at an arm's length price. The aggregate amount of income and expenses arising from the transactions during the year from the relevant related parties at the year end are summarized below:

Particulars	Total Amount NPR
Payments made towards transaction fees	60,36,883

iii. Mero Micro Finance Limited

CEO of the Bank is the chairman in Mero Micro Finance Limited. The Bank holds investment of NPR 13,500,000 in share capital of the company which comes to 6.75% of the total capital of Mero Micro Finance Limited.

The Bank has appointed Mero Micro Finance as District Correspondence for Nuwakot and Dhading districts for appointing Branchless Banking (BLB) Agents. The associate collects the relevant datas and submits the same to the Bank. They also manage cash as per the need of BLB agents. Associate is paid a service fee of NPR 1,000/- per month per BLB agent. The aggregate amount of income and expenses arising from the transactions during the year from the relevant related parties at the year end are summarized below:

Particulars	Total Amount NPR
Payments made towards transaction fees	158,100

f. Deposit of extra incomes with Banks by KMP

KMPs has deposited total of NPR 122,825 as income of the Bank towards meeting fees received from associates/subsidiary during the current fiscal year.

31. Prepaid Expenses

- A prepaid expense is an expenditure paid for in one accounting period, but for which the underlying asset will not be consumed until a future period. When the asset is eventually consumed, it is charged to expense. If consumed over multiple periods, there may be a series of corresponding charges to expense.
- Prepaid Expenses comprise of amount paid in advance for insurance services, rental of leased premises, communication like internet connectivity, maintenance of services and other miscellaneous services.
- Prepaid Expenses are recognized as asset at full value on the date of payment.
- They are derecognized as and when services are received or at the time service accrues or period mature.

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

Amount in NPR

Particulars	2016/17	2015/16
Prepaid House Rent	4,657,918	11,669,994
Prepaid Insurance	9,047,576	7,831,449
Prepaid Communication Exp.	54,780	87,974
Prepaid Fee & Subscription	1,457,658	1,004,846
Prepaid Insurance-Staff	5,230,136	4,430,227
Prepaid-Secured Transaction Expense	135,000	-
Prepaid Expenses Others	2,421,792	13,944,054
Prepaid Expenses Total	**23,004,860**	**38,968,543**

32. Earnings Per Share

Basic Earning Per Share

Earnings per share, also called net income per share, is a market prospect ratio that measures the amount of net income 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.

Ordinary Shares

Ordinary Shares are those shares that are not preferred shares and do not have any predetermined dividend amounts. An ordinary share represents equity ownership in the Bank and entitles the owner to a vote in matters put before shareholders in proportion to their percentage ownership in the Bank.

Simple average number of ordinary shares

The simple average of number of outstanding shares is the amount of outstanding shares over a reporting period.

Diluted Shares

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 is reported to allow investors to properly assess the Bank's financial situation.

Simple average number of diluted shares

Diluted Weighted Average Shares is the total weighted average shares outstanding during the period, which includes all diluted potential ordinary shares.

Basic Earning Per Share

The calculation of basic earning per share has been based on the profit attributable to ordinary shareholders and weighted average number of shares outstanding.

Amount in NPR

	2016/17	2015/16
Profit attributable to ordinary shareholders NPR	1,081,661,549	1,080,377,498
Weighted average number of ordinary shares		
Reported	53,360,782	30,652,338
Restated	-	41,670,207
Basic Earning Per Share NPR		
Reported	20.27	35.25
Restated	-	25.93

Weighted average number of ordinary shares calculation

FY 2016/17	Nos. of Shares	Shares Outstanding	Portion of the year	Weighted Average Shares
Opening Balance	30,652,338	30,652,338	0.0027	82,761
Share allocation for Premier Finance Ltd acquisition	355,636	31,007,974	0.0986	3,057,386
Right Shares 10:5.5 allocation	16,153,069	47,161,043	0.0795	3,749,303
Auction share allocation	705,717	47,866,760	0.0329	1,574,816
Bonus Share of FY 2015/16	7,506,758	55,373,518	0.6849	37,925,322
Right Share 10:2.5 allocation	13,225,401	68,598,919	0.0767	5,261,537
Auction share allocation	617,978	69,216,897	0.0247	1,709,657
	69,216,897			**53,360,782**

FY 2015/16	Nos. of Shares	Shares Outstanding	Portion of the year	Weighted Average Shares
Reported Nos. of shares		30,652,338	1.00	30,652,338
Restated Nos. of shares adjusted for right issue		41,670,207	1.00	41,670,207

Diluted Earning Per Share

The calculation of diluted earning per share has been based on the profit attributable to ordinary shareholders and weighted average number of shares outstanding after adjustment for the effects of all dilutive potential ordinary share.
There are no dilutive shares during the year.

33. Staff loans and advances

Presented in financial statements under Schedule 16 “Other Assets”, Staff Loans and Advances are extended in line with the integrated staff loan policy of the Bank. Eligibility criteria for availing staff loans are directly linked to the period of service under permanent payroll of the Bank and the HR Policy.

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

Amount in NPR

Particulars	2016/17	2015/16
Staff Vehicle Loan	58,477,725	49,044,720
Staff Home Loan	274,517,617	190,670,835
Employee’s Advances	50,005,421	28,507,714
Credit card Receivable	1,631,933	1,004,828
Total	**384,632,696**	**269,228,097**

The Staff Loans and Advances are included in the Schedule 16 “Other Assets” is NPR 384,632,969 of FY 2016/17 and NPR 269,228,097 of FY 2015/16.

34. Business Combination

In current fiscal year 2015/16, the Bank has acquired ‘C’ Class Financial Institution licensed by NRB, Premier Finance Limited with due approval from Annual General Meeting of the Bank as well as from Nepal Rastra Bank w.e.f July 17, 2016 (Shrawan 2, 2073). As a result of acquisition, 2 new branches were added along with its deposit base of NPR 686.26 million and credit base of NPR 517.03 million that is expected to generate synergy in operations of the Bank.

For acquisition, the Bank issued 2.8 equity shares for every 10 equity shares of Premier Finance Limited. The business combination resulted in negative Capital Reserve of NPR 102,045,098 as calculated below.

Particulars	NPR
Paid-up Capital	127,012,800
Reserves & Surplus	(193,494,314)
Total Net Worth	**(66,481,514)**
Purchase Consideration Paid	(35,563,584)
Capital Reserve	**(102,045,098)**

The Bank has written off the negative capital reserve of NPR 102,045,098 in Profit and Loss Account in current year and shown as amortization.

Recognized amounts of identifiable assets acquired and liabilities assumed are as under:

Particulars	NPR
Cash Balance	5,630,231
Balance with Nepal Rastra Bank	6,252,208
Balance with Banks/Financial Institutions	10,425,512
Investments	1,235,108
Loans, Advances and Bills Purchased	33,319,350
Fixed Assets	383,053,106
Other Assets	261,267,195
Deposit Accounts	(686,272,849)
Other Liabilities	(81,391,375)
Total Identifiable Net Assets/ (Liabilities)	**(66,481,514)**

35. Citizens Mutual Fund

The Bank is the sponsor of Citizens Mutual Fund wherein the Bank has committed to investment 15% of the mutual fund scheme amount for which the sum of NPR 150,000,000 has been committed by the Bank. The subsidiary company of the Bank is the fund manager of Citizens Mutual Fund. Citizens Mutual Fund is in the process of obtaining license from Securities Exchange Board of Nepal.

36. Interest Capitalization

During the current fiscal year, the Bank has recognized interest income of NPR 149,630,232 from capitalization of interest during moratorium period of 6 projects related to national priority sector financed by the Bank. These capitalizations have been done as per pre-approval obtained from NRB.

37. Changes in Accounting Policy

Accounting for Staff Home Loan

During the year, the Bank changed its accounting policy with respect to interest recognition on Staff Home Loan. The Bank now recognizes interest income on staff home loan on accrual basis against receivable booked in the name of insurance company in case of Staff Home Loan tied up with Life Insurance Policy of the staff as per Staff Service Bye-laws of the Bank. The interest income accrued is as per the Surrender Value of the bonus accrued as on July 15, 2017 (Ashadh end 2074) of that particular Life Insurance Policy.

The receivable is settled against the sum insured and bonus of Life Insurance Policy received on maturity or the receivables is settled by the staff in case of resignation/ early retirement before maturity of life insurance policy.

The receivables booked in the name of Insurance Companies till date is NPR 21,054,786 against bonus receivables.

Prior to this change in policy, the Bank had the policy to recognize interest on home loan on maturity of life insurance policy equivalent to bonus received as on same date.

	As Reported		Restated
Statement of Profit or Loss			
Interest Income			
Staff Interest Income		21,054,786	21,054,786
Profit/ (Loss) for the year	1,081,661,549	13,398,508	1,068,263,041
Attributable to equity shareholders	1,294,856,374	10,718,806	1,284,137,568
Statement of Financial Position			
Other Assets			
Staff Loans and Receivables	384,632,696	16,782,544	401,415,240
Effect in			
Basic Earnings Per Share	20.27	(0.25)	20.02
Diluted Earnings Per Share	-	-	-

38. Comparative Figures

Previous year figures have been reclassified/ re-arranged to facilitate fair comparison, wherever necessary.

39. Basel Disclosure

The Bank's Capital Adequacy Ratio is 16.88% which is above the statutory requirement of 11.00%.

39.1. Capital Structure and Capital Adequacy :

a. Core Capital and its components :

Description	Amount NPR '000
Paid up Equity Share Capital	6,921,690
Statutory General Reserve	912,208
Proposed Bonus Equity Shares	1,107,470
Retained Earning	118,169
Share Premium	-
Capital Redemption Reserve	200,000
Other Free Reserves	-
Deductions	
Fictitious Assets	(8,066)
Deferred Tax Assets	(87,873)
Investment in equity of institutions with financial interests	(67,000)
Core Capital (Tier 1)	**9,096,598**

b. Supplementary Capital and its components :

Description	Amount NPR '000
Subordinated Term Debt	300,000
General Loan Loss Provision	461,624
Exchange Equalization Reserve	33,056
Investment Adjustment Reserve	85,276
Other Free Reserves	10,817
Supplementary Capital (Tier 2)	**890,773**

c. Subordinated Term Debt :

8.5% Citizens Bank Bond, 2077 issued in January 2014	Amount NPR '000
Outstanding Amount	500,000
Maturity Date	Poush 2077
Amount raised during the year	-
Amount eligible for Tier 2 Capital Fund (net of redemption reserve)	300,000

d. Deduction from Capital :

Description	Amount NPR '000
i. Deferred Tax Assets	87,873
ii. Investment in equity of institutions with financial interests	67,000
iii. Intangible assets	8,066

e. Total Qualifying Capital :

Description	Amount NPR '000
Core Capital (Tier 1)	9,096,598
Supplementary Capital (Tier 2)	890,773
Total Capital Fund	**9,987,371**

f. Capital Adequacy Ratio

Description	Percentage
Tier 1 Capital to Total Risk Weighted Exposures	15.37%
Tier 2 Capital to Total Risk Weighted Exposures	16.88%

g. Summary of the Bank's internal approach to assess the adequacy of its capital to support current and future activities, if applicable.

The capital of the Bank stands at NPR 6,921,689,663 which fulfills the capital requirement of the bank. In compliance with the NRB Circular, the bank as approved capital plan to make the paid up capital of the Bank NPR 8 billion by July 15, 2017 (Ashadh end 2074).

h. Summary of the terms, conditions and main features of all capital instruments,specially in case of subordinated term debts including hybrid capital instrument.

All the capital of the Bank are unconditional.

The bank has issued 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 million
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 1,000.00
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

39.2 Brief About Risk Assets

a. Risk Weightage Assets

Risk Weightage Assets	Amount NPR '000
Risk Weighted Exposure for Credit Risk	54,710,412
Risk Weighted Exposure for Operational Risk	2,612,454
Risk Weighted Exposure for Market Risk	55,427
Adjustment Under Pillar- II	
Add: 1% of Net Interest Income as Supervisory Haircut	-
Add: 2% of RWE as Supervisory Haircut	1,147,566
Add: 3% of Operational Risk as Supervisory Haircut	646,509
Total Risk Weighted Exposures (after bank's adjustments of Pillar II)	59,172,372

b. Categories of Risk Weighted Exposure

Risk Weighted Exposure	Amount NPR '000
Claims On Government and Central Bank	-
Claims On Other Official Entities	-
Claims On Banks	915,475
Claims on Corporate And Securities Firms	22,495,498
Claims On Regulatory Retail Portfolio	6,897,661
Claims Secured By Residential Properties	1,483,954
Claims Secured By Commercial Real Estate	2,990,738
Past Due Claims	1,779,126
High Risk Claims	8,818,274
Staff loan secured by residential property	164,711
Interest Receivable/claim on government securities	-
Cash in transit and other cash items in the process of collection	-
Investments in equity and other capital instruments of institutions listed in the stock exchange	67,689
Other Assets	3,245,524
Off Balance Sheet Items	5,851,762
Total Credit Risk Exposures	**54,710,412**

c. Computation of Capital Adequacy Ratio

Particulars	Amount NPR '000
Total Risk Weightage Assets	59,172,372
Total Core Capital	9,096,598
Total Capital Fund	9,987,371
Core Capital to Total Risk Weighted Exposures	15.37%
Total Capital Fund to Total Risk Weighted Exposures	16.88%

d. Non Performing Assets

Particulars	Amount NPR	Provision NPR	Net NPL NPR
Rescheduled / Restructured	-	-	-
Sub Standard	48,898,672	12,224,668	36,674,004
Doubtful	182,507,287	91,253,644	91,253,643
Loss	749,384,316	749,384,316	-
Total	**980,790,275**	**852,862,628**	**127,927,647**

e. Non Performing Assets Ratios

Particulars	Percentage
Total NPL to Total Loans & Advances	2.02%
Net NPL to Net Loans & Advances	0.27%

f. Change in Non Performing Loans

Particulars	Previous Year NPR	Current Year NPR	Change
Rescheduled / Restructured	-	-	
Sub Standard	94,667,651	48,898,672	-48%
Doubtful	50,697,584	182,507,287	260%
Loss	415,240,868	749,384,316	80%
Total	**560,606,103**	**980,790,275**	**75%**

g. Written Off Loans & Advances

Particulars	Previous Year NPR	Current Year NPR	Change
Loan written off	-	105,936,458	100%
Interest Receivables written off	103,122,165	(135,883,001)	-232%

h. Change in Non Performing Loans

Particulars	Previous Year NPR	Current Year NPR	Additional Provision in Current Year NPR	Change
Pass Loan	383,200,058	472,942,902	89,742,844	23%
Watch List	82,899,570	30,799,724	(52,099,846)	63%
Rescheduled / Restructured	-	-	-	-
Sub Standard	23,666,913	12,224,668	(11,442,245)	48%
Doubtful	25,348,792	91,253,644	65,904,852	260%
Loss	415,240,868	749,384,316	334,143,448	80%
Total	**930,356,201**	**1,356,605,254**	**426,249,053**	**46%**
Interest Suspense	228,592,310	674,533,587	445,941,277	195%

* Previous year provision figure includes provision figure carried forward from acquired Premier Finance Limited.

i. Investments

Particulars	Classification	Amount NPR
Investment in Equity Shares	Available for Sale	154,610,332
Investment in Treasury Bills	Held To Maturity	307,750,980
Investment in Government Bonds	Held To Maturity	6,427,425,000
Placements In banks	Held To Maturity	1,560,033,896
Total		**8,449,820,208**

39.3 Risk Management System

1. 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 on the internal control systems of the Bank in place. The human capital is managed by Human Resource Management and 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.
2. 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 and the other risk monitoring and controlling. The Bank has standard Credit Policies Guidelines that defines the Bank's credit policies, risk mitigating measures and the single obligor limit.
3. Credit risk mitigants used by the Bank are deposit of the borrower within the Bank, cash margin applying supervisory haircut of 20% and gold collateral for capital adequacy. Such mitigatants have minimum impact on the overall capital adequacy of the Bank.

STATEMENT OF ADVANCE TAKEN BY PROMOTERS/ PROMOTER GROUP AGAINST PLEDGE OF OWN SHARE FROM BANK & FINANCIAL INSTITUTION

Schedule 34

Shareholders Name under Promoters/Promoter Group	Share under the ownership of Promoters		Advance Details			
	Total No.of Shares	Percent of Total Paid up Capital	Name of Bank/Financial Institution from where Advance is taken	Advance Amount NPR	Pledged No. of Shares	Remarks
Adunath Ghimire	34,911	0.05%	Jyoti Bikash Bank Limited	4,437,744	27,928	Demat share
Arjun Neupane	140,165	0.20%	Global IME Bank Limited	7,500,000	100,000	Demat share
Ashok Agrawal	7,251	0.01%	Janata Bank Nepal Limited	10,500,000	6,824	Demat share
Bijen Joshi	1,168,042	1.69%	Himalayan Bank Limited	84,337,848	260,302	Demat share
Birendra Narayan Shrestha	58,963	0.09%	Prabhu Bank Limited	2,538,300	16,922	Demat share
Bodh Tripathi	59,357	0.09%	NIC ASIA Bank Limited	60,000,000	24,070	Demat share
Dasi Khanal	145,772	0.21%	Kailash Bikas Bank Limited	12,500,000	105,411	Demat share
Deepak Agrawal	1,282	0.00%	Lumbini Bank Limited	57,100	571	Demat share
Dhruba Tripathi	7,238	0.01%	Prabhu Bank Limited	835,670	5,790	Demat share
Dinesh Shrestha	80,071	0.12%	Kumari Bank Limited	5,586,349	50,825	Demat share
Durga Malla	28,432	0.04%	Prabhu Bank Limited	3,701,068	22,745	Demat share
Ima Rayamajhi (Bhandari)	14,776	0.02%	Nepal Bangladesh Bank Limited	548,800	5,488	Demat share
Jayandra Singh Baniya	3,809	0.01%	NMB Bank Limited	5,000,000	1,696	Demat share
Manoj Dhital	35,072	0.05%	ICFC Finance Limited	3,071,366	28,049	Demat share
Pramod Prasad Chaudhary Kalwar	4,586	0.01%	Siddhartha Bank Limited	264,000	2,640	Demat share
Prem Lohani	11,869	0.02%	Sanima Bank Limited	2,058,469	9,495	Demat share
Rajendra Maskey	15,240	0.02%	Twaadewa Saving & Credit Co-Operative Limited	2,438,400	12,192	Demat share
Rajesh Karki	200,128	0.29%	Nepal Investment Bank Limited	18,000,000	138,258	Demat share
Rambha Sharma	141,832	0.20%	Century Commercial Bank Limited	13,408,666	126,973	Demat share
Roadshow Investment Co. (P.) Ltd	36,501	0.05%	IME Co-Operative Service Limited	5,000,000	29,200	Demat share
Roshan Shrestha	168,196	0.24%	Sunrise Bank Limited	428	139,680	Demat share
Rujen Pasachhe	55,969	0.08%	Nabil Bank Limited	6,242,000	44,775	Demat share
Rukmani Pradhan	176,870	0.26%	Siddhartha Bank Limited	7,580,000	56,496	Demat share
Rukmani Pradhan	176,870	0.26%	Prime Commercial Bank Limited	6,569,300	65,693	Demat share
S R Hydro And Investment Pvt. Ltd.	465,482	0.67%	Sunrise Bank Limited	45,294,430	372,385	Demat share
Sabitri Sharma	930,958	1.34%	Nepal Investment Bank Limited	157,200,000	322,000	Demat share
Shakuntala Ghimire	11,639	0.02%	ICFC Finance Limited	1,265,000	11,639	Demat share
Sharad Gahatraj	533	0.00%	Prabhu Bank Limited	38,580	237	Demat share
Smriti Shrestha	13,327	0.02%	Univest Saving And Credit Co-Operative Limited	594,000	5,940	Demat share
Soni Joshi	876,028	1.27%	Himalayan Bank Limited	35,303,909	350,411	Demat share
Subash Shrestha	210,739	0.30%	Sagarmatha Finance Limited	9,100,000	170,721	Demat share
Sulochan Rajbhandary	467,215	0.68%	Laxmi Bank Limited	114,500,000	73,154	Demat share
Suresh Agarwal	19,902	0.03%	ICFC Finance Limited	2,052,864	12,672	Demat share
Tuk Aryal	20,644	0.03%	Global IME Bank Limited	9,700,000	16,501	Demat share
Urmila Pandey	2,535,394	3.66%	Sunrise Bank Limited	170,000,000	666,634	Demat share
Vinay Sharma	390,452	0.56%	Global IME Bank Limited	2,621,030	18,017	Demat share
Dhruba Kumar Shrestha	195,226	0.28%	Kist Bank Limited		143,582	Physical Shares
Janak Bista	2,775,881	4.01%	NMB Bank Limited	50,000,000	536,000	Physical Shares
Mukunda Bhakta Shrestha	59,283	0.09%	Pasa Co- Operative		42,662	Physical Shares

COMPARISON OF UNAUDITED & AUDITED FINANCIAL STATEMENT AS OF FY 2016/17

Schedule 35
Rs in '000

S.No.	Particulars	As per Unaudited Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
				In amount	in %	
1	**Total Capital and Liabilities (1.1 to 1.7)**	**66,551,143**	**66,762,094**	**210,951**	**0.3%**	
1.1	Paid Up Capital	6,921,690	8,029,160	1,107,470	16.0%	
1.2	Reserves and Surplus	2,527,163	1,359,527	(1,167,636)	-46.2%	Due to changes made as per recommendation of statutory auditors.
1.3	Debenture and Bonds	500,000	500,000	-	0.0%	
1.4	Borrowings	1,533,578	1,533,578	-	0.0%	
1.5	**Deposits (a+b)**	**52,718,581**	**52,718,581**	**-**	**0.0%**	
	a. Domestic Currency	52,471,899	52,471,899	-	0.0%	
	b. Foreign Currency	246,682	246,682	-	0.0%	
1.6	Income Tax Liability	-	-	-	0.0%	
1.7	Other Liabilities	2,350,131	2,621,248	271,117	11.5%	Due to changes made as per recommendation of statutory auditors.
2	**Total Assets (2.1 to 2.7)**	**66,551,143**	**66,762,094**	**210,951**	**0.3%**	
2.1	Cash and Bank Balance	6,056,238	5,926,311	(129,927)	-2.1%	Due to changes made as per recommendation of statutory auditors.
2.2	Money at Call and Short Notice	152,055	152,054	(1)	0.0%	
2.3	Investments	8,599,383	8,449,819	(149,564)	-1.7%	Due to changes made as per recommendation of statutory auditors.
2.4	**Loan and Advances**	**48,077,612**	**48,441,987**	**364,375**	**0.8%**	
	a. Real Estate Loan	5,435,403	5,435,403	-	0.0%	
	1. Residential Real Estate Loan (Except Personal Home Loan upto Rs. 80 Lacs)	1,765,125	1,765,125	-	0.0%	
	2. Business Complex & Residential Apartment Construction Loan	848,834	848,834	-	0.0%	
	3. Income generating Commercial Complex Loan	225,000	225,000	-	0.0%	
	4. Other Real Estate Loan (Including Land purchase & Ploting)	2,596,444	2,596,444	-	0.0%	
	b. Personal Home Loan of Rs. 80 Lac or Less	2,765,467	2,765,467	-	0.0%	
	c. Margin Type Loan	3,114,286	3,114,286	-	0.0%	
	d.Term Loan	9,716,909	9,716,909	-	0.0%	
	e .Overdraft Loan /TR Loan/WC Loan	11,289,192	11,653,567	364,375	3.2%	Due to changes made as per recommendation of statutory auditors.
	f. Others	15,756,355	15,756,355	-	0.0%	
2.5	Fixed Assets	1,765,129	1,765,129	-	0.0%	
2.6	Non Banking Assets	-	-	-	0.0%	
2.7	Other Assets	1,900,726	2,026,794	126,068	6.6%	Due to changes made as per recommendation of statutory auditors.
3	**Profit and Loss Account**					
3.1	Interest Income	4,919,927	4,926,556	6,629	0.1%	
3.2	Interest Expenses	3,169,545	3,169,545	-	0.0%	
	A. Net Interest Income (3.1-3.2)	**1,750,382**	**1,757,011**	**6,629**	**0.4%**	
3.3	Fees, Commission and Discount	125,924	125,924	-	0.0%	
3.4	Other Operating Income	352,889	352,889	-	0.0%	
3.5	Foreign Exchange Gain/Loss (Net)	182,493	182,493	-	0.0%	
	B. Total Operating Income (A + 3.3+3.4+3.5)	**2,411,688**	**2,418,317**	**6,629**	**0.3%**	
3.6	Staff Expenses	412,381	439,526	27,145	6.6%	Due to changes made as per recommendation of statutory auditors.
3.7	Other Operating Expenses	436,357	538,546	102,189	23.4%	Due to changes made as per recommendation of statutory auditors.
	C. Operating Profit Before Provision (B - 3.6-3.7)	**1,562,950**	**1,440,245**	**(122,705)**	**-7.9%**	
3.8	Provision for Possible Losses	313,409	403,942	90,533	28.9%	Due to changes made as per recommendation of statutory auditors.
	D. Operating Profit (C - 3.8)	**1,249,541**	**1,036,303**	**(213,238)**	**-17.1%**	
3.9	Non Operating Income/Expenses (Net)	63,495	63,933	438	0.7%	Due to changes made as per recommendation of statutory auditors.
3.10	Write Back to Provision for Possible Loss	901,375	716,037	(185,338)	-20.6%	Due to changes made as per recommendation of statutory auditors.
	E. Profit from Regular Activities (D + 3.9+3.10)	**2,214,411**	**1,816,273**	**(398,138)**	**-18.0%**	
3.11	Extraordinary Income/Expenses	(348,657)	(80,355)	268,302	-77.0%	Due to changes made as per recommendation of statutory auditors.
	F. Profit before Bonus and Taxes (E + 3.11)	**1,865,754**	**1,735,918**	**(129,836)**	**-7.0%**	
3.12	Provision for Staff Bonus	169,614	157,811	(11,803)	-7.0%	Due to changes made as per recommendation of statutory auditors.
3.13	Provision for Tax	485,962	496,446	10,484	2.2%	Due to changes made as per recommendation of statutory auditors.
	G. Net Profit/Loss (F - 3.12-3.13)	**1,210,178**	**1,081,661**	**(128,517)**	**-10.6%**	**Due to changes made as per recommendation of statutory auditors.**

UNAUDITED FINANCIAL RESULTS (QUARTERLY)

As at Fourth Quarter Ending on 15.07.2017 (31/03/2074) of the Fiscal Year 2016/17

Schedule 36

Rs in '000

S.No.	Particulars	This Quarter Ending on 15.07.2017		Previous Quarter Ending on 12.04.2017		*Audited Corresponding Previous Year Quarter Ending on 16.07.2016	
		GROUP	CITIZENS BANK	GROUP	CITIZENS BANK	GROUP	CITIZENS BANK
1	**Total Capital and Liabilities (1.1 to 1.7)**	**67,257,779**	**66,551,143**	**66,967,548**	**66,947,815**	**55,992,369**	**56,048,700**
1.1	Paid Up Capital	6,921,690	6,921,690	5,876,440	5,876,440	4,401,315	4,401,315
1.2	Reserve and Surplus	2,531,544	2,527,163	2,172,379	2,176,179	911,821	903,982
1.3	Debenture and Bonds	500,000	500,000	500,000	500,000	500,000	500,000
1.4	Borrowings	1,538,578	1,533,578	807,283	808,884	1,119,046	1,119,046
1.5	**Deposits (a+b)**	**52,702,876**	**52,718,582**	**55,539,002**	**55,560,895**	**47,392,945**	**47,393,501**
	a. Domestic Currency	52,456,194	52,471,900	55,200,962	55,222,855	47,004,215	47,004,771
	b. Foreign Currency	246,682	246,682	338,040	338,040	388,730	388,730
1.6	Income Tax Liability	-	-	-	-	-	-
1.7	Other Liabilities	3,027,934	2,350,131	2,041,316	2,025,417	1,686,713	1,674,525
1.8	Non controlling Interest	35,158	-	31,128	-	36,860	-
2	**Total Assets (2.1 to 2.7)**	**67,257,779**	**66,551,143**	**66,967,548**	**66,947,815**	**55,992,369**	**56,048,701**
2.1	Cash and Bank Balance	6,718,405	6,056,238	6,777,848	6,798,965	5,893,881	5,893,194
2.2	Money at Call and Short Notice	152,055	152,055	1,152,308	1,152,308	247,449	247,448
2.3	Investments	8,631,009	8,599,383	7,955,275	7,912,253	7,529,424	7,478,036
2.4	**Loans and Advances (a+b+c+d+e+f)**	**48,071,445**	**48,077,612**	**47,794,093**	**47,800,018**	**40,565,821**	**40,565,821**
	a. Real Estate Loan	5,435,403	5,435,403	5,457,330	5,457,330	4,809,206	4,809,206
	1. Residential Real Estate Loan (Except Personal Home Loan upto Rs 10 million)	1,765,125	1,765,125	1,766,865	1,766,865	1,379,679	1,379,679
	2. Business Complex and Residential Apartment Construction Loan	848,834	848,834	845,256	845,256	1,089,279	1,089,279
	3. Income Generating Commercial Complex Loan	225,000	225,000	227,000	227,000	232,500	232,500
	4. Other Real Estate Loans (Including Land Purchase & Plotting)	2,596,444	2,596,444	2,618,209	2,618,209	2,107,748	2,107,748
	b. Personal Home Loan of Rs. 10 million or less	2,765,467	2,765,467	2,717,405	2,717,405	2,331,454	2,331,454
	c. Margin Type Loan	3,114,286	3,114,286	3,233,132	3,233,132	2,882,123	2,882,123
	d. Term Loan	9,716,909	9,716,909	9,546,831	9,546,831	8,183,939	8,183,939
	e. Overdraft Loan /TR Loan/WC Loan	11,289,192	11,289,192	11,252,456	11,252,456	10,450,963	10,450,963
	f. Others	15,750,188	15,756,355	15,586,939	15,592,864	11,908,136	11,908,136
2.5	Fixed Assets (Net)	1,773,058	1,765,129	1,309,792	1,302,264	1,109,648	1,107,847
2.6	Non Banking Assets (Net)	-	-	-	-	-	-
2.7	Other Assets	1,911,807	1,900,728	1,978,232	1,982,007	702,478	700,023
3	**Profit and Loss Account**	**Up to This Quarter End**		**Up to Previous Quarter End**		**Up to Corresponding Previous Year Quarter End**	**Up to Corresponding Previous Year Quarter End**
3.1	Interest Income	4,917,683	4,919,927	3,355,428	3,356,022	3,445,229	3,443,473
3.2	Interest Expenses	3,166,276	3,169,545	2,098,901	2,101,204	1,823,683	1,823,706
	A. Net Interest Income (3.1-3.2)	**1,751,407**	**1,750,382**	**1,256,527**	**1,254,818**	**1,621,546**	**1,619,767**
3.3	Fees, Commission and Discount	157,316	125,924	92,990	92,990	97,670	97,670
3.4	Other Operating Income	340,007	352,889	262,257	262,738	292,087	272,239
3.5	Foreign Exchange Gain/Loss (Net)	182,493	182,493	141,972	141,972	143,294	143,294

Rs in '000

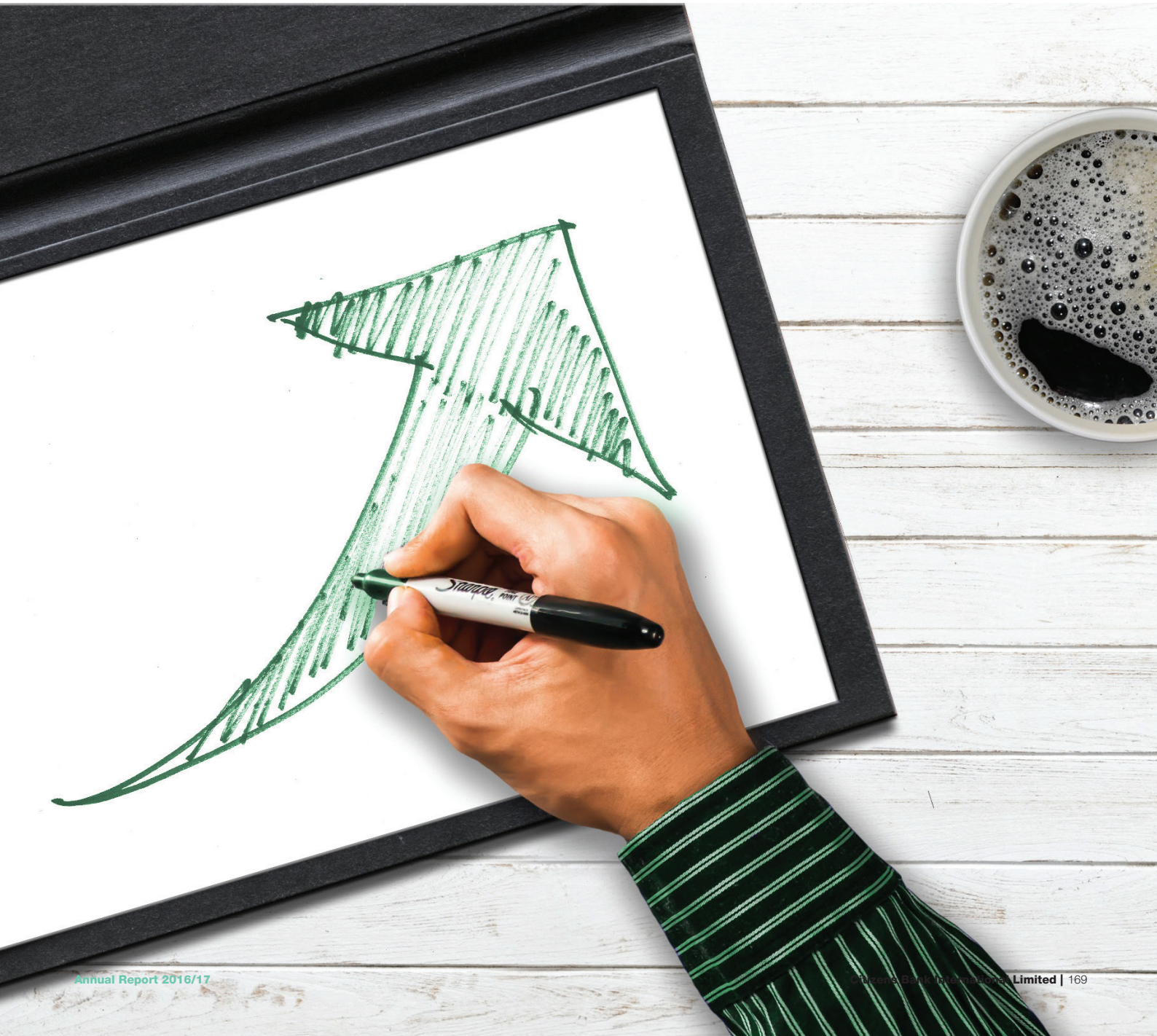
S.No.	Particulars	This Quarter Ending on 15.07.2017		Previous Quarter Ending on 12.04.2017		*Audited Corresponding Previous Year Quarter Ending on 16.07.2016	
		GROUP	CITIZENS BANK	GROUP	CITIZENS BANK	GROUP	CITIZENS BANK
	B. Total Operating Income (A + 3.3+3.4+3.5)	**2,431,223**	**2,411,688**	**1,753,746**	**1,752,518**	**2,154,597**	**2,132,970**
3.6	Staff Expenses	417,296	412,381	327,297	328,832	296,696	295,202
3.7	Other Operating Expenses	443,879	436,357	314,764	309,631	376,685	372,823
	C. Operating Profit Before Provision (B - 3.6-3.7)	**1,570,048**	**1,562,950**	**1,111,685**	**1,114,055**	**1,481,216**	**1,464,945**
3.8	Provision for Possible Losses	313,409	313,409	231,905	231,905	355,120	355,120
	D. Operating Profit (C - 3.8)	**1,256,639**	**1,249,541**	**879,780**	**882,150**	**1,126,096**	**1,109,825**
3.9	Non Operating Income/ Expenses (Net)	57,130	63,495	51,876	58,241	143,490	144,473
3.10	Write Back to Provision for Possible Loss	901,375	901,375	829,487	829,487	431,739	431,739
	E. Profit from Regular Activities (D + 3.9+3.10)	**2,215,144**	**2,214,411**	**1,761,143**	**1,769,878**	**1,701,325**	**1,686,037**
3.11	Extraordinary Income/ Expenses (Net)	(348,657)	(348,657)	(387,535)	(387,535)	6,712	6,712
	F. Profit before Bonus and Taxes (E + 3.11)	**1,866,487**	**1,865,754**	**1,373,608**	**1,382,343**	**1,708,037**	**1,692,749**
3.12	Provision for Staff Bonus	170,259	169,614	126,122	126,122	153,886	153,886
3.13	Provision for Tax	487,575	485,962	378,366	378,366	462,386	458,486
	G. Net Profit/Loss (F - 3.12-3.13)	**1,208,653**	**1,210,178**	**869,120**	**877,855**	**1,091,765**	**1,080,377**
3.14	Share of Non- controlling Interest on profit of Subsidiary	1,597	-	(2,432)	-	3,758	-
	H. Net Profit/Loss after Share of Non-Controlling Interest (G-3.14)	**1,207,056**	**1,210,178**	**871,552**	**877,855**	**1,088,007**	**1,080,377**
4	**Ratios (Mandatory)**						
4.1	Capital Fund to RWA	16.99%	16.91%	13.83%	13.85%	12.40%	12.40%
4.2	Non Performing Loan (NPL) To Total Loan	1.28%	1.28%	1.55%	1.55%	1.38%	1.38%
4.3	Total Loan Loss Provision to NPL	161.43%	161.43%	133.64%	133.64%	169.57%	169.57%
4.4	Cost of Funds (Calculated as per NRB Directives)	8.00%	8.00%	7.10%	7.10%	4.41%	4.41%
4.5	Credit to Deposit Ratio (Calculated as per NRB Directives)	77.34%	77.42%	67.19%	67.17%	77.63%	77.63%
4.6	Base Rate	11.17%	11.17%	10.03%	10.03%	6.06%	6.06%
4.7	Average Interest Spread (Calculated as per NRB Directives)	3.19%	3.19%	3.95%	3.95%	3.68%	3.68%

Direction received from Nepal Rastra Bank during approval of Dividend Declaration/ Distribution and Financial Statements Publication

1. Arrangement to be made for full compliance of the observations/exceptions noted by the auditors in their report and for ensuring that such observations/ exceptions do not repeat in future.
2. Arrangement to be made for holding the distribution of cash dividend and bonus shares to the promoter shareholders who hold shares in excess of the provisions of point 7 of Directive 10 related to transfer or sale of Promoters share of licensed institutions, from the Unified Directives 2016 issued by Nepal Rastra Bank.

Bank's Reply:

Bank has already arranged for compliance of above directions and ensures that such remarks are not repeated in the future.



FINANCIAL STATEMENTS IN ACCORDANCE WITH NEPAL FINANCIAL REPORTING STANDARDS



Regd. (ICAN) No.: 407

JK & SS Associates
Chartered Accountants

P.O. Box No: 10895, 196/30 - Radhe Marg
Dillibazar, Kathmandu, Nepal
Tel. 01-4445217, 4440317, 4417395
Fax: +977-1-4445218
Website: www.jkss.com.np

REPORT OF THE INDEPENDENT AUDITORS

TO THE SHAREHOLDERS OF CITIZENS BANK INTERNATIONAL LIMITED

We have audited the accompanying consolidated financial Statements of Citizens Bank International Ltd, which comprise the Consolidated Statements of Financial Position as at Ashad 31, 2074 (July 15, 2017), the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flow for the year then ended, and a summary of significant Accounting Policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view, in all material respect of the consolidated financial position of **Citizens Bank International Limited** as at **Ashadh 31, 2074 (July 15, 2017)** and of its consolidated financial performance, consolidated Statement of Changes in Equity and its consolidated statement of Cash flows for the year then ended in accordance with Nepal Financial Reporting Standards and the Companies Act, 2063.

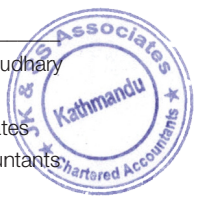
Report on other legal and Regulatory Requirements

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

i. We have obtained all the information and explanations, which were considered necessary for the purpose for our audit,
ii. Financial statements are in agreement with the books of account maintained by the Bank,
iii. So far as it appears from our examination, books of accounts are properly maintained in accordance with the prevailing laws,
iv. So far as it appears from our examination, we have not come across cases where the Board of Directors or any member thereof or any representative or any office holder or any employee of the Bank has acted contrary to the provisions of law or caused loss or damage to the Bank,
v. The operations of the Bank were within its jurisdiction,
vi. The Bank has not acted in a manner to jeopardize the interest and security of the depositors and investors,
vii. The Bank has a centralized core accounting system and details received from branches of the Bank though the statements are independently not audited were adequate for the purpose of our audit, and
viii. We have not come across any fraudulence in the accounts, so far as it appeared from our examination of the book of accounts.



CA Niranjan Chaudhary
Partner
JK & SS Associates
Chartered Accountants



Date: Bhadra 1, 2074
Place: Narayanhiti Path, Kathmandu

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As on July 15, 2017 (31st Ashadh, 2074)

Amount in NPR

Particulars	July 15, 2017	July 15, 2016
ASSETS		
Cash and Cash Equivalents	6,743,419,209	6,141,329,905
Loans and Advances To Banks	1,625,856,443	1,612,793,878
Loans and Advances To Customers	46,477,386,610	38,714,822,160
Investment Securities	8,480,277,716	7,529,423,745
Current Tax Assets	300,791,522	-
Property and Equipment	1,692,023,143	1,103,780,826
Intangible Assets	81,035,307	5,866,752
Deferred Tax Assets	87,873,011	66,275,084
Other Assets	2,198,529,073	1,116,167,496
Total Assets	**67,687,192,035**	**56,290,459,846**
LIABILITIES		
Resources from Central Bank	33,578,077	2,750,000
Deposits from Banks	2,501,906,804	3,935,231,858
Deposits from Customers	51,700,969,190	43,457,713,413
Debt Securities Issued	498,148,814	1,614,031,724
Provisions	173,627,534	92,088,157
Deferred Tax Liabilities	285,025	-
Other Liabilities	1,715,393,447	631,826,064
Total liabilities	**56,623,908,890**	**49,733,641,217**
EQUITY		
Share capital	6,921,689,662	3,650,639,617
Retained Earnings	2,288,737,694	1,991,381,560
Reserves	1,817,981,739	877,936,581
Total Equity Attributable to Equity Holders	**11,028,409,094**	**6,519,957,758**
Non-controlling interest	34,874,051	36,860,871
Total Equity	**11,063,283,145**	**6,556,818,629**
Total Liabilities and Equity	**67,687,192,035**	**56,290,459,846**

Pramesh Raj Kayastha
Chief Finance Officer

Ganesh Raj Pokharel
Acting 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

Chandra Tandon
Director

Avanindra Kumar Shrestha
Director

As per our report of even date

Date:- August 17, 2017
Place:- Narayanhiti Path, Kathmandu

CA Niranjan Chaudhary
Partner
JK & SS Associates
Chartered Accountants

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended July 15, 2017 (31st Ashadh, 2074)

Amount in NPR

Particulars	July 15, 2017	July 15, 2016
Interest Income	4,957,953,921	3,348,580,383
Interest Expense	3,167,144,719	1,824,057,650
Net Interest Income	**1,790,809,202**	**1,524,522,732**
Fee and Commission Income	498,986,419	118,596,442
Fee and Commission Expense	37,071,648	10,057,038
Net Fee and Commission Income	**461,914,771**	**108,539,404**
Net Interest, Fee and Commission Income	**2,252,723,973**	**1,633,062,136**
Net Trading Income	182,492,690	144,242,711
Net Income on Financial Instruments at FVTPL	11,934,239	
Net Other Operating Income	712,267,180	422,193,759
Total Operating Income	**3,159,418,082**	**2,199,498,606**
Net Impairment Loss on Financial Assets	(61,516,994)	1,141,350,316
Net Operating Income	**3,097,901,088**	**3,340,848,922**
Operating Expense		
Personnel Expenses	610,201,534	467,828,498
Operating Lease Expenses	51,335,100	53,841,512
Depreciation and Amortisation	95,127,080	75,530,867
Other Expenses	364,894,742	244,322,360
Profit Before Income Tax	**1,976,342,632**	**2,499,325,684**
Income Tax Expense	497,678,786	462,385,873
Profit for the Period	**1,478,663,846**	**2,036,939,811**
Other Comprehensive Income, Net Of Income Tax		
Fair Value Reserve (Investment In Equity Instrument):		
Net Change In Fair Value		
Net Amount Transferred To Profit Or Loss		
Net Acturial Gain/Loss on Defined Benefit Plans	28,266,600	13,858,476
Other Comprehensive Income for the Period, Net Of Income Tax	**28,266,600**	**13,858,476**
Total Comprehensive Income for the Period	**1,506,930,446**	**2,050,798,287**
Profit Attributable to:		
Equity Holders of the Bank	1,477,350,665	2,033,181,466
Non-Controlling Interest	1,313,181	3,758,345
Profit for the Period	**1,478,663,846**	**2,036,939,811**
Total Comprehensive Income Attributable to:		
Equity Holders of the Bank	1,505,617,265	13,858,476
Non-Controlling Interest	1,313,181	
Total Comprehensive Income for the Period	**1,506,930,446**	**13,858,476**
Earnings Per Share		
Basic Earnings Per Share	27.69	48.79
Diluted Earnings Per Share	-	-

Pramesh Raj Kayastha
Chief Finance Officer

Ganesh Raj Pokharel
Acting 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

Chandra Tandon
Director

Avanindra Kumar Shrestha
Director

As per our report of even date

Date:- August 17, 2017
Place:- Narayanhiti Path, Kathmandu

CA Niranjan Chaudhary
Partner
JK & SS Associates
Chartered Accountants

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended July 15, 2017 (31st Ashadh, 2074)

Amount in NPR

Particular	Attributable to equity holders of the Bank									Non-Controlling interest	Total Equity
	Share Capital	Share Premium	General Reserve	Exchange Equalization Reserve	Investment Adjustment Reserve	Fair Value reserve	Retained Earning	Other Reserve	Total		
Balance at July 17,2015	**2,554,361,514**	**2,971,617**	**479,801,547**	**8,484,797**	**17,616,000**	**-**	**828,856,608**	**40,570,995**	**3,932,663,078**		
Total Comprehensive Income for the Year									-		
Profit For The Year							2,033,181,466		2,033,181,466		
Other Comprehensive Income, Net Of Tax								13,858,476	13,858,476		
Total Comprehensive Income for the Year	**2,554,361,514**	**2,971,617**	**479,801,547**	**8,484,797**	**17,616,000**	**-**	**2,862,038,074**	**54,429,471**	**5,979,703,020**		
Transactions With Owners, Directly Recognized In Equity									-		
Issue of Bonus Share	510,872,303						(510,872,303)		-		
Calls in Advance	585,405,800								585,405,800		
Dividend Paid							(26,888,016)		(26,888,016)		
Transfer to General Reserve			216,075,500				(216,075,500)		-		
Capital Reserve on Equity Investment on Subsidiary							(2,137,849)	2,137,849	-		
Investment Adjustment Reserve									-		
Exchange Fluctuation Fund				9,622,914			(9,622,914)		-		
Debenture/ Bond Redemption Reserve							(100,000,000)	100,000,000	-		
Prior Period Expenses							(18,263,046)		(18,263,046)		
Other Reserves							**13,203,114**	**(13,203,114)**	**-**		
Total Contributions By and Distributions To Owners	**1,096,278,103**	**-**	**216,075,500**	**9,622,914**	**-**	**-**	**(870,656,514)**	**88,934,735**	**540,254,738**		
Balance at July 15,2016	**3,650,639,617**	**2,971,617**	**695,877,047**	**18,107,711**	**17,616,000**	**-**	**1,991,381,560**	**143,364,206**	**6,519,957,758**	**36,860,871**	**6,556,818,629**
Balance at July 16, 2016	**3,650,639,617**	**2,971,617**	**695,877,047**	**18,107,711**	**17,616,000**	**-**	**1,991,381,560**	**143,364,206**	**6,519,957,758**	**36,860,871**	**6,556,818,629**
Total Comprehensive Income For The Year									-		
Profit For The Year							1,477,350,665		1,477,350,665		
Other Comprehensive Income, Net of Tax								28,266,600	28,266,600		
Total Comprehensive Income for the Year	**3,650,639,617**	**2,971,617**	**695,877,047**	**18,107,711**	**17,616,000**	**-**	**3,468,732,225**	**171,630,806**	**8,025,575,023**	**36,860,871**	**6,556,818,629**
Transactions With Owners, Directly Recognized In Equity									-		
Right Share Issue 10:5.5	1,685,878,599								1,685,878,599		
Issue of Bonus Share	750,675,762						(750,675,762)		-		
Calls in Advance	(585,405,800)								(585,405,800)		
Issuance of Share for Premier Finance Ltd. Acquisition	35,563,584								35,563,584		

Particular	Attributable to equity holders of the Bank									Non-Controlling interest	Total Equity
	Share Capital	Share Premium	General Reserve	Exchange Equalization Reserve	Investment Adjustment Reserve	Fair Value reserve	Retained Earning	Other Reserve	Total		
Right Share Issue 10:2.5	1,384,337,900								1,384,337,900		
Share Premium		529,389,690							529,389,690		
Dividend Paid							(39,844,251)		(39,844,251)		
Transfer to General Reserve			216,332,310				(216,332,310)		-		
Deferred Tax Reserve Fund							27,367,881	(27,367,881)	-		
Investment Adjustment Reserve					67,660,000		(67,660,000)		-		
Exchange Fluctuation Fund				14,947,824			(14,947,824)		-		
Debenture/ Bond Redemption Reserve							(100,000,000)	100,000,000	-		
Prior Period Expenses							(7,085,648)		(7,085,648)		
Corporate Social Responsibility Fund							(10,816,615)	10,816,615	-		
Total Contributions By and Distributions to Owners	**3,271,050,045**	**529,389,690**	**216,332,310**	**14,947,824**	**67,660,000**	**-**	**(1,179,994,529)**	**83,448,734**	**3,002,834,074**		
Balance at July 15, 2017	**6,921,689,662**	**532,361,307**	**912,209,357**	**33,055,535**	**85,276,000**	**-**	**2,288,737,696**	**255,079,540**	**11,028,409,097**	**34,874,051**	**11,063,283,148**

Pramesh Raj Kayastha
Chief Finance Officer

Ganesh Raj Pokharel
Acting 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

Chandra Tandon
Director

Avanindra Kumar Shrestha
Director

As per our report of even date

Date:- August 17, 2017
Place:- Narayanhiti Path, Kathmandu

CA Niranjan Chaudhary
Partner
JK & SS Associates
Chartered Accountants

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended July 15, 2017 (31st Ashadh, 2074)

Amount in NPR

Particulars	July 15, 2017	July 15, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and Commission Receipts	5,007,810,245	3,456,289,305
Interest and Commission Payments	(3,061,142,477)	(1,780,632,361)
Receipts from Other Operating Activities	954,831,401	731,070,244
Cash Payment to Employees	(649,589,056)	(379,610,950)
Other Overhead Expense	(362,376,517)	(305,006,455)
Operating Profit Before Changes In Operating Assets and Liabilities	**1,889,533,596**	**1,722,109,783**
Increase/(Decrease) in Operating Assets		
Loans and Receivables to Customers and Banks	(7,442,759,455)	(11,393,290,478)
Deposit Held for Regulatory Purpose	-	
Other Assets	(1,059,629,245)	(344,536,319)
	(8,502,388,700)	**(11,737,826,797)**
Increase/(Decrease) in Operating Liabilities		
Deposit From Customers and Banks	4,623,657,876	11,611,352,204
Other Borrowings	414,532,067	217,046,010
Other Liabilities	524,153,270	106,715,592
Net Cash Flow from Operating Activities Before Tax Paid	**(1,050,511,890)**	**1,919,396,792**
Income Taxes Paid	(571,062,306)	(437,703,362)
Net Cash Flow from Operating Activities	**(1,621,574,196)**	**1,481,693,430**
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of Investment Securities	(831,752,406)	(1,978,295,252)
Proceeds from Sale of Investment Securities	-	
Acquisition of Property and Equipment	(297,977,407)	(278,098,979)
Proceeds from the Sale of Property	292,099,484	400,686,414
Interest Income from Investment Securities	122,452,635	123,183,468
Dividend Income from Investment Securities	8,732,467	671,769
Acquisition of Intangible Assets	(74,501,360)	
Net Cash Used in Investing Activities	**(780,946,587)**	**(1,731,852,580)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issue of Debt Securities	-	
Repayment of Debt Securities	-	
Proceeds from Issue of Subordinated Liabilities	-	
Proceeds from Right Issue	2,484,810,699	652,405,800
Share Premium	529,389,691	
Dividends Paid	(26,881,598)	(35,570,147)
Interest Paid	(42,499,998)	(45,304,233)
Net Cash From Financing Activities	**2,944,818,794**	**571,531,420**
Net Increase (Decrease) in Cash and Cash Equivalents	**542,298,011**	**321,372,270**
Cash and Cash Equivalents at July 16, 2016	6,141,329,905	5,781,465,976
Effect Of Exchange Rate Fluctuations On Cash And Cash Equivalents Held	59,791,294	38,491,656
Cash and Cash Equivalents at July 15, 2017	**6,743,419,210**	**6,141,329,903**

Pramesh Raj Kayastha
Chief Finance Officer

Ganesh Raj Pokharel
Acting 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

Chandra Tandon
Director

Avanindra Kumar Shrestha
Director

As per our report of even date

Date:- August 17, 2017
Place:- Narayanhiti Path, Kathmandu

CA Niranjan Chaudhary
Partner
JK & SS Associates
Chartered Accountants

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

P.O. Box No: 10895, 196/30 - Radhe Marg
Dillibazar, Kathmandu, Nepal
Tel. 01-4445217, 4440317, 4417395
Fax: +977-1-4445218
Website: www.jkss.com.np

REPORT TO THE INDEPENDENT AUDITORS

TO THE SHAREHOLDERS OF CITIZENS BANK INTERNATIONAL LIMITED

We have audited the accompanying financial Statements of Citizens Bank International Ltd, which comprise the Statements of Financial Position as at Ashad 31, 2074 (July 15, 2017), the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow Statement for the year then ended, and a summary of significant Accounting Policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view, in all material respect, the financial position of **Citizens Bank International Limited** as at **Ashad 31, 2074 (July 15, 2017)** and of its financial performance, Statement of Changes in Equity and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards and the Companies Act, 2063.

Report on other legal and Regulatory Requirements

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

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

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

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

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

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

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

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

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

Date: Bhadra 1, 2074
Place: Kathmandu

CA Niranjan Chaudhary
Partner
JK & SS Associates
Chartered Accountants

STATEMENT OF FINANCIAL POSITION

As on July 15, 2017 (31st Ashadh, 2074)

Amount in NPR

Particulars	Annexure	July 15, 2017	July 15, 2016
ASSETS			
Cash and Cash Equivalents	1	6,078,365,521	6,140,642,947
Loans and Advances to Banks	2	1,625,856,443	1,612,793,878
Loans and Advances to Customers	3	46,483,553,791	38,714,822,160
Investment Securities	4	8,449,820,208	7,478,036,913
Current Tax Assets	5	300,791,522	3,160,374
Property and Equipment	6	1,684,760,738	1,101,980,621
Intangible Assets	7	80,368,112	5,866,752
Deferred Tax Assets	5	87,873,011	66,275,084
Other Assets	8	2,186,452,727	1,110,552,055
Total Assets		**66,977,842,073**	**56,234,130,784**
LIABILITIES			
Resources from Central Bank	9	33,578,077	2,750,000
Deposits from Banks	10	2,501,906,804	1,116,296,010
Deposits from Customers	11	51,716,674,651	47,393,500,967
Debt Securities Issued	12	498,148,814	497,735,714
Provisions	13	173,627,534	164,191,243
Deferred Tax Liabilities	5		
Other Liabilities	14	1,029,301,991	547,537,831
Total liabilities		**55,953,237,871**	**49,722,011,765**
EQUITY			
Share Capital	15	6,921,689,662	3,650,639,616
Retained Earnings		2,287,070,651	1,985,680,671
Reserves	16	1,815,843,890	875,798,732
Total Equity Attributable to Equity Holders		**11,024,604,203**	**6,512,119,019**
Non-Controlling Interest			
Total Equity		**11,024,604,203**	**6,512,119,019**
Total Liabilities and Equity		**66,977,842,073**	**56,234,130,784**

Pramesh Raj Kayastha
Chief Finance Officer

Ganesh Raj Pokharel
Acting 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

Chandra Tandon
Director

Avanindra Kumar Shrestha
Director

As per our report of even date

Date:- August 17, 2017
Place:- Narayanhiti Path, Kathmandu

CA Niranjan Chaudhary
Partner
JK & SS Associates
Chartered Accountants

STATEMENT OF PROFIT OR LOSS

For the year ended July 15, 2017 (31st Ashadh, 2074)

Amount in NPR

Particulars	Annexure	July 15, 2017	July 15, 2016
Interest Income	17	4,960,197,979	3,348,602,911
Interest Expense	17	3,169,957,746	1,824,080,179
Net Interest Income		**1,790,240,233**	**1,524,522,732**
Fee and Commission Income	18	468,614,552	364,926,452
Fee and Commission Expense	18	37,071,648	32,929,272
Net Fee and Commission Income		**431,542,904**	**331,997,180**
Net Interest, Fee and Commission Income		**2,221,783,137**	**1,856,519,912**
Net Trading Income	19	182,492,690	143,294,226
Net Income on Financial Instruments at FVTPL	20	22,649,140	34,268,834
Net Other Operating Income	21	721,735,695	121,898,941
Total Operating Income		**3,148,660,662**	**2,155,981,913**
Net Impairment on Financial Assets	22	(61,516,994)	1,141,350,316
Net Operating Income		**3,087,143,668**	**3,297,332,229**
Operating Expense			
Personnel Expenses	23	603,845,240	466,334,830
Operating Lease Expenses		50,015,100	54,171,513
Depreciation and Amortization	6,7	94,176,350	75,378,817
Other Expenses	24	361,611,191	217,409,685
Profit Before Income Tax		**1,977,495,787**	**2,484,037,384**
Income Tax Expense	5	496,446,278	458,486,498
Profit for the Period		**1,481,049,509**	**2,025,550,886**
Other Comprehensive Income, Net of Income Tax			
Fair Value Reserve (Investment in Equity Instrument):			
Net Change in Fair Value			
Net Amount Transferred to Profit or Loss			
Net Actuarial Gain/Loss on Defined Benefit Plans	23	28,266,600	13,858,476
Other Comprehensive Income for the Period, Net of Income Tax		**28,266,600**	**13,858,476**
Total Comprehensive Income for the Period		**1,509,316,109**	**2,039,409,362**
Profit Attributable to:			
Equity Holders of the Bank		1,481,049,509	2,025,550,886
Non-Controlling Interest			
Profit for the Period		**1,481,049,509**	**2,025,550,886**
Total Comprehensive Income Attributable to:			
Equity Holders of the Bank		1,509,316,109	2,039,409,362
Non-Controlling Interest			
Total Comprehensive Income for the Period		**1,509,316,109**	**2,039,409,362**
Earnings Per Share			
Basic Earnings Per Share		27.76	48.61
Diluted Earnings Per Share		-	-

Pramesh Raj Kayastha
Chief Finance Officer

Prakash Chandra Mainali
Director

Chandra Tandon
Director

Ganesh Raj Pokharel
Acting Chief Executive Officer

Bijaya Dhoj Karki
Director

Avanindra Kumar Shrestha
Director

Dr. Shankar Prasad Sharma
Chairman

Pabitra Kumar Karki
Director

Bal Krishna Prasai
Director

Dr. Chanda Karki
Director

As per our report of even date

CA Niranjan Chaudhary
Partner
JK & SS Associates
Chartered Accountants

Date:- August 17, 2017
Place:- Narayanhiti Path, Kathmandu

STATEMENT OF CHANGES IN EQUITY

For the year ended July 15, 2017 (31st Ashadh, 2074)

Amount in NPR

Particular	Attributable to equity holders of the Bank									Non-Controlling interest	Total Equity
	Share Capital	Share Premium	General Reserve	Exchange Equalization Reserve	Investment Adjustment Reserve	Fair Value reserve	Retained Earning	Other Reserve	Total		
Balance at July 17, 2015	**2,554,361,514**	**2,971,617**	**479,801,547**	**8,484,797**	**30,819,114**	**-**	**828,648,450**	**27,367,881**	**3,932,454,920**		**3,932,454,920**
Total Comprehensive Income for the Year											
Profit for the Year							2,025,550,886		2,025,550,886		
Other Comprehensive Income, Net of Tax								13,858,476	13,858,476		
Total Comprehensive Income for the Year	**2,554,361,514**	**2,971,617**	**479,801,547**	**8,484,797**	**30,819,114**	**-**	**2,854,199,336**	**41,226,357**	**5,971,864,282**	**-**	**5,971,864,282**
Transactions with Owners, Directly Recognized in Equity											
Issue of Bonus Share	510,872,303						(510,872,303)		-		
Calls in Advance	585,405,800								585,405,800		
Dividend Paid							(26,888,016)		(26,888,016)		
Transfer to General Reserve			216,075,500				(216,075,500)		-		
Assets Revaluation									-		
Investment Adjustment Reserve					(13,203,114)		13,203,114		-		
Exchange Fluctuation Fund				9,622,914			(9,622,914)		-		
Debenture/ Bond Redemption Reserve							(100,000,000)	100,000,000	-		
Prior Period Expenses							(18,263,046)		(18,263,046)		
Other Reserves									-		
Total Contributions By and Distributions to Owners	**1,096,278,103**		**216,075,500**	**9,622,914**	**(13,203,114)**	**-**	**(868,518,665)**	**100,000,000**	**540,254,738**	**-**	**540,254,738**
Balance at July 15, 2016	**3,650,639,617**	**2,971,617**	**695,877,047**	**18,107,711**	**17,616,000**	**-**	**1,985,680,671**	**141,226,357**	**6,512,119,020**	**-**	**6,512,119,020**
						-					
Balance at July 16, 2016	**3,650,639,617**	**2,971,617**	**695,877,047**	**18,107,711**	**17,616,000**		**1,985,680,671**	**141,226,357**	**6,512,119,020**	**-**	**6,512,119,020**
Total Comprehensive Income for the Year									-		
Profit for the Year							1,481,049,509		1,481,049,509		
Other Comprehensive Income, Net of Tax						-		28,266,600	28,266,600		
Total Comprehensive Income for the Year	**3,650,639,617**	**2,971,617**	**695,877,047**	**18,107,711**	**17,616,000**		**3,466,730,180**	**169,492,957**	**8,021,435,129**	**-**	**8,021,435,129**
Transactions with Owners, Directly Recognized in Equity									-		
Right Share Issue 10:5.5	1,685,878,599								1,685,878,599		

Particular	Attributable to equity holders of the Bank									Non-Controlling interest	Total Equity
	Share Capital	Share Premium	General Reserve	Exchange Equalization Reserve	Investment Adjustment Reserve	Fair Value reserve	Retained Earning	Other Reserve	Total		
Issue of Bonus Share	750,675,762						(750,675,762)	-			
Dividend Paid							(39,509,251)	-	(39,509,251)		
Calls in Advance	(585,405,800)							-	(585,405,800)		
Issuance of Share for Premier Finance Ltd. Acquisition	35,563,584							-	35,563,584		
Right Share Issue 10:2.5	1,384,337,900							-	1,384,337,900		
Share Premium		529,389,690						-	529,389,690		
Deferred Tax Reserve Fund							27,367,881	(27,367,881)	-		
Transfer to General Reserve			216,332,310				(216,332,310)	-	-		
Assets Revaluation Reserve								-	-		
Investment Adjustment Reserve					67,660,000		(67,660,000)	-	-		
Exchange Fluctuation Fund				14,947,824			(14,947,824)	-	-		
Debenture/ Bond Redemption Reserve							(100,000,000)	100,000,000	-		
Prior Period Expenses							(7,085,648)	-	(7,085,648)		
Corporate Social Responsibility Fund							(10,816,615)	10,816,615	-		
Total Contributions By and Distributions to Owners	**3,271,050,045**	**529,389,690**	**216,332,310**	**14,947,824**	**67,660,000**		**(1,179,659,529)**	**83,448,734**	**3,003,169,074**	**-**	**3,003,169,074**
Balance at July 15, 2017	**6,921,689,662**	**532,361,307**	**912,209,357**	**33,055,535**	**85,276,000**		**2,287,070,651**	**252,941,691**	**11,024,604,203**	**-**	**11,024,604,203**

Pramesh Raj Kayastha
Chief Finance Officer

Ganesh Raj Pokharel
Acting 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

Chandra Tandon
Director

Avanindra Kumar Shrestha
Director

As per our report of even date

Date:- August 17, 2017
Place:- Narayanhiti Path, Kathmandu

CA Niranjan Chaudhary
Partner
JK & SS Associates
Chartered Accountants

STATEMENT OF CASH FLOWS

For the year ended July 15, 2017 (31st Ashadh, 2074)

Amount in NPR

Particulars	July 15, 2017	July 15, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and Commission Receipts	4,975,855,878	3,590,345,895
Interest and Commission Payments	(3,060,626,323)	(1,811,705,218)
Receipts from Other Operating Activities	954,831,401	298,790,232
Cash Payment to Employees	(642,668,376)	(464,077,618)
Other Overhead Expense	(343,457,173)	794,390,301
Operating Profit before Changes in Operating Assets and Liabilities	**1,883,935,407**	**2,407,743,592**
Increase/(Decrease) in Operating Assets		
Loans And Receivables to Customers and Banks	(7,442,759,455)	(11,393,290,478)
Other Assets	(1,028,439,419)	(690,780,621)
	(8,471,198,874)	**(12,084,071,099)**
Increase/(Decrease) in Operating Liabilities		
Deposit from Customers and Banks	4,638,807,641	11,611,352,204
Other Borrowings	414,532,067	217,046,010
Other Liabilities	(181,882,210)	(224,974,750)
Net Cash Flow from Operating Activities before Tax Paid	**(1,715,805,969)**	**1,927,095,957**
Income Taxes Paid	(566,129,198)	(458,486,498)
Net Cash Flow from Operating Activities	**(2,281,935,167)**	**1,468,609,459**
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of Investment Securities	(852,681,730)	(1,900,671,030)
Proceeds from Sale of Investment Securities		
Acquisition of Property and Equipment	(290,897,285)	(276,213,323)
Proceeds from the Sale of Property	292,099,484	400,686,414
Interest Income from Investment Securities	122,452,635	123,183,468
Dividend Income from Investment Securities	8,732,467	671,769
Acquisition of Intangible Assets	(74,501,360)	-
Net Cash used in Investing Activities	**(794,795,789)**	**(1,652,342,702)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issue of Debt Securities	-	-
Repayment of Debt Securities		
Proceeds from Issue of Subordinated Liabilities		-
Proceeds from Right Issue	2,484,810,699	585,405,800
Share Premium	529,389,691	
Dividends Paid	(17,038,157)	(35,570,147)
Interest Paid	(42,499,998)	(45,304,233)
Net Cash from Financing Activities	**2,954,662,236**	**504,531,421**
Net Increase (Decrease) in Cash and Cash Equivalents	**(122,068,720)**	**320,798,178**
Cash and Cash Equivalents at July 16, 2016	6,140,642,947	5,781,353,112
Effect of Exchange Rate Fluctuations on Cash and Cash Equivalents held	59,791,294	38,491,656
Cash and Cash Equivalents at July 15, 2017	**6,078,365,521**	**6,140,642,947**

Pramesh Raj Kayastha
Chief Finance Officer

Prakash Chandra Mainali
Director

Chandra Tandon
Director

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Avanindra Kumar Shrestha
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Dr. Chanda Karki
Director

As per our report of even date

CA Niranjan Chaudhary
Partner
JK & SS Associates
Chartered Accountants

Date:- August 17, 2017
Place:- Narayanhiti Path, Kathmandu

ANNEXURES TO THE FINANCIAL STATEMENTS

As on July 15, 2017 (31st Ashadh, 2074)

Annexure 1: Cash and Cash Equivalents

Amount in NPR

Particulars	July 15, 2017	July 15, 2016
Cash on Hand	2,033,095,847	1,884,360,876
Balance with Central Bank (Nepal Rastra Bank)	2,842,478,220	3,149,515,238
Cash and Balances with Other Banks	1,050,736,892	859,317,987
Money Market Placements	152,054,562	247,448,846
Total	**6,078,365,521**	**6,140,642,947**

The Bank is required to maintain cash balance for 2 weeks in the account with Nepal Rastra Bank as cash reserve ratio (CRR) which should be equivalent to 6% of an average weekly local currency deposit balance of immediately preceding one week. The balance in Nepal Rastra Bank should be at least 70% of average balance cash reserve ratio to be maintained by the Bank.

Annexure 2: Loans and Advances to Banks

Amount in NPR

Particulars	July 15, 2017	July 15, 2016
Loans and Advances to Banks	1,625,856,443	1,612,793,878
Less Specific Allowances for Impairment		
Total	**1,625,856,443**	**1,612,793,878**
Specific Allowances For Impairment		
Balance at July 16, 2016		
Impairment Loss For The Year:		
Charge For The Year		
Reversal During The Year		
Balance At July 15, 2017		

Annexure 3: Loans and Advances to Customers

Amount in NPR

Particulars	July 15, 2017	July 15, 2016
Loans and Advances to Customers at Fair Value through Profit or Loss		
Loans and Advances to Customers	46,816,130,467	38,953,027,616
Less: Impairment Allowances		
Collective Impairment	199,206,946	154,581,701
Individual Impairment	133,369,730	83,623,755
Total	**46,483,553,791**	**38,714,822,160**

Allowances for Impairment

Amount in NPR

Particulars	July 15, 2017	July 15, 2016
Specific Allowances for Impairment		
Balance at July 16, 2016	**83,623,755**	
Impairment Loss for the Year:		
Charge for the Year	49,745,975	
Recoveries		
Write-Offs		
Balance at July 15, 2017	**133,369,730**	**83,623,755**
Collective Allowances for Impairment		
Balance at July 16, 2016	**154,581,701**	
Impairment Loss for the Year:	44,625,245	
Balance at July 15, 2017	**199,206,946**	**154,581,701**
Total Allowances for Impairment	**332,576,676**	**238,205,456**

Annexure 4: Investment Securities

Amount in NPR

Particulars	July 15, 2017	July 15, 2016
Investment Securities Designated as at FVTPL	51,442,831	6,079,628
Investment Securities Measured at Amortized Cost	8,295,209,876	7,371,235,785
Investment in Equity Measure at FVTOCI	103,167,501	100,721,500
Total	**8,449,820,208**	**7,478,036,913**

Investment Securities Designated as at Fair Value Through Profit or Loss

Amount in NPR

Particulars	July 15, 2017	July 15, 2016
Debt Securities		-
Equities	51,442,831	6,079,628
Government Bonds		-
Government Treasury Bills		-
Total	**51,442,831**	**6,079,628**

Investment Securities Measured at Amortized Cost

Amount in NPR

Particulars	July 15, 2017	July 15, 2016
Debt Securities		-
Government Bonds	6,427,425,000	3,970,200,000
Government Treasury Bills	307,750,980	1,343,461,611
Nepal Rastra Bank Bonds		1,081,025,000
Nepal Rastra Bank Deposits Instruments		-
Other Investments	1,560,033,896	976,549,174
Less Specific Allowances for Impairment		-
Total	**8,295,209,876**	**7,371,235,785**

Investment In Equity Measured at FVTOCI

Amount in NPR

Particulars	July 15, 2017	July 15, 2016
Equity Instruments		
Quoted Equity Securities		
Unquoted Equity Securities	103,167,501	100,721,500
Less: Specific Allowances for Impairment		-
Total	**103,167,501**	**100,721,500**

Annexure 5: Income Taxes

Current tax expenses and deferred taxes have been calculated on profits based on Financial Statements prepared as per NRB Directives and applicable provisions of the Income Tax Act, 2058. Financial Statements prepared as per NFRS has not been considered for tax purpose.

Current Tax Liability Reconciliation

Particulars	NPR	Current Year NPR
Profit Before Tax as per SOPL		1,977,495,787
NFRS Adjustment		(399,387,960)
Profit Before Tax as per Regulatory Report		1,578,107,827
Income Tax @30%		**473,432,348**
Adjustments		
Increase in tax liability due to less expense allowable than expense incurred		
Capital Items Costing upto Rs 5,000 Written Off	**1,117,966**	
Unabsorbed Repairs and Maintenance	2,473,539	
Staff Bonus pertaining to Final Dividend	793,861	
Loan Written off	105,936,458	
Depreciation & Amortization	101,036,326	
Other Expenses	6,551,431	
Total	**217,909,581**	**65,372,874**
Decrease in tax liability as the incomes are not taxable or more allowable than reported		
Gratuity & Leave Expense Provision	49,382,750	
Provision Expenses on Non- Banking Assets and Loan	776,138,255	
Profit on Sale of Fixed Asset	3,006,078	
Dividend Income	8,732,467	
Recovery of Loan Written Off	25,581,626	
Carried Forward Unabsorbed Losses of NHMFL, PEFIL and Premier Finance Ltd.	48,717,311	
Total	**911,558,487**	**273,467,546**
Income Tax Prior to Adjustment		**265,337,676**
Interest U/S 118		**-**
Prior Period Taxation		**-**
Deferred Tax Adjustment		**231,108,602**
Total Income Tax Expenses		**496,446,278**

Current Tax Assets

Amount in NPR

Particulars	July 15, 2017	July 15, 2016
Current Tax Assets		
Current Income Tax Assets	571,345,982	467,987,395
Adjustment Recognised in Current Year for Current Tax of Prior Periods		
	571,345,982	**467,987,395**
Current Tax Liabilities		
Current Income Tax Liabilities	270,554,460	464,827,021
Adjustment Recognised in Current Year for Current Tax of Prior Periods		
	270,554,460	**464,827,021**
Total	**300,791,522**	**3,160,374**

Deferred Tax Assets and Liabilities

Amount in NPR

	July 15, 2017			July 15, 2016		
Recognised Deferred Tax Assets And Liabilities	**Assets**	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Property and Equipment, and Software	10,135,469		10,135,469	14,157,512		14,157,512
Investment in Equity Measure at FVTOCI						
Defined Benefits Obligations	1,240,189		1,240,189	24,534,995		24,534,995
Allowances for Non- Banking Assets				188,660,139		188,660,139
Tax Loss Carry-Forwards	76,497,353		76,497,353	91,207,977		91,207,977
Impairment Allowances				466,045		466,045
Net Tax Assets (Liabilities)	**87,873,011**		**87,873,011**	**319,026,668**		**319,026,668**

Previous year deferred tax assets includes deferred tax assets carried forward from acquired institution Premier Finance Limited.

Annexure 6: Property and Equipment

Amount in NPR

Particulars	Land	Building	Computer Equipment	Vehicles	Machinery Equipment	Furniture & Fixture	Office Equipment	Total July 15, 2017	Total July 15, 2016
Cost									
Balance as On July 16, 2016	581,388,007	99,601,061	92,182,383	63,123,818		100,794,446	165,115,355	1,102,205,070	1,161,823,274
Addition during the Year									
Acquisition	364,250,000	16,194,108	1,857,984	3,328,600		595,239	6,647,908	392,873,840	
Capitalization	122,513,676	227,004,538	21,666,771	12,669,000		47,474,138	62,626,061	493,954,184	123,378,264
Disposal during the Year			(3,498,668)	(5,139,303)		(1,599,998)	(6,384,919)	(16,622,887)	(4,597,115)
Revaluation									
Transfer/Adjustment									
Balance as on July 15, 2017	**1,068,151,683**	**342,799,707**	**112,208,470**	**73,982,115**		**147,263,825**	**228,004,408**	**1,972,410,209**	**1,280,604,422**
Accumulated Depreciation									
Balance as on July 16, 2016		11,933,528	66,853,194	19,999,513		71,603,023	105,504,484	275,893,742	311,952,110
Balance from Acquisition		1,880,763	1,468,780	2,430,346		474,861	4,743,051	10,997,802	
Charge for the Year		13,281,884	12,642,304	9,427,214		13,163,426	27,203,016	75,717,843	72,117,392
Disposal during the Year			(3,459,115)	(4,683,483)		(1,312,122)	(6,330,108)	(15,784,828)	(4,377,664)
Revaluation									
Balance as on July 15, 2016		**27,096,174**	**77,505,165**	**27,173,591**		**83,929,151**	**131,120,441**	**346,824,522**	**379,691,838**
Capital Work in Progress		**59,175,052**						**59,175,052**	**201,069,141**
Net Book Value as on July 15, 2017	**1,068,151,683**	**374,878,585**	**34,703,306**	**46,808,524**		**63,334,674**	**96,883,967**	**1,684,760,738**	
Net Book Value as on July 15, 2016	**581,388,007**	**87,667,533**	**25,356,781**	**43,124,305**	**74,600,110**	**29,191,431**	**59,584,401**		**1,101,980,621**

Annexure 7: Intangible Assets

Amount in NPR

Particulars	Goodwill	Software	Leasehold Assets	Total	
				July 15, 2017	July 15, 2016
Cost					
Balance as on July 16, 2016		29,049,717	178,399,349	207,449,066	24,066,474
Addition during the Year					
Acquisition			4,849,082	4,849,082	
Capitalization		5,542,853	11,639,892	17,182,745	4,983,244
Disposal during the Year			(30,580,048)	(30,580,048)	
Revaluation					
Transfer/Adjustment					
Balance as on July 15, 2017		**34,592,570**	**164,308,274**	**198,900,845**	**29,049,717**
Accumulated Depreciation					
Balance as on July 16, 2016		23,182,965	107,471,251	130,654,216	19,921,539
Charge for the Year		3,343,116	15,115,391	18,458,507	3,261,426
Disposal during the Year			(30,579,991)	(30,579,991)	
Revaluation					
Balance as on July 15, 2017		**26,526,081**	**92,006,652**	**118,532,733**	**23,182,965**
Capital Work in Progress					
Net Book Value as on July 15, 2017		**8,066,489**	**72,301,623**	**80,368,112**	
Net Book Value as on July 15, 2016					**5,866,752**

Annexure 8: Other Assets

Amount in NPR

Particulars	July 15, 2017	July 15, 2016
Assets Held for Sale	519,992,896	422,491,591
Investment Property		-
Accounts Receivable	992,663,314	231,380,878
Interest Receivable	230,107,447	116,344,391
Less: Impairment	(14,309,446)	(7,664,991)
Accrued Income		-
Prepayments And Deposit	24,468,537	38,968,544
Income Tax Deposit	18,769,113	7,623,483
Staff Loans and Receivables	227,253,592	103,832,015
Defferred Staff Expenses	181,183,252	181,652,621
Other	6,324,022	15,923,524
Total	**2,186,452,727**	**1,110,552,055**

Annexure 9: Resources from Central Bank

Amount in NPR

Particulars	July 15, 2017	July 15, 2016
Refinance Loan from NRB	33,578,077	2,750,000
Liabilities in Respect of Securities Sold under Repurchase Agreement		
Standing Liquidity Facility		
Total	**33,578,077**	**2,750,000**

Annexure 10: Deposits from Banks

Amount in NPR

Particulars	July 15, 2017	July 15, 2016
Money Market Deposits		
Interbank Borrowing	1,500,000,000	1,116,296,010
Other Deposits from Banks	1,001,906,804	
Items in the Course of Collection		
Total	**2,501,906,804**	**1,116,296,010**

Annexure 11: Deposits from Customers

Amount in NPR

Particulars	July 15, 2017	July 15, 2016
Saving Account	10,623,211,411	9,684,567,019
Current Account	1,444,146,710	1,369,295,849
Call Account	4,563,887,283	10,097,587,472
Fixed Deposit Account	34,822,495,372	25,939,304,541
Margin Deposit Account	262,933,875	302,746,086
Other Account		
Total	**51,716,674,651**	**47,393,500,967**

Annexure 12: Debt Securities Issued

Amount in NPR

Particulars	July 15, 2017	July 15, 2016
Debt Securities Issued Designated at Fair Value through Profit or Loss		
Debt Securities Issued at Amortized Cost	498,148,814	497,735,714
Total	**498,148,814**	**497,735,714**

Annexure 13: Provisions

Amount in NPR

Particulars	July 15, 2017	July 15, 2016
Provisions for Redundancy		
Provision for Restructuring		
Pending Legal Issues and Tax Litigation		
Credit Commitments and Guarantees		
Onerous Contracts		
Staff Bonus	157,810,783	153,886,400
Other	15,816,751	10,304,843
Total	**173,627,534**	**164,191,243**

Annexure 14: Other liabilities

Amount in NPR

Particulars	July 15, 2017	July 15, 2016
Recognised liability for Defined Benefit Obligations	4,133,964	81,783,314
Liability for Long-Service Leave		-
Short-term Employee Benefits	132,715	6,276
Financial Guarantee Contracts Issued		-
Creditors and Accruals	758,725,668	257,638,389
Interest Payable on Deposit	92,617,474	28,279,063
Interest Payable on Borrowing	13,609,914	11,530,000
Unearned Income	26,142,457	20,164,728
Unpaid Dividend	58,203,937	46,601,094
Branch Adjustment Account	-	-
Manager's Cheque	3,084,850	78,831,715
Audit Fees Payable	1,186,500	1,186,500
Good for payment Cheque	63,960,924	14,450,000
Lease Liability	7,503,588	7,066,752
Other		
Total	**1,029,301,991**	**547,537,831**

Annexure 15: Share Capital

Amount in NPR

Particulars	July 15, 2017	July 15, 2016
Ordinary Shares	6,921,689,662	3,650,639,616
Irredemable Preference Shares		
Perpetual Debt		
Share Premium		
Total	**6,921,689,662**	**3,650,639,616**

Ordinary Shares	July 15, 2017	July 15, 2016
Authorized Capital	10,000,000,000	10,000,000,000
100,000,000 Ordinary Shares Of Rs 100 Each		
Issued, Subscribed And Paid Up Capital	6,921,689,662	3,650,639,616
69,216,896.62 Ordinary Share Of Rs. 100 Each		

Annexure 16: Reserves

Amount in NPR

Particulars	July 15, 2017	July 15, 2016
Statutory Reserve		
General Reserve	912,209,357	695,877,047
Exchange Equalization Reserve	33,055,535	18,107,711
Investment Adjustment Reserve	85,276,000	17,616,000
Capital Redemption Reserve	200,000,000	100,000,000
Share Premium	532,361,307	2,971,617
Corporate Social Responsibility Fund	10,816,615	
Non Statutory Reserve		
Capital Reserve		
Assets Revaluation Reserve		
Fair Value Reserve		
Dividend Equalization Reserve		
Re-measurement Gain/ Loss	42,125,076	13,858,476
Special Reserve	-	27,367,881
Other Reserve		
Total	**1,815,843,890**	**875,798,732**

Annexure 17: Net Interest Income

Amount in NPR

Particulars	July 15, 2017	July 15, 2016
Interest Income		
Cash and Cash Equivalents	4,487,309	307,248
Loans and Advances to Banks	104,236,277	14,309,920
Loans and Advances to Customers	4,632,276,885	3,164,953,331
Investment Securities	194,539,513	141,315,450
Staff Interest Income	15,234,128	21,541,247
Other	9,423,867	6,175,716
Total Interest Income	**4,960,197,979**	**3,348,602,911**
Interest Expense		
Deposits from Banks	75,465,362	
Deposits from Customers	2,996,465,437	1,758,502,367
Interbank Borrowing	45,533,834	20,859,760
NRB Borrowing	1,714,729	1,843,481
Debt Securities Issued	42,913,098	42,874,571
Subordinated Liabilities		
Other	7,865,286	
Total Interest Expense	**3,169,957,746**	**1,824,080,179**
Net Interest Income	**1,790,240,233**	**1,524,522,732**

Annexure 18: Net Fees and Commission

Amount in NPR

Particulars	July 15, 2017	July 15, 2016
Fees and Commission Income		
Commission of Bills Purchased and Discounted	863,362	1,736,359
Commission on Issue of Letters of Credit	29,877,932	20,926,548
Commission on Issue of Guarantees	30,106,411	23,840,175
Loan Documentation Fee	1,311,500	41,000
Loan Proccessing Fee	211,792,518	182,849,886
Management Fee	17,040,684	14,464,998
Loan Renewal Fees	22,734,278	14,734,733
SMS Banking Fee	7,907,450	5,335,581
Remittance Fees	23,471,426	18,349,089
ATM Commission	29,407,964	26,601,285
Demat Fees	3,623,018	
ASBA Commission	1,011,088	
Other Fees of Loan - CIC	6,244,300	5,350,644
Other Fees -Trade Operation	7,574,855	2,738,003
Other Fees and Commission	75,647,766	47,958,151
Total Fees and Commission Income	**468,614,552**	**364,926,452**
Fees and Commission Expense		
Other Commissions of Loan- CIC	5,755,020	5,205,240
Interbank Transaction Fee		
Commission and Discount- BLB	973,856	846,491
ATM Expenses	20,964,130	19,201,020
Other Fees and Commissions	9,378,642	7,676,520
Total Fees and Commission Expense	**37,071,648**	**32,929,272**
Net Fees and Commission Income	**431,542,904**	**331,997,180**

Annexure 19: Net Trading Income

Amount in NPR

Particulars	July 15, 2017	July 15, 2016
Foreign Exchange Transaction Gain/ (Losses)	59,791,294	38,491,656
Gain on Foreign Exchange Trading Transactions	122,701,396	104,802,570
Other		
Total	**182,492,690**	**143,294,226**

Annexure 20: Net Income on Financial Instruments At FVTPL

Amount in NPR

Particulars	July 15, 2017	July 15, 2016
Net Changes in Fair Value of Instruments at FVTPL	7,165,931	
Gain on Disposal of the Instruments	6,750,742	33,597,065
Interest Income on the Instruments		-
Dividend Income on Instruments	8,732,467	671,769
Other		-
Total	**22,649,140**	**34,268,834**

Annexure 21: Other Operating Income

Amount in NPR

Particulars	July 15, 2017	July 15, 2016
Gain on Sale Of Property and Equipment	6,209,575	90,440,420
Gain on Sale of Investment Property		
Recovery of Loan Written Off	25,581,626	6,712,100
Operating Lease Income	10,198,781	4,982,778
Gain on Sale of Gold and Silver	9,527,172	8,597,259
Gain on Bargain Purchase	669,003,840	
Other	1,214,702	11,166,383
Total	**721,735,695**	**121,898,941**

Annexure 22: Net Impairment on Financial Assets

Amount in NPR

Particulars	July 15, 2017	July 15, 2016
Impairment Charge for the Year on:		
Loan and Advances to Banks		
Loan and Advances to Customers	54,872,539	
Investment in Equity Measured at FVTOCI		
Other Financial Assets Measured at Amortized Cost	6,644,455	
Impairment for the Year	**61,516,994**	**677,609,819**
Impairment Reversed During the year On:		
Loan and Advances to Banks		
Loan and Advances to Customers		
Investment in Equity Measured at FVTOCI		
Other Financial Assets Measured at Amortized Cost		
Reversal During the Year	**-**	**1,818,960,135**
Net Impairment for the Year	**(61,516,994)**	**1,141,350,316**

Annexure 23: Personnel Expenses

Amount in NPR

Particulars	July 15, 2017	July 15, 2016
Wages and Salaries	340,731,798	234,227,992
Contributions to Defined Contribution Plans	15,058,369	9,087,405
Increase in Liability for Defined Benefit Plans	39,208,234	45,795,840
Staff Welfare Expense	34,865,286	13,965,325
Training	9,246,743	4,666,202
Other Expenses Related to Staff	415,235	425,786
Staff Bonus	157,810,783	153,886,400
Finance Expenses - NFRS	6,508,792	4,279,880
Total	**603,845,240**	**466,334,830**

Defined Benefit Obligations

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

Amount in NPR

	July 15, 2017		July 15, 2016	
Particulars	**Gratuity Plan**	**Leave Encashment Plan**	**Gratuity Plan**	**Leave Encashment Plan**
Present Value of Unfunded Obligations			25,855,803	32,449,476
Present Value of Funded Obligations	38,738,060	36,624,279		
Total Present Value of Obligations	**38,738,060**	**36,624,279**	**25,855,803**	**32,449,476**
Fair Value of Plan Assets	34,604,096	36,624,279		
Present Value of Net Obligations	**4,133,964**		**25,855,803**	**32,449,476**
Recognised Liability for Defined Benefit Obligations	**38,738,060**	**36,624,279**	**25,855,803**	**32,449,476**

Movement in the Present Value of Defined Benefit Obligations

Amount in NPR

Particulars	July 15, 2017		July 15, 2016	
	Gratuity Plan	**Leave Encashment Plan**	**Gratuity Plan**	**Leave Encashment Plan**
Defined Benefit Obligations at July 16, 2016	31,783,372	49,999,942	25,855,803	32,449,476
Actuarial losses/(Gains)	(3,985,502)	(24,281,098)	(5,796,873)	(8,061,603)
Benefits Paid	(3,012,631)	(14,349,978)	(715,026)	(7,744,303)
Current Service Costs and Interest	13,952,821	25,255,413	12,439,468	33,356,372
Defined Benefit Obligations at July 15, 2017	**38,738,060**	**36,624,279**	**31,783,372**	**49,999,942**

Plan Assets Composition

Amount in NPR

Particulars	July 15, 2017		July 15, 2016	
	Gratuity Plan	Leave Encashment Plan	Gratuity Plan	Leave Encashment Plan
Equity Securities				
Government Bonds				
Bank Deposit				
Total				

Movement in the Fair Value of Plan Assets

Amount in NPR

	July 15, 2017		July 15, 2016	
Particulars	**Gratuity Plan**	**Leave Encashment Plan**	**Gratuity Plan**	**Leave Encashment Plan**
Fair value of Plan Assets at July 16, 2016				
Contributions Paid into the Plan	34,604,096	36,624,279		
Benefits Paid by the Plan				
Actuarial (Losses) Gains				
Expected Return on Plan Assets				
Fair Value of Plan Assets at July 15, 2017	**34,604,096**	**36,624,279**		

Expenses Recognized in Profit or Loss

Amount in NPR

	July 15, 2017		July 15, 2016	
Particulars	**Gratuity Plan**	**Leave Encashment Plan**	**Gratuity Plan**	**Leave Encashment Plan**
Current Service Costs	11,417,117	21,266,376	9,655,978	23,016,111
Interest on Obligation	2,535,704	3,989,037	2,068,464	2,595,958
Expected Return on Plan Assets				
Total	**13,952,821**	**25,255,413**	**11,724,442**	**25,612,069**

Actuarial Assumptions

Amount in NPR

	July 15, 2017		July 15, 2016	
Particulars	**Gratuity Plan**	**Leave Encashment Plan**	**Gratuity Plan**	**Leave Encashment Plan**
Discount Rate	8.00%	8.00%	8.00%	8.00%
Expected Return on Plan Asset	4.75%	4.75%		
Future Salary Increase				
Basic Salary Increment every Year	5.00%	5.00%	5.00%	5.00%
Executive Salary Increment every 2 Years	5.00%	5.00%	10.00%	10.00%
Officer Level Salary Increment every 2 Years	5.00%	5.00%	15.00%	15.00%
Assistant Level Salary Increment every 2 Years	5.00%	5.00%	20.00%	20.00%
Withdrawal Rate	10.50%	10.50%	10.50%	10.50%

Annexure 24: Other Operating Expense

Amount in NPR

Particulars	July 15, 2017	July 15, 2016
Directors' Emoluments	3,295,000	2,440,000
Auditors' Remuneration	1,186,500	1,186,500
Non-Audit Fees to Auditors	757,342	449,232
Professional and Legal Expense	4,963,539	1,254,950
Office Administration and Establishment Expense	186,547,401	178,020,408
Other Operating and Overhead Expense	52,365,508	32,999,129
Corporate Social Responsibility	6,559,443	1,059,466
Onerous Lease Provisions		
Other Expenses	105,936,458	
Total	**361,611,191**	**217,409,685**

Significant Accounting Policies

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 Banks and Financial Institutions Act, 2017. The Bank has its Corporate Office at Narayanhiti Path, Kathmandu. The Bank received the license to commence Banking operations on April 20, 2007 (Baisakh 7, 2064). The Bank's Equity Shares are listed in Nepal Stock Exchange. The principal activities of the Bank is to provide all commercial banking services including agency services, trade finance services, e-commerce services and trading of gold and silver, etc. to its customers through head office, branches, branchless banking units and ATMs.

The Bank acquired two "C" class financial institutions Nepal Housing & Merchant Finance Limited and People's Finance Limited during the fiscal year 2072/73. The Bank started consolidated Banking transaction from April 8, 2015 (Baisakh 25,2072). During the current year the Bank has also acquired Premier Finance Limited and started the consolidated transaction from July 17, 2016 (Shrawan 2, 2073).

Subsidiary

CBIL Capital Limited (the Subsidiary) is the subsidiary company of the Bank. It was incorporated on January 30, 2006 (Magh 17, 2062) as public company under the Companies Act, 2063. The Bank made an equity investment in CBIL Capital on March 13, 2016 (Falgun 30, 2072). The principal activities of the Subsidiary are to provide Merchant Banking Services. The Bank as on date holds 67% controlling interest in the Subsidiary.

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

Principle Activities:

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

2. REPORTING PERIOD

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

	Nepali Calendar	English Calendar
Current Year	2073/74	2016/17
Previous Year	2072/73	2015/16
Current Year Period	1st Shrawan 2073 to 31st Ashadh 2074	16th July 2016 to 15th July 2017
Previous Year Period	1st Shrawan 2072 to 31st Ashadh 2073	16th July 2015 to 15th July 2016

3. BASIS OF PREPARATION

The financial statements of the Bank have been prepared on accrual basis of accounting except the Cash flow information which is prepared, on a cash basis, using the indirect method. The interest income is recognized on effective interest rate method.

The financial statements comprise the Statement of Financial Position, Statement of Profit or Loss and Statement of Other Comprehensive Income shown in a single statement, the Statement of Changes in Equity, the Statement of Cash Flows and the Notes to the Accounts. The significant accounting policies applied in the preparation of financial statements are set out below in point number 4. These policies are consistently applied to all the years presented, except for the changes in accounting policies disclosed specifically.

3.1. Basis of Statement of Compliance

The financial statements have been prepared in accordance with Nepal Financial Reporting Standards and Generally Accepted Accounting Principles in the Banking industry in Nepal. The deviations, if any, from NFRS are disclosed wherever applicable.

The Board of Directors of the Bank authorized the financial statement on August 17, 2017 (Bhadra 1, 2074) for issue.

3.2. New Reporting standards issued but Not Effective

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

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

A number of new standards and amendments to the existing standards and interpretations have been issued by IASB after the pronouncements of NFRS with varying effective dates. Those become applicable when ASB Nepal incorporates them within NFRS.

3.3. 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.
- Net defined benefit liabilities are measured at Present Value of Defined Benefits Obligation less the Net of Total Plan Assets.

3.4. Distinction of Current and Non-Current

Assets

All the assets except the property, plant and equipments and deferred tax assets are classified as current assets unless specific additional disclosure is made in the notes.

Liabilities

All the liabilities except the defined benefit plan obligations are classified as current liabilities unless specific additional disclosure is made in the notes.

3.5. Functional and Presentation Currency

The financial statements are presented in Nepalese Rupee, which is the Bank's functional currency. The figures are rounded to nearest integer, except otherwise indicated.

3.6. Use of Estimates and Discounting

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 and equipment.
- Assessment of the Bank'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.

Non- current assets and liabilities are discounted where discounting is material.

3.7. 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.

3.8. Changes in Accounting Policies

The Bank applied its accounting policies consistently from year to year except as mentioned in Note 5.16.

4. Significant Accounting Policies

The principal accounting policies applied by the Bank in the preparation of these financial statements are presented below. These policies have been consistently applied to all the years presented unless stated otherwise.

4.1. Basis of Consolidation

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

4.1.1. Subsidiary

Subsidiaries are the entities controlled by the Bank. The Bank controls an entity if it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. The Bank reassesses whether it has control if there are changes to one or more of the elements of control. The Financial Statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

The Consolidated Financial Statements are prepared for the common financial year end. There are no significant restrictions on the ability of subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans and advances. The only subsidiary of the Bank has been incorporated in Nepal.

4.1.2. 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.

4.1.3. 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.

4.1.4. 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.

4.1.5. 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.

4.2. 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 re translation 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 NRB Directives.

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.

4.3. Cash and Cash Equivalents

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

Cash and Cash equivalent are measured at amortized cost in the statement of financial position.

Statement of Cash Flows has been prepared by using the 'Indirect Method' in accordance with NAS 07- Statement of Cash Flows.

4.4. Financial Assets and Financial Liabilities

4.4.1. Recognition

The Bank initially recognizes a financial asset or a financial liability in its statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument. The Bank initially recognize loans and advances, deposits; and debt securities/ subordinated liabilities issued on the date that they are originated which is the date that the Bank becomes party to the contractual provisions of the instruments. Investments in equity instruments, bonds, debenture, Government securities, NRB bond or deposit auction, reverse repos, outright purchase are recognized on trade date at which the Bank commits to purchase/ acquire the financial assets. Regular way purchase and sale of financial assets are recognized on trade date.

4.4.2. Classification

i. Financial Assets

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

1. Financial assets measured at amortized cost

The Bank 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 or are designated at fair value through profit or loss. Upon initial recognition, transaction cost are directly attributable to the acquisition are recognized in profit or loss as incurred. Such assets are subsequently measured at fair value and changes in fair value are recognized in Statement of Profit or Loss.
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 Bank makes an irrevocable election that the subsequent changes in fair value of the instrument is to be recognized in other comprehensive income are classified as financial assets at fair value though other comprehensive income. Such assets are subsequently measured at fair value and changes in fair value are recognized in other comprehensive income.

4.4.3. Financial Liabilities

The Bank classifies the financial liabilities as follows:

a) Financial liabilities at fair value through profit or loss

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

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 method.

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

4.4.5. Derecognition

i. Derecognition of Financial Assets

The Bank 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 Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

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

The Bank 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. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized. Transfers of assets with retention of all or substantially all risks and rewards include, for example repurchase transactions.

4.4.6. Derecognition of Financial Liabilities

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

4.4.7. 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 Bank 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 Bank 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 Bank 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.

4.5. Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank 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 Bank's trading activity.

4.6. Impairment of Financial Assets

At each reporting date, the Bank 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 Bank on terms that the Bank 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 Bank 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 Bank considers evidence of impairment for loans and advances and investment securities 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 are assessed on 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. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

All individually significant loans and advances; and investment securities measured at amortized cost found not to be specifically impaired and those that are not individually significant are collectively assessed for impairment by grouping together loans and advances with similar risk characteristics.

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

Impairment of loans and advances portfolios are based on the judgements in past experience of portfolio behavior. In assessing collective impairment the Bank 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.

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

Impairment of investment in equity instrument classified as fair value though 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.

4.7. Non-Financial Assets

4.7.1. 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 Bank and the cost of the asset can be reliably measured. The cost includes expenditures that are directly attributable to the acquisition of the assets. Cost of self constructed assets includes followings:

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

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment loss if any. Neither class of the property and equipment are measured at revaluation model nor is their fair value measured at the reporting date.

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.

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

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, awaiting capitalization.

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 depreciation 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	5.00%
Metal Furniture	6 years	16.67%
Wooden Furniture	5 years	20.00%
Office Vehicles	7 years	14.29%
Computer (including Printer)	4 years	25.00%
Office Equipments	5 years	20.00%

- 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 Rs 5,000 are fully depreciated in the year of purchase. For assets purchased/sold during the year, depreciation is provided upto 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.

4.7.2. Intangible Assets and Goodwill

The intangible assets include software purchased by the Bank. 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 year. Amortization method, useful lives and residual value are reviewed at each reporting date and adjusted if any.

The Bank has recognized the goodwill on Business Combination. 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.

4.8. 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 Bank holds investment property that has been acquired through the enforcement of security over the loan and advances.

Investment property is initially measured at cost and subsequently at Cost Model. Accordingly such properties are subsequently measured at cost less accumulated depreciation and impairment loss if any. However, the Bank does not have investment properties other than Land and the Land is not depreciated.

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

4.9. 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.

4.10. Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4.11. Stationery

Stationery purchased is accounted for on cost and expended as and when it is issued for consumption on a FIFO basis and inventory as at the end of reporting period are measured at the lower of cost or net realizable value.

4.12. Impairment of Non Financial Assets

The Bank 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 Bank 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.

4.13. 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 Bank 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

Interest income is recognized in profit or loss using effective interest method. Effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of financial asset or liability to the carrying amount of the asset or liability. The calculation of effective interest rate includes all transactions cost and fee and points paid or received that are integral part of the effective interest. The 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. These financial assets include loans and advances including staff loans, investment in government securities, investment in corporate bonds, investment in NRB Bond and deposit instruments, reverse repos, inter Bank lending, etc.
- 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 Bank'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. Accordingly, the Bank has not recognized interest income on Loans and Advances overdue for more than a year.

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 Bank is recognized as income over the period of the guarantee, except for guarantee commission not exceeding Rs 10 thousands, which is recognized at the time of its issue.
- Commission on sight Letters of Credit (LC) issued by the Bank 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.

4.14. Interest Expense

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

4.15. 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, 2030 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;
- paid annual leave and paid sick leave;
- 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. Pre-paid 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 Bank to its employees:

a) Employees Provident Fund

In accordance with law, all employees of the Bank are entitled to receive benefits under the provident fund, a defined contribution plan in which both the employee and the Bank contribute monthly at a pre determined rate (currently, 10% of the basic salary plus grades). Bank 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 Bank'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 Bank'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 Bank recognizes all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefits plans in employee benefit are expensed in profit or loss.

The following are the defined benefit plans provided by the Bank to its employees:

a) Gratuity

Bank provides for gratuity on accrual basis covering eligible employees in terms of Employee Service Byelaws of the Bank. The plan provides for lump sum payments to vested employees at retirement or upon death while in employment or on termination of employment for an amount equivalent defined days' eligible salary payable for each completed years of service.

b) Leave Salary

The employees of the Bank 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 Bank. The Bank accounts for the liability for entire accumulated outstanding leave balance on accrual basis as per Employee Service Byelaws of the Bank.

c) Termination Benefits

Termination benefits are recognized as expense when the Bank 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 Bank 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.

4.16. Tax Expense

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.

4.17. Lease Payments:

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.

4.18. Provisions and Contingent Assets/ Liabilities

Bank recognizes a provision if, as a result of past event, the Bank has a present constructive or legal obligation that can be reliability measured and it is probable that 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 Bank 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 and currency swap transactions. 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.

4.19. Share Capital and Reserves

a) Share Capital

The Bank 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 Bank and distributions thereon are presented in statement of changes in equity.

The Bank is required to maintain the capital adequacy ratio imposed by the regulator. The ratio is fixed at 11% for current year and the Bank has maintained the required ratio.

b) Share Issue Costs

Incremental costs directly attributable to issue of an equity instruments are deducted from the initial measurement of the equity instruments.

4.20. Earnings Per Share

The Bank 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 Bank 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.

4.21. Segment Reporting

An operating segment is a component of the Group that engages in 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 business segments on the basis of nature of operations of the Bank - Banking, Treasury, Cards and Remittance and Branchless Banking.

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

4.22. 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.

4.23. Limitation of NFRS Implementation

During NFRS implementation, wherever the information is not adequately available and the cost to develop the same would exceed the benefit derived, if any, has been noted and disclosed in respective sections.

5. Explanatory Notes:

The explanatory notes and significant disclosure relating to the financial statements are as follows:

5.1. Related Parties

The related parties of the Bank which meets the definition of related parties as defined in "NAS 24: Related Parties Disclosure" are as follows:

i. Subsidiary Company

Name and percentage of shareholding in Subsidiary Company is as below:

a) CBIL Capital Limited.	67%

ii. Associate Companies

a) Nepal Electronic Payment Systems Limited	8.62%
b) Nepal Clearing House Limited	1.73%
c) Mero Micro Finance Limited	6.75%

iii. 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
Mr. Shankar Prasad Sharma	BOD Chairman
Mr. Bal Krishna Prasai	Director
Mr. Prakash Chandra Mainali	Director
Mr. Pabitra Kumar Karki	Director
Mr. Bijaya Dhoj Karki	Director
Ms. Chanda Karki	Director
Mr. Chandra Tandon	Director
Mr. Manohar Das Mool	Former Director
Mr. Rajan Singh Bhandari	Chief Executive Officer
Mr. Ganesh Raj Pokharel	Deputy Chief Executive Officer
Mr. Bodh Raj Devkota	Assistant Chief Executive Officer
Mr. Ramdhan Shrestha	Assistant Chief Executive Officer
Mr. Samir Prasad Dahal	Chief Executive Officer- CBIL Capital Limited (on deputation from the Bank in the subsidiary company)
Mr. Rajendra Lal Shrestha	Chief Risk and Recovery Officer
Mr. Paras Kumar Kafle	Chief Operating Officer
Ms. Umang Sharma	Chief Administrative Officer
Mr. Sumit Babu Khatri	Chief Credit Officer
Mr. Sanjeeb Kumar Shrestha	Chief IT Officer
Mr. Pramesh Raj Kayastha	Chief Finance Officer

5.1.1. Compensation to Key Management Personnel

The members of Board of Directors are entitled for meeting allowances. Salary and allowances are provided to Chief Executive Officer and other member of Key Management Personnel (KMP). Salary and Allowances paid to the Chief Executive Officer is based on the contract entered by the Bank with him whereas compensation paid to other member of KMP are governed by Employees Bye-laws and decisions made by management 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 to key management personnel (directors only) were as follows:

Particulars	Current Year (NPR)
Meeting Fees	3,295,000
Other Expenses	1,691,718
Total	**4,986,718**

The details relating to compensation paid to key management personnel other than directors were as follows:

Particulars	Current Year (NPR)
Short term employee benefits	66,162,526
Remuneration and current employee benefits	38,189,581
Bonus (Statutory Bonus and Welfare)	17,244,828
Vehicle Allowance	3,735,336
Other benefits and payments*	6,992,781
Post- employment benefits**	-
Other long term benefits	-
Total	**66,162,526**

*Other benefits and payments includes Finance cost calculated towards subsidized Loans and advances provided to staffs.

**Post employment benefit includes Provident fund, Gratuity and Leave provision created, the bifurcation of which is not quantifiable separately to KMPs. The provision is made on lumpsum as per the Actuarial Valuation.

5.1.2. Transaction with Subsidiary

The Bank has made strategic investment to broaden the scope of service and source of income by investing in share capital of CBIL Capital Limited which is the subsidiary company of the Bank. The Bank holds 67% controlling interest in the subsidiary. Similarly, the Bank has deputed the managerial level staff as the Chief Executive Officer of the subsidiary and Deputy CEO of the Bank is the Chairman of CBIL Capital. The ACEOs of the Bank are directors of the subsidiary.

The subsidiary is engaged in Merchant Banking Services.

1. The Bank 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 Rs 300,000:

   a) Bank has deputed its Senior Manager as CEO to its subsidiary providing, salary allowance and other eligible facilities as per the Bank's Employee Bye-laws.

   b) The Bank provides technical assistance required for Computer hardware, software and network maintenance.

   c) Internal audit team of the Bank 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.

3. Similarly, Bank has rented its building located a ward no. 33, Dillibazaar to the Subsidiary Company with the agreement to pay Monthly Rent of NRs 110,000, which will be increased by 10% in every 2 year.
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 a deposit account with the Bank which has a balance of Rs. 15,705,461 as on 31st Ashad 2074.
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	1,320,000
Management Fee income	7,200,000
Server & Database Rental Income	1,638,888
Dividend Income	6,365,000
Interest Income	375,948
Total Income	**16,899,836**
CEO's Remuneration	3,864,197
Interest Paid to Subsidiary	3,408,593
RTS fee to Subsidiary	725,000
Total Expenses	**7,997,790**
Statement of Financial Position	
Deposit of Subsidiary in Call Deposit	15,705,461
Loan against FD	6,167,180

5.1.3. Transaction with Associates

Investments in Associates have been reported in the statement of financial position as investment in equity measured at FVTOCI and the Bank's income received from the associates have been reported in the income statement.

The Bank does not have significant influence or power over the financial and operating decisions of the company even if the Chief Executive Officer (CEO) of the Bank is the representative director on behalf of the Bank in the company. The decisions of the associate's are made by its Board in which the CEO's call is minority only.

5.1.3.1. 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.

CEO of the Bank is the chairman in NEPS. The Bank holds investment of Rs. 15,000,000 in share 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 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	7,722,858

5.1.3.2. Nepal Clearing House Limited (NCHL)

Nepal Clearing House Ltd. (NCHL) is a public limited company established on 23rd December 2008 (9th Mangsir 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 InterBank Payment System (NCHL-IPS) are the national payment systems that are currently in operation.

CEO of the Bank is the chairman in NCHL. The Bank holds investment of Rs. 2,600,000 in share capital of NCHL.

Agreement has been entered by the Bank with NCHL for availing services related to Electronic Cheque Clearing (ECC) and Inter-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	6,036,883

5.1.3.3. Mero Micro Finance Limited

Mero Microfinance Bittiya Sanstha Ltd. (MERO MICROFINANCE) is joint initiative of 10 institutions (8 commercial Banks and 2 development Banks) registered as a 'D' class national level financial institution with the Nepal Rastra Bank under BAFIA, 2017 on July 14, 2013 (30 Ashadh, 2070).

The objectives of MERO MICROFINANCE are to reduce poverty and improve the quality of lives of the landless and asset less rural and urban poor by providing them with diversified financial services.

CEO of the Bank is the chairman in Mero Micro Finance Limited.

The Bank holds investment of Rs. 13,500,000 in share capital of the Mero Micro Finance Limited.

The Bank has appointed Mero Micro Finance as District Correspondence for Nuwakot and Dhading districts for appointing Branchless Banking (BLB) Agents. The associate collects the relevant datas and submits the same to the Bank. They also manage cash as per the need of BLB agents. Associate is paid a service fee of Rs. 1,000/- per month per BLB agent.

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	158,100

5.1.3.4. Deposit of Extra Incomes with Banks by KMP

The meeting fees received from subsidiary and associates during the year have been deposited with the Bank by KMP included in the Financial Statements of the Bank are as below:

i. Nepal Electronic Payment Systems Limited (NEPS)

Particulars	NPR
Payments received towards Board Meeting fees	15,300

ii. Nepal Clearing House Limited (NCHL)

Particulars	NPR
Payments received towards Board Meeting fees	17,000

iii. Mero Micro Finance Limited

Particulars	NPR
Payments received towards Board Meeting fees	14,025

Summary of Transactions with Related Parties

Amount in NPR

	CURRENT YEAR		
Particulars	**Subsidiary**	**Associates**	**Key Management Personnel**
Items in Statement of Profit or Loss			
Employees Benefits			
Short Term Employment Benefits			66,162,526
Post Employment Benefits			
Rental Income	1,320,000		
Directors Meeting Fee		-	3,295,000
Management Fee	7,200,000	-	
Other Expense/Income	-	-	1,691,718
Interest Income		16,541,973	
Interest Paid	3,408,593	1,590,865	
Balances as on Ashadh End	**88,872,641**	**315,525,425**	**8,367,000**
Items in Statement of Financial Position			
Deposit	15,705,461	28,056,408	-
Advances	6,167,180	256,369,017	-
Staff Loan	-	-	383,229,455
Investment in shares	67,000,000	31,100,000	-
Off Balance Sheet Exposure	-	-	-
Impairment charged to Profit or loss	-	-	-

5.2. Operational Lease Expenses

The details of Lease Liability and Future Minimum Lease Payments are tabulated below:

Lease Liability	**2016/17(NPR)**
Less than one year	2,042,854
Between one to five years	63,725,049
More than five years	245,189,689
Total	**310,957,592**

Future minimum lease payments	**2073/74 (NPR)**
Less than one year	2,042,854
Between one to five years	25,625,793
More than five years	29,391,436
Total	**57,060,083**

5.3. Staff Loans and Advances and Employee Benefits

Presented in financial statements under "Other Assets", Staff Loans and Advances are 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 and the Employee Byelaws of the Bank.

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

Amount in NPR

Particulars	2016/17	2015/16
Staff Loan	58,477,725	49,044,720
Staff Loan Home	274,517,617	190,670,835
Employee's Advances	39,000	1,120,203
Staff Overdraft	49,966,421	27,387,511
Credit Card Receivable	16,31 933	1,004,828
Total	**384,632,696**	**269,228,097**

The Staff Loans and Advances are included in the "Other Assets" is Rs. 384,632,696 of FY 2016/17 and Rs. 269,228,097 of FY 2015/16.

5.4. Deposit classification

Interest Bearing and Non-Interest bearing Deposits have been tabulated below:

5.4.1. Non Interest Bearing Deposits

Particulars	Current Year (NPR)	Previous Year (NPR)
A. Current Deposits	**1,459,820,363**	**1,369,295,850**
1. Local Currency	1,375,031,877	1,289,340,395
1.1 Government of Nepal	26,396,122	49,337,085
1.2 "A" Class Licensed Institutions	600,990	636,140
1.3 Other Licensed Financial Institutions	298,144,278	253,667,072
1.4 Other Organized Institutions	883,845,100	655,166,791
1.5 Individuals	166,045,387	330,533,307
1.6 Others	-	-
2. Foreign Currency	84,788,486	79,955,455
2.1 Government of Nepal	-	
2.2 "A" Class Licensed Institutions	37,000	
2.3 Other Licensed Financial Institutions	-	
2.4 Other Organized Institutions	58,861,341	60,174,779
2.5 Individuals	25,890,145	19,780,676
2.6 Others	-	
B. Margin Deposits	**262,933,875**	**302,746,087**
1. Employees' Guarantee	-	
2. Guarantee Margin	99,346,449	99,854,682
3. Letters of Credit Margin	149,283,915	146,880,863
4. Others	14,303,511	56,010,542
C. Others	-	-
1. Local Currency		
1.1 Financial Institutions	-	-
1.2 Other Organized Institutions	-	-
1.3 Individuals	-	-
2. Foreign Currency	-	-
2.1 Financial Institutions	-	-
2.2 Other Organized Institutions	-	-
2.3 Individuals	-	-
Total of Non-Interest Bearing Accounts	**1,722,754,238**	**1,672,041,936**

5.4.2. Interest Bearing Deposits

Particulars	Current Year (NPR)	Previous Year (NPR)
A. Savings Deposits	**10,623,211,411**	**9,684,567,020**
1. Local Currency	**10,522,836,629**	**9,586,318,704**
1.1 Institutions	8,291,732	8,112,759
1.2 Individuals	10,514,544,897	9,578,205,945
1.3 Others	-	-
2. Foreign Currency	**100,374,782**	**98,248,316**
2.1 Institutions	-	4,060
2.2 Individuals	100,374,782	98,244,256
2.3 Others	-	
B. Fixed Deposits	**34,934,495,372**	**25,939,304,541**
1. Local Currency	34,908,006,761	25,778,488,636
1.1 Institutions	21,676,459,018	19,953,464,204
1.2 Individuals	13,219,489,162	5,825,024,432
1.3 Others	12,058,581	-
2. Foreign Currency	**26,488,611**	**160,815,905**
2.1 Institutions	20,630,000	156,784,000
2.2 Individuals	5,858,611	4,031,905
2.3 Others	-	-
C. Call Deposits	**5,438,120,435**	**10,097,587,472**
1. Local Currency	**5,403,090,589**	**10,055,263,276**
1.1 "A" Class Licensed Institutions	787,431	867,629
1.2 Other Licensed Financial Institutions	2,613,240,481	3,670,928,024
1.3 Other Organized Institutions	2,134,061,258	5,248,769,284
1.4 Individuals	655,001,419	1,121,788,971
1.5 Others	-	12,909,368
2. Foreign Currency	**35,029,846**	**42,324,196**
2.1 "A" Class Licensed Institutions	-	-
2.2 Other Licensed Financial Institutions	12,829,633	9,132,993
2.3 Other Organized Institutions	22,200,213	33,180,187
2.4 Individuals	-	11,016
2.5 Others		-
D. Certificate of Deposits	-	-
1. Organized Institutions	-	-
2. Individuals	-	-
3. Others	-	-
Total of Interest Bearing Accounts	**50,995,827,218**	**45,721,459,032**

5.5. Taxation

5.5.1. Status of Tax Assessment

In the current fiscal year, tax office has completed the tax assessment of the Bank of FY 2011/12 (2068/69) and 2012/13 (2069/70) with additional Tax demand of NPR 8,346,517.42 and NPR 12,396,861.14 respectively. The Bank has filed for the administrative review for additional income tax demand of FY 2011/12 (2068/69) and 2012/13 (2069/70).

The Bank has filed for appeal in Revenue Tribunal against tax assessment of FY 2010/11 (2067/68) with additional income tax demand of NPR 2,885,728.93. 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 with additional tax demand of NPR. 21,002,255.30 and NPR. 3,446,693.65 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 5,376,086.58 of FY 2006/07 (2063/64) and 2007/08 (2064/65).

Bank has disclosed the disputed tax amount of NPR. 53,454,143.02 as contingent liability.

5.5.2. Current Year Tax

Current Year Tax Liability Computation is tabulated below:

Particulars	NPR	Current Year (NPR)
Profit Before Tax as per SOPL		2,433,453,027
NFRS Adjustment		(855,345,200)
Profit Before Tax as per Regulatory Report		1,578,107,827
Income Tax @30%		**473,432,348**
Adjustments		
Increase in tax liability due to less expense allowable than expense incurred		
Capital Items Costing upto Rs 5,000 Written Off	1,117,966	
Unabsorbed Repairs and Maintenance	2,473,539	
Staff Bonus pertaining to Final Dividend	793,861	
Loan Written off	105,936,458	
Depreciation & Amortization	101,036,326	
Other Expenses	6,551,431	
Total	**217,909,581**	**65,372,874**
Decrease in tax liability as the incomes are not taxable or more allowable than reported		
Gratuity & Leave Expense Provision	49,382,750	
Provision Expenses on Non- Banking Assets and Loan	776,138,255	
Profit on Sale of Fixed Asset	3,006,078	
Dividend Income	8,732,467	
Recovery of Loan Written Off	25,581,626	
Carried Forward Unabsorbed Losses of NHMFL, PEFIL and Premier Finance Ltd.	48,717,311	
Total	**911,558,487**	**273,467,546**
Income Tax Prior to Adjustment		**265,337,676**
Interest U/S 118		**-**
Prior Period Taxation		**-**
Deferred Tax Adjustment		**231,108,602**
Total Income Tax Expenses		**496,446,278**

5.5.3. Deferred Tax

Deferred tax is computed 30% of the temporary differences between accounting base of regulatory report and tax base. Deferred tax Assets/Liabilities and the calculation of deferred taxes are tabulated below:

Amount NPR

Indicators	Accounting Base	Tax Base	Difference	Deferred Tax Assets (Liability) of This Year	* Deferred Tax Assets (Liability) of Last Year	Deferred Tax Income (Expenses) of This Year
Fixed Assets	1,765,128,851	1,798,913,749	33,784,898	10,135,469	14,157,512	(4,022,043)
Provision for Gratuity	4,133,964	-	4,133,964	1,240,189	9,535,012	(8,294,823)
Provision for Leave encashment	-	-	-	-	14,999,983	(14,999,983)
Provision for Investment						
Provision for Prepayment c/f from Premier	-	-	-	-	466,045	(466,045)
Provision on Non- Banking Assets	-	-	-	-	188,660,139	(188,660,139)
Unabsorbed Losses	-	254,991,176	254,991,176	76,497,353	91,207,977	(14,710,624)
Total	**1,769,262,815**	**2,053,904,925**	**292,910,038**	**87,873,011**	**319,026,668**	**(231,108,602)**

* The deferred tax assets of last year included deferred tax assets brought down from the acquired Premier Finance Limited.

5.6. Share Capital

Capital Structure of the Bank is as follows:

Particulars	No. of Shares	Value per Shares	Capital in Value (NPR)
Authorized Capital	100,000,000	NPR100	10,000,000,000
Issued Capital	69,216,897	NPR100	6,921,689,663
Paid Up Capital	69,216,897	NPR100	6,921,689,663

5.6.1. Shareholding Pattern

The Shareholding pattern of the Bank is as follows:

Particulars of Share Ownership	Current Year	
	%	Share Capital NPR
1. Local Ownership	**100%**	**6,921,689,663**
1.1 Government of Nepal		
1.2 "Ka" Class Licensed Institutions		
1.3 Other Licensed Institutions		
1.4 Organized Institutions (Promoters)	5.37%	371,712,448
1.5 General Public	48.68%	3,369,459,871
1.6 Others (Promoters)	45.95%	3,180,517,343
2. Foreign Ownership		
Total	**100%**	**6,921,689,663**

5.6.2. Equity Share Capital Movement

Details of Paid Up Capital of the Bank		
Fiscal Year	**Total Paid Up Capital NPR**	**Remarks**
2006/07	560,000,000	Promoter's Share capital
2007/08	560,000,000	No change.
2008/09	1,000,000,000	Additional NPR 14 Crore Promoter Share and NPR 30 Crore Public Share Issued
2009/10	2,000,000,000	Issuance of 1:1 Right Share
2010/11	2,100,000,000	5 % Bonus Shares Issued
2011/12	2,101,840,000	Fraction Share Adjustment in promoter share to maintain the ratio between promoter and public shareholders
2012/13	2,101,840,000	No change.
2013/14	2,375,079,200	13% Bonus Shares Issued
2014/15	2,554,361,514	After acquisition of NHMFL & PEFIL and fraction share adjustment.
2015/16	4,401,315,379	Proposed Bonus Shares, Calls in Advance with reference to Right Share Issued at the ratio of 10:5.5.
2016/17	6,921,689,663	Right Share Allocation of 10:5.5 issued previous year, share issuance for acquisition of Premier Finance Limited, Fresh Right Issued at the ratio of 10:2.5.

5.7. Unpaid Dividend

Dividend declared to the shareholders but not collected till the end date of the reported fiscal year 2073/74 are as below:

Particulars		Amount in NPR
1.	Dividend payable for FY 2008/09	298,380
2.	Dividend payable for FY 2009/10	571,485
3.	Dividend payable for FY 2010/11	2,725,831
4.	Dividend payable for FY 2011/12	5,972,135
5.	Dividend payable for FY 2012/13	11,408,489
6.	Dividend payable for FY 2013/14	6,591,075
7.	Dividend payable for FY 2014/15	4,960,050
8.	Dividend payable for FY 2015/16	22,471,094
9.	Dividend payable for FY 2008/09- NHMFL	243,105
10.	Dividend payable for FY 2010/11- NHMFL	148,179
11.	Dividend payable for FY 2009/10- PEFIL	1,379,918
12.	Unclaimed Dividend FY 2003/04 & 61/62 - PEFIL	481,770
13.	Unclaimed Dividend FY 2006/07- Premier Finance Limited	75,723
14.	Unclaimed Dividend FY 2009/10- Premier Finance Limited	876,703

5.8. Statutory Reserves and Funds

The reserves include statutory reserves and funds set aside for specific purpose. The various reserves and funds are as below:

5.8.1. General Reserve

General Reserve is created as per Section 44 of the Banks and Financial Institutions Act 2017 equivalent to 20% of the net profit earned during the year until the reserve is twice the paid up share capital of the Bank after which 10% of the net profit earned during the year shall be set aside as General Reserve.

Such reserve could not be expensed or transferred to other heads without prior approval of Nepal Rastra Bank.

5.8.2. Exchange Fluctuation Reserve Fund

Exchange Fluctuation Reserve is the reserve created as per Section 44 of the Banks and Financial Institutions Act 2017 equivalent to 25% of the foreign exchange gain realized on the translation of foreign currency to the reporting currency during the year other than Indian Rupees.

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.

5.8.3. Investment Adjustment Reserve

Investment Adjustment Reserve is created as per the regulatory requirement equivalent to 2% of investment securities classified as available for sale which are not listed within the prescribed time except on investment on shares specifically allowed by Nepal Rastra Bank.

5.8.4. Bond Redemption Reserve

The Bank has issued Subordinated Debt of 500,000 8.5% Citizens Bank Bond, 2077 of NPR 500,000,000 as per NRB approval dated September 16, 2013 (2070/09/01). As per clause 5 of NRB Directive 16, the Banks are required to set aside fund to Capital Redemption Reserve. The Bank has set aside additional NPR 100,000,000 to Capital Redemption Reserve in the FY 2016/17. The cumulative Capital Redemption Reserve is NPR 200,000,000.

5.8.5. Employees Training Cost and Employees Capacity Development Fund

Employees training cost of NPR 9,246,743 has been incurred during the year which is above the 3% of the employee cost of the previous year 2015/16 as per NRB Circular Bai.Bi.Ni.Bi./Niti/Paripatra/KaKhaGa/10/073/74 . Hence, employees capacity development fund has not been created during the year.

5.8.6. Corporate Social Responsibility (CSR) Fund

CSR Fund of NPR 10,816,615 has been created as per NRB Circular Bai.Bi.Ni.Bi./Niti/Paripatra/KaKhaGa/11/073/74. 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.

5.8.7. Share Premium

During the year, the Bank has issued Right Share at the rate of 10:5.5 and 10:2.5. The Bank has booked the excess of the issue price over the par value on shares issued in Share Premium Account equivalent to NPR 529,389,690.

The detail of Share Premium amount booked is as follows:

Auction Date	Auction Quantity	Share Premium (NPR)
July 21, 2016	705,717	399,078,426
July 09, 2017	617,978	130,311,265
Total		**529,389,691**

The detail of statutory reserves included in Reserves disclosed in Statement of Financial Position is as below:

Amount in NPR

Auction Date	July 15, 2017	Share Premium (NPR)
Statutory reserve		
General reserve	912,209,357	695,877,047
Exchange equalization reserve	33,055,535	18,107,711
Investment adjustment reserve	85,276,000	17,616,000
Capital redemption reserve	200,000,000	100,000,000
Share Premium	532,361,307	2,971,617
Corporate Social Responsibility Fund	10,816,615	
Non statutory reserve		
Capital reserve		
Assets revaluation reserve	-	
Fair value reserve		
Dividend equalization reserve		
Re-measurement gain/ loss	42,125,076	13,858,476
Special reserve	-	27,367,881
Other reserve		
Total	**1,815,843,890**	**875,798,732**

5.9. Proposed Bonus Share

The Board of Directors has proposed Bonus Share of 16 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.

5.10. Proposed Dividend

The Board of Directors has proposed Cash Dividend of 1 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.

5.11. Provision for Bonus to Employees

Provision for staff bonus has been made as per Bonus Act 2030, calculated at 10% of net profit after bonus as per regulatory reporting. For the FY 2016/17, the Bank has made provision of NPR. 158,802,055 towards Staff Bonus.

5.12. 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, 2049.

5.13. Earnings Per Share

5.13.1. 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 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 has been based on the profit attributable to ordinary shareholders and weighted

average number of shares outstanding as tabulated below:

Particulars	2016/17	2015/16
Profit attributable to ordinary shareholders NPR	1,481,049,509	2,025,550,886
Weighted average number of ordinary shares		
Reported	53,360,782	30,652,338
Restated		41,670,207
Basic Earnings Per Share NPR	**27.76**	**48.61**

Weighted average number of ordinary shares calculation

FY 2016/17	Nos. of Shares	Shares Outstanding	Portion of the year	Weighted Average Shares
Opening Balance	30,652,338	30,652,338	0.0027	82,761
Share allocation for Premier Finance Ltd acquisition	355,636	31,007,974	0.0986	3,057,386
Right Shares 10:5.5 allocation	16,153,069	47,161,043	0.0795	3,749,303
Auction share allocation	705,717	47,866,760	0.0329	1,574,816
Bonus Share of FY 2015/16	7,506,758	55,373,518	0.6849	37,925,322
Right Share 10:2.5 allocation	13,225,401	68,598,919	0.0767	5,261,537
Auction share allocation	617,978	69,216,897	0.0247	1,709,657
	69,216,897			**53,360,782**

FY 2016/17	Nos. of Shares	Shares Outstanding	Portion of the year	Weighted Average Shares
Reported Nos of shares		30,652,338	1.00	30,652,338
Restated Nos of shares adjusted for right issue		41,670,207	1.00	41,670,207

5.13.2. 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.

5.14. Events after Reporting Period

There are no other events after Balance Sheet Date affecting financial status as on Ashad end, 2074.

5.15. Interim Financial Statements

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

5.16. Changes in Accounting Policies

5.16.1. Impairment allowance for Non-Banking Assets

During the year, the Bank changed its accounting policy with respect to Non- Banking Assets categorized as non- current assets held for sale. The Bank now categorizes it as Assets Held for Sale and provides provision for impairment loss of Non- Banking assets held for sale after the assessment at each reporting date whether there is an indication that an asset may have been impaired. If any indication exists, or when periodic impairment testing for an asset is required, the Bank estimates the asset's recoverable amount and the difference between the assets' carrying amount and recoverable amount is reduced through the use of an allowance account and the amount of the loss is recognized in statement of profit or loss.

Prior to this change in policy, the Bank used to fully provide for provision for impairment of non- Banking assets as per NRB Directive and continued to remain until it was disposed off.

The Bank believes the new policy is preferable as it more closely aligns the accounting for these transactions with the NFRS and will aid comparability.

The impact of this voluntary change in accounting policy is to fairly reflect the value of non- Banking assets held in the Statement of Financial Position. The impact on each line item of the financial statements since the Bank's adoption of NFRS is shown in the table below:

Amount in NPR

Particulars	FY 2015/16		
	As Reported	Adjustments	Restated
Statement of Profit or Loss			
Net impairment loss on Financial Assets			
Provision for Non-Banking Assets Held for Sale			
Provision against Non-Banking Assets Written Back	-	380,245,197	380,245,197
Profit/ (Loss) for the year	-	380,245,197	380,245,197
Statement of Financial Position			
Non-Current Assets Held for Sale			
Non-Banking Assets	-	380,245,197	380,245,197
Net (Loss)/Gain Recognized Directly Adjusted in Retained Earnings	-	380,245,197	380,245,197
Attributable to Equity Shareholders	-	380,245,197	380,245,197
Effect in			
Basic Earnings Per Share	-		12.41
Diluted Earnings Per Share	-		9.13

5.16.1.1. Impairment allowance for Loans and Advances

During the year, the Bank changed its accounting policy with respect to Impairment allowance for Loans and Advances. The Bank now at each reporting date, assesses whether there is objective evidence that loans and advances carried at fair value through profit or loss are impaired and impairment provided for if impairment assessment indicates so. Loans and advances 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 loans and advances 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 Bank on terms that the Bank 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 Bank 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.

Prior to this change in policy, the Bank used to provide for impairment loss of loans and advances at 1% to 100% on the basis of classification of loans and advances in accordance with the directives of Nepal Rastra Bank.

The Bank believes the new policy is preferable as it more closely aligns the accounting for these transactions with the NFRS and will aid comparability.

The impact of this voluntary change in accounting policy is to fairly reflect the value of loans and advances disclosed in the Statement of Financial Position. The impact on each line item of the financial statements since the Bank's adoption of NFRS is shown in the table below:

Amount in NPR

Particulars	FY 2015/16		
	As Reported	Adjustments	Restated
Statement of Profit or Loss			
Loans and Advances to Banks			
Individual Allowances for Impairment			
Collective Allowances for Impairment			
Loans and Advances to Customers			
Individual Allowances for Impairment		154,581,701	154,581,701
Collective Allowances for Impairment	930,356,201	(846,732,446)	83,623,755
Profit/ (Loss) for the year	-	692,150,745	692,150,745
Attributable to Equity Shareholders	-	692,150,745	692,150,745
Statement of Financial Position			
Loans and Advances to Banks			
Individual Allowances for Impairment			
Collective Allowances for Impairment			
Loans and Advances to Customers			
Individual Allowances for Impairment		154,581,701	154,581,701
Collective Allowances for Impairment	930,356,201	(846,732,446)	83,623,755
Effect in			
Basic Earnings Per Share			22.58
Diluted Earnings Per Share			16.61

5.16.1.2. Revenue recognition on Loans and Advances and Impairment Allowance

During the year, the Bank changed its accounting policy with respect to revenue recognition on Loans and Advances to recognize interest income on accrual basis only when it is probable that the economic benefits associated with the transaction will flow to the Bank. In some cases, this may not be probable until the consideration is received or until an uncertainty is removed. Accordingly, the Bank has not recognized interest income on Loans and Advances overdue for more than a year.

Prior to this change in policy, the Bank used to fully recognize interest income on Loans and advances on accrual basis.

The Bank believes the new policy is preferable as it more closely aligns the accounting for these transactions with the NFRS and will aid comparability.

The impact of this voluntary change in accounting policy is to fairly reflect the value of interest receivables in Statement of Financial Position and impairment allowance provided for it and its consequential impact in Statement of Profit or Loss.

Amount in NPR

Particulars	FY 2015/16		
	As Reported	Adjustments	Restated
Statement of Profit or Loss			
Interest Income	3,487,072,368	(138,469,457)	3,348,602,911
Interest Receivables			
Impairment Allowance		(7,664,991)	(7,664,991)
Profit/ (Loss) for the year		(146,134,448)	(146,134,448)
Attributable to Equity Shareholders		(146,134,448)	(146,134,448)
Statement of Financial Position			
Interest Receivables	228,592,310	(138,469,457)	90,122,853
Impairment Allowance	-		(7,664,991)
Effect in			
Basic Earnings Per Share	-		4.77
Diluted Earnings Per Share	-		3.51

5.17. Business Combination

In current fiscal year 2015/16, the Bank has acquired 'C' Class Financial Institution licensed by NRB, Premier Finance Limited with due approval from Annual General Meeting of the Bank as well as from Nepal Rastra Bank w.e.f July 17, 2016 (Shrawan 2, 2073). As a result of acquisition, 2 new branches were added along with its deposit base of Rs. 686.26 million and credit base of Rs. 517.03 million that is expected to generate synergy in operations of the Bank.

For acquisition, the Bank issued 2.8 equity shares for every 10 equity shares of Premier Finance Limited. The business combination resulted in Gain on Bargain Purchase of Rs. 669,003,839 as calculated below.

Amount in NPR

A. Total Liabilities	**767,664,224**
B. Total Assets	**1,472,231,648**
Capital & Reserve	**Amount Rs.**
Share Capital	127,012,800
Reserves and Funds	577,554,623
C. Total Shareholder's Fund (Net Worth)	**704,567,423**
D. Net Assets Taken Over (B-A)	**704,567,423**
Less: Purchase Consideration (355,635.84 shares of CZBIL at NPR 100 each)	35,563,584
Gain on Bargain Purchase	**669,003,839**

5.18. Valuation Hierarchy

Following tables demonstrates the valuation hierarchy of Bank's Financial Assets and Liabilities. This fair value may differ from the actual amount that may be received or paid on settlement, realization or maturity of those Financial Assets and Liabilities.

5.18.1. Fair Value of Financial Assets and Liabilities Measured at Fair Value

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.

Amount in NPR

Assets	Level 1	Level 2	Level 3	Total
Treasury Bills		307,750,980		307,750,980
Government Securities		6,427,425,000		6,427,425,000
Local Licensed Institutions			195,211,375	195,211,375
Investment in Foreign Banks			1,364,822,521	1,364,822,521
Quoted Equities				
Soaltee Hotel Ltd	40,107			40,107
Prabhu Insurance Ltd.	2,413,375			2,413,375
Prabhu Insurance Ltd.-Promoter	9,728,456			9,728,456
Chilime Hydropower Company Limited	646,631			646,631
Ridi Hydropower Development Company Ltd.	408,286			408,286
Nerude Laghubitta Bikas Bank Limited	1,313,270			1,313,270
Life Insurance Co. Nepal	1,372,088			1,372,088
Nepal Life Insurance Co. Ltd.	3,351,417			3,351,417
Asian Life Insurance Co. Limited	1,990,170			1,990,170
National Life Insurance Co. Ltd.	3,118,800			3,118,800
Shikhar Insurance Co. Ltd.	3,134,715			3,134,715
Neco Insurance Co. Ltd.	1,794,445			1,794,445
Siddhartha Insurance Ltd.	1,505,400			1,505,400
Prudential Insurance Co. Ltd.	691,464			691,464
Chhimek Laghubitta Bikas Bank Limited	305			305
First Micro Finance Development Bank Ltd.	2,116,500			2,116,500
Deprosc Development Bank Limited	3,063,569			3,063,569
Swabalamban Bikas Bank Limited	931,635			931,635
Sana Kisan Bikas Bank Ltd	1,164,050			1,164,050
Summit Micro Finance Development Bank Ltd.	401,084			401,084
Nirdhan Utthan Bank Limited	1,963			1,963
NMB Hybrid Fund L-1	3,135,871			3,135,871
Nabil Equity Fund	2,252,990			2,252,990
NIBL Pragati Fund	3,424,800			3,424,800
Laxmi Equity Fund	2,924,780			2,924,780
Oriental Hotels Limited	516,660			516,660
Unquoted Equities				
National Banking Institute Limited (NBI)		1,200,000		1,200,000
Nepal Clearing House Limited		2,951,500		2,951,500
Mero Microfinance Bittiya Sanstha Limited		13,800,000		13,800,000
Nepal Electronic Payment System Limited		15,000,000		15,000,000
Credit Information Bureau		216,001		216,001
CBIL Capital Ltd		67,000,000		67,000,000
Prabhu Capital Limited		3,000,000		3,000,000
Loans and Advances to Banks			1,625,856,443	1,625,856,443
Loans and Advances to Customers			46,577,975,847	46,577,975,847
Property and Equipment			1,684,760,738	1,684,760,738
Intangible Assets			80,368,112	80,368,112
Total	**51,442,831**	**6,838,343,481**	**1,560,033,896**	**8,449,820,208**

5.18.2. Fair Value of Financial Assets and Liabilities Not Measured 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.

Amount in NPR

Assets	Carrying Amount	Total
Cash and cash equivalents	6,078,365,521	6,078,365,521
Current tax assets	300,791,522	300,791,522
Deferred tax assets	87,873,011	87,873,011
Other assets	2,525,566,546	2,525,566,546
	8,992,596,600	**8,992,596,600**

Liabilities	Carrying Amount	Total
Deposits from Banks	2,501,906,804	2,501,906,804
Deposits from customers	51,716,674,651	51,716,674,651
Bills Payable	67,045,774	67,045,774
Borrowings	33,578,077	33,578,077
Debt Securities issued	497,735,714	497,735,714
Other Financial Liabilities	1,127,424,423	1,127,424,423
	55,944,365,443	**55,944,365,443**

5.19. Contingent Liabilities

Particulars	Current Year (NPR)
1. Claims on Institution but not Accepted by the Institutions	
2. Letters of Credit (Full Amount)	1,657,882,000
a. Letter of Credit With Maturity of Less than 6 Months	1,295,395,000
b. Letter of Credit With Maturity of More than 6 Months	362,487,000
3. Rediscounted Bills	
4. Unmatured Guarantees/Bonds	1,804,419,284
a. Bid Bonds	424,559,180
b. Performance Bonds	1,379,860,104
c. Other Guarantee/Bonds	
5. Unpaid Investment in Shares	
6. Forward Exchange Contract Liabilities	21,976,000
7. Bills under Collection	21,051,526
8. Acceptances and Endorsements	671,539,000
9. Underwriting Commitments	
10. Irrevocable Loan Commitments	15,213,360,000
11. Guarantees issued against Counter Guarantee of Internationally Rated Foreign Banks	
12. Advance Payment Guarantees	843,337,000
13. Financial Guarantees	
14. Contingent Liabilities on Income Tax	53,454,143
15. Others	11,048,000
Total	**20,298,066,953**

5.20. Age-wise particulars of reconciliation pending items (1 year, 1-3 years, and above 3 years) in agency accounts

a. Inter Branch Account

There is no unreconciled transaction in Inter branch Accounts as on year end FY 2073/74.

b. Nepal Rastra Bank

NPR in '000

Time Duration	Ledger Debit	Ledger Credit	Statement Debit	Statement Credit
1 month and below	-	2,775	4	251
1 - 3 months		243		
3 - 6 months				
6 - 12 months	3	21,001		
1 - 2 years				

c. Local Financial Institutions

NPR in '000

Time Duration	Ledger Debit	Ledger Credit	Statement Debit	Statement Credit
1 month and below	1,400	450	1,534	2,555
1 - 3 months		136	95	
3 - 6 months		60		
6 - 12 months	555			
1 - 2 years		-		

d. Foreign Bank

NPR in '000

Time Duration	Ledger Debit	Ledger Credit	Statement Debit	Statement Credit
1 month and below		72,901		2,465
1 - 3 months		4,575		
3 - 6 months		808		
6 - 12 months		163		
1 - 2 years		66		

5.21. Segment Reporting

Profitability, risks and growth prospects are different when the Bank has different nature of operations and the same is operated in different location. As such, the progress and success of a diversified Bank composites of the progress and success of its several segments. The Bank's segmental performance analysis is done in a manner that assists Executive Committee, that is responsible for allocating resources and assessing performance of the operating segments, and has been identified as the chief operating decision maker. All transactions between segments are conducted on per-determined transfer price with Treasury Department as the fund manager.

The segmental performance analysis is mainly done on the basis of nature of operations of the Bank - Banking, Treasury, Cards, Remittance and Branchless Banking Services (BLB).

Segmental Performance Analysis on the Basis of Nature of Operations

Banking Operations (including loans, deposit and corporate office) is the major segment of the Bank that constitutes 83.58% of the total segment results. Similarly, Treasury, Card and Remittance contributed 15.34%, 0.95% and 0.39% respectively whereas the BLB contributed negatively by 0.26%. The Banking operations result includes the fees and commission pertaining to treasury, card and remittance operations as well shared on the pre-determined transfer pricing rate with Treasury Department, Card Department and Remittance Department.

Segment Assets/ Liabilities and Results

Amount in NPR

Indicators	Banking	Treasury	Card	Remittance	BLB	Total
Segment Assets	53,594,246,877	13,304,613,724	65,974,717	10,073,857	2,932,898	66,977,842,073
Segment Liabilities	64,289,519,387	2,657,608,541	17,552,034	8,017,959	5,144,152	66,977,842,073

	Banking	Treasury	Card	Remittance	BLB	Total
Interest Income	4,750,624,756	205,478,966	4,094,256	-	-	4,960,197,979
Interest Expense	3,079,854,287	90,103,458	-	-	-	3,169,957,746
Net interest income	**1,670,770,470**	**115,375,508**	**4,094,256**	**-**	**-**	**1,790,240,233**
Fee and Commission Income	405,416,602	9,690,766	38,800,110	9,339,459	5,367,615	468,614,552
Fee and Commission Expense	13,782,110	2,405,157	19,848,859	944,021	91,502	37,071,648
Net Fee and Commission Income	**391,634,493**	**7,285,609**	**18,951,251**	**8,395,438**	**5,276,113**	**431,542,904**
Net Interest, Fee and Commission Income	**2,062,404,962**	**122,661,117**	**23,045,507**	**8,395,438**	**5,276,113**	**2,221,783,137**
Net Trading Income	24,555,389	156,059,661	(86,737)	1,964,378	-	182,492,691
Net Income on Financial Instruments at FVTPL	-	22,649,140	-	-	-	22,649,140
Net Other Operating Income	711,699,072	10,036,624	-	-	-	721,735,695
Total Operating Income	**2,798,659,423**	**311,406,542**	**22,958,770**	**10,359,816**	**5,276,113**	**3,148,660,663**
Net Impairment Loss on Financial Assets	(61,516,994)	-	-	-	-	(61,516,994)
Net Operating Income	**2,737,142,429**	**311,406,542**	**22,958,770**	**10,359,816**	**5,276,113**	**3,087,143,669**
Operating Expense	-					
Personnel Expenses	590,136,492	3,406,937	2,620,096	2,203,769	5,477,945	603,845,240
Operating Lease Expenses	50,015,100	-	-	-	-	50,015,100
Depreciation and Amortization	90,814,278	75,039	71,529	47,570	3,167,932	94,176,350
Other Expenses	353,422,464	4,613,189	1,540,679	325,866	1,708,994	361,611,191
Segment Result	**1,652,754,093**	**303,311,375**	**18,726,465**	**7,782,610**	**(5,078,759)**	**1,977,495,786**
Income Tax Expense						496,446,278
Profit for the Period						**1,481,049,508**

5.22. Comparison of NFRS Financial Statements vis-a-vis NRB Financial Statements

5.22.1. Statement of Financial Position

Amount in NPR

Assets	NFRS Balance	NRB Balance	Difference	Remarks
Cash and Cash Equivalents	6,078,365,521	6,078,365,521	-	
Loans and Advances to Banks	1,625,856,443	1,625,856,443	-	
Loans and Advances to Customers	46,483,553,791	45,459,525,213	1,024,028,578	Due to difference in Impairment Policy
Investment Securities	8,449,820,208	8,449,820,208	-	
Current Tax Assets	300,791,522	300,791,522	-	
Property and Equipment	1,684,760,738	1,684,760,738	-	
Intangible Assets	80,368,112	80,368,112	-	
Deferred Tax Assets	87,873,011	87,873,011	-	
Other Assets	2,186,452,727	1,638,128,246	548,324,481	Due to difference in Staff Loans and Advances recognition, interest revenue and receivable recognition
Total Assets	**66,977,842,073**	**65,405,489,014**	**1,572,353,059**	

Liabilities	NFRS Balance	NRB Balance	Difference	Remarks
Resources from Central Bank	33,578,077	33,578,077	-	-
Deposits from Banks	2,501,906,804	2,501,906,804	-	
Deposits from Customers	51,716,674,651	51,716,674,652	-	
Debt securities Issued	498,148,814	500,000,000	(1,851,186)	Due to debt recognition as per amortized cost method
Provisions	173,627,534	173,627,535	-	
Deferred Tax Liabilities	-	-	-	
Other Liabilities	1,029,301,991	1,091,015,300	(61,713,309)	Due to Lease Liability booked as per SLM method and proposed bonus shares included in NRB financials
Total Liabilities	**55,953,237,871**	**56,016,802,368**	**(63,564,497)**	

Equity	NFRS Balance	NRB Balance	Difference	Remarks
Share Capital	6,921,689,662	8,029,160,009	(1,107,470,347)	Due to proposed bonus share recognized in NRB Financials only
Retained Earnings	2,287,070,651	118,169,131	2,168,901,520	Due to cumulative effect of NFRS adjustments vis-à-vis
Reserves	1,815,843,890	1,241,357,507	574,486,383	NRB financials
Total Equity Attributable to Equity Holders	**11,024,604,203**	**9,388,686,647**	**1,635,917,556**	
Non-Controlling Interest			**-**	
Total Equity	**11,024,604,203**	**9,388,686,647**	**1,635,917,556**	
Total Liabilities and Equity	**66,977,842,073**	**65,405,489,014**	**1,572,353,059**	

5.22.2. Statement of Profit or Loss

Amount in NPR

	NFRS Balance	NRB Balance	Difference	Remarks
Interest income	4,960,197,979	4,926,555,964	33,642,015	Due to Finance income on subsidized advances to staffs and difference in interest recognition on Loans and advances on accrual basis in NFRS financials
Interest Expense	3,169,957,746	3,169,544,646	413,100	Due to interest recognition of debenture as per amortized cost method
Net interest income	**1,790,240,233**	**1,757,011,318**	**33,228,915**	
Fee and Commission Income	468,614,552	468,614,552		
Fee and Commission Expense	37,071,648	37,071,648		
Net Fee and Commission Income	**431,542,904**	**431,542,904**		
Net Interest, Fee and Commission Income	**2,221,783,137**	**2,188,554,222**	**33,228,915**	
Net Trading Income	182,492,690	82,492,690	-	
Net Income on Financial Instruments at FVTPL	22,649,140	31,204,640	(8,555,500)	Due to business combination in fair value in NFRS financials
Net Other Operating Income	721,735,695	68,508,504	653,227,191	Due to gain on bargain purchase on business combination
Total Operating Income	**3,148,660,662**	**2,470,760,057**	**677,900,606**	
Net Impairment on Financial Assets	(61,516,994)	312,095,121	(373,612,115)	Due to difference in impairment loss allowance policy in NFRS and NRB
Net Operating Income	**3,087,143,668**	**2,782,855,178**	**304,288,491**	
Operating Expense				
Personnel Expenses	603,845,240	597,336,448	6,508,792	Due to finance expenses/ income booked as per NFRS on subsidized loan to staffs
Operating Lease Expenses	50,015,100	49,578,264	436,836	Due to Lease expense booked on SLM basis in NFRS financials
Depreciation and Amortization	94,176,350	196,221,448	(102,045,098)	Due to goodwill written off in NRB financials
Other Expenses	361,611,191	361,611,191		
Profit Before Income Tax	**1,977,495,787**	**1,578,107,827**	**399,387,961**	
Income Tax Expense	496,446,278	496,446,278	-	
Profit for the period	**1,481,049,509**	**1,081,661,549**	**399,387,961**	**Due to cumulative effect of NFRS adjustments vis-à-vis NRB financials**
Other Comprehensive Income, Net of Income Tax				
Fair Value Reserve (Investment in Equity Instrument):				
Net Change in Fair Value				
Net Amount Transferred to Profit or Loss				
Net Actuarial Gain/Loss on Defined Benefit Plans	28,266,600	28,266,600	-	
Other Comprehensive Income for the period, Net of Income Tax	**28,266,600**	**28,266,600**	**-**	
Total Comprehensive Income for the Period	**1,509,316,109**	**1,109,928,149**	**399,387,961**	**Due to cumulative effect of NFRS adjustments vis-à-vis NRB financials**

5.23. Risk Assessment and Management

S.N	Risk	Factors	Mitigants	Monitored By
1	Credit Risk	• Counterparty Risk • Concentration Risk • Securitization Risk	• Independent and ongoing credit quality review • Limiting credit exposures • Problem credit management system • Diversification of risk asset portfolio among several sectors and sub sectors of the economy over a large number of customers • Deposit of borrower in Bank, cash margin and additional collateral at individual level • Proper valuation, storage, maintenance and insurance of collaterals.	• Board of Directors (BOD) • Risk Management Committee (Board Level Committee) • Credit Risk Management Department • Compliance Department • NRB inspection team • Internal Audit Department
2	Market Risk	• Interest Rate Risk • Equity Risk in Banking Book • Foreign Exchange Risk	• Selective and momentary hedging • Stress testing/simulation of market conditions • Gap Analysis • Limiting trading activity of instruments in the different markets • Regular review of risk management processes • Regular review of Risk Tolerance and appetite limit • Measurement of Equity price shocks • Measurement of Interest rate Shocks • Interest rate related Risk Monitoring	• BOD • Risk Management Committee • Assets and Liabilities Management Committee (ALCO) • Internal Audit Department
3	Liquidity Risk	• Deterioration in quality of credit portfolio • Concentrations in either assets or liabilities • Rapid asset growth funded by highly volatile large deposits • A large size of off-balance sheet exposure	• Appropriate composition of assets and liabilities • Diversified and stable sources of funds • Access to inter-Bank market • Contingency funding plan for crisis situations • Regular stress testing • Cushion of liquid assets held • Consistent analysis using liquidity ratios • Review of Deposit Mix Concentration	• BOD • ALCO • Treasury department • Internal Audit Department
4	Operational Risk	• Inadequate internal system and controls • Inadequate management of information systems • Corporate Governance • Inadequate safeguarding of physical assets • Unforeseen unfavorable external events • System failures • Legal Risk	• Well defined, documented and updated process, manuals and policies. • Effective Operational Risk Management Framework • Effective Operational Risk Management Policy • Periodic evaluation based on internal and external changes • Regular assessment of risk through maintenance of Operational loss database. • Reinforced organizational ethics • Appropriate segregation of duties and control • Adequate insurance coverage • Continuous development and upgrading of strategic information and communication systems	• BOD • Risk Management Committee • Operational Risk Management Committee • Audit Committee • Internal Audit Department • Line Management
5	Strategic Risk	• Inappropriate choice and unclear strategy • Failure to properly execute strategy • Inability to respond to abrupt changes or fast moving conditions • Incompatible strategy goals and resources deployed • Undertaking of unsuccessful acquisitions or mergers	• In depth study of the subject matter • Regular performance review to align with long term goals • Use of integrated Decision Support System (DSS) • Market and competitor analysis • Good corporate governance, business ethics, staff code of conducts, maintaining good relationships with stakeholders, etc.	• BOD • Other sub-committees • Internal Audit Department

GLIMPSES OF ANNUAL GENERAL MEETING 2015/16







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INFORMATION ABOUT ANNUAL GENERAL MEETING

As decided by the 244th BOD meeting, 11th Annual General Meeting (AGM) of the Bank will be held on following date, place and time:

Date : September 25, 2017 (2074 Ashwin 09)

Place : Amrit Bhog, Dillibazar, Kathmandu

Time : 11:00 AM

Following agendas will be discussed at the Annual General Meeting:

A. Ordinary Resolution

1. To approve Director's Reports of FY 2016/17 after deliberation.
2. To adopt and approve the Balance Sheet as of 15th July 2017, Profit and Loss Account and Cash Flow Statement for the year ended thereon, together with Auditor's report.
3. To approve the consolidated financial statement that includes the financial statement of FY 2016/17 of the Bank's subsidiary company, CBIL Capital Limited.
4. To approve cash dividend of NPR 58,287,913 (0.85 percent of paid-up capital) as proposed by the Board of Directors.
5. To appoint auditor for the FY 2017/18 (2074/75) and to fix the auditor's remuneration as per section 111 of the Companies Act 2006; (present auditor M/s. JK & SS Associates, Chartered Accountants are eligible for re-appointment)
6. To approve the decision made on 235th BOD meeting held on June 11, 2017 (2074/02/28), on the matters relating to appointment of M/s Bidur Associates, Chartered Accountants for Due Diligence Audit of Premiere Finance Limited for the amount of NPR 30,000 (excluding VAT) and appointment of M/s J.K.B. & Associates for Audit of Financial Statement for the amount of NPR 200,000 (excluding VAT).
7. To elect two board member as representative of Group "B" (amongst ordinary shareholders) as per the provision of Articles of Association of the Bank.

B. Special Resolution

1. To approve the allocation of bonus share equivalent to NPR 1,107,470,346/- (16 percent) as proposed by Board of Directors.
2. To approve amendments to the Memorandum of Association (MOA) and Articles of Association (AOA) of the Bank as follows:

   A. Amendment in MOA:-

   (Ka- 1) Change in address of registered office.

   (Ka- 2) To amend the ancillary object of the Bank by incorporating the work related to Application Supported by Blocked Amount within the scope of the applicable laws.

   (Ka- 3) Increase in issued capital and paid up capital of the Bank.

   B. Amendment in AOA:-

   (Kha- 1) Change in address of registered office.

   (Kha- 2) Fixation of the number and tenure of directors.

   (Kha- 3) Meeting of Board of Directors.

   (Kha- 4) Qualification and experience of Directors.

   (Kha- 5) Minimum number of shares to be subscribed to become the director.

   (Kha- 6) Fixation of tenure of Chief Executive Officer.

3. Delegation of authority to the Board of Directors for making necessary adjustments in the MOA and 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 from August 28, 2017 (2074/05/12) to September 01, 2017 (2074/05/16). Notice of book closure was published in Karobar Rashtriya Dainik on August 21, 2017 (2074/05/05). If the name of the shareholders is registered in shareholders register book located in the Bank's share registrar CBIL Capital Limited because of the transactions conducted in Share Stock Exchange till August 27, 2017 (2074/05/11), 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 him.
3. Shareholders attendance register will be made available at 9:00 A.M. for the purpose of signing.
4. Shareholders interested in appointing a proxy for attending AGM, shall fill the proxy form in the format prescribed by the Companies Act and shall submit the form at least 48 hours before AGM (i.e. within 11:00 A.M on September 23, 2017 (2074/06/07)) to the main office of the Bank. No one other than shareholders of the Bank shall be appointed as a proxy. More than one person cannot be appointed as proxy by dividing shares or by division through any means. If done so, then proxy shall be cancelled.
5. If any shareholder wants to replace the previously appointed proxy, then he shall submit a separate letter along with proxy form stating that the previously appointed proxy shall be cancelled and new proxy shall be given accreditation and such information shall be submitted at least 48 hours before AGM. If any shareholder who has appointed proxy, presents himself in AGM, then the appointed proxy shall be automatically cancelled.
6. Shareholders whose name has been recorded in shareholders register book as mentioned in point no. 1 shall only be entitled to receive bonus share and dividend amount.
7. If two or more shareholders jointly hold shares, then representative appointed by such partners or the partner whose name appears first in the serial order in the shareholders register shall only be entitled to take part in AGM.
8. If any shareholder is juvenile or insane, then the person who is registered as his guardian in the shareholders register shall be entitled to take part, vote or appoint a proxy in the AGM.
9. Information regarding the appointment of directors of the Bank shall be published and affixed 5 days prior to AGM in the registered office of the Bank.
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
Company Secretary

PROPOSED AMENDMENTS IN MEMORANDUM OF ASSOCIATION (MOA)

Amendments in section 2(1), 2(2), 4(kacha) and 5(kha), (ga), (cha) of Memorandum of Association

S.N.	Related Topics	Prevailing Arrangement	Proposed Amendment	Reasons
1	Address of the Registered office of the Bank	2. Address of the registered office of the Bank: 1) The registered office of the Bank will be located at ward no. 31 of Kathmandu Metropolitan city of Kathmandu district of Bagmati zone. 2) The place of the transaction of the Bank will be located at ward no. 31 of Kathmandu Metropolitan city of Kathmandu district of Bagmati zone and as per requirement; branches and sub-branches can be opened after taking permission from Nepal Rastra Bank.	2. Address of the registered office of the Bank: 1) The registered office of the Bank will be located at ward no. 1 of Kathmandu Metropolitan city of Kathmandu district of Bagmati zone. 2) The place of the transaction of the Bank will be located at ward no.1 of Kathmandu Metropolitan city of Kathmandu district of Bagmati zone and as per requirement; branches and sub-branches can be opened after taking permission from Nepal Rastra Bank.	The Bank has started all the transactions of its main office and durbarmarg branch office from its newly built building since 2073/10/21 as per the decision in 220th Board meeting held on 2073/08/02, to change the address of the registered office. For this, the Bank provided information to Office of Company Registrar and obtained permission from the Banks and Financial Institutions regulatory department of Nepal Rastra Bank on 2073/10/10.
2	Activities to be carried out to fulfill the objectives of the Bank	Addition of 4(kacha) after 4(kanga) in MOA.	4(kacha). To perform the works related to Application Supported by Blocked Amount (ASBA) of listed companies, remaining within the jurisdiction of prevailing laws after obtaining permission of Securities Board of Nepal (SEBON)	Need to add the activity that the Bank has been conducting related to ASBA after receiving permission from SEBON.
3	Composition of capital of the Bank	5. Composition of the capital of the Bank: 5(kha). The total issued capital of the Bank will be NPR 6,921,689,700 (in words: Six Billion Nine Hundred Twenty One Million Six Hundred Eighty Nine Thousand Seven Hundred Only) . Such capital consists of 69,216,897 number of ordinary shares of NPR 100 each. 5(ga). The minimum paid-up capital of the Bank will be NPR 6,921,689,700 (in words: Six Billion Nine Hundred Twenty One Million Six Hundred Eighty Nine Thousand Seven Hundred Only). 5(gha). The Bank has separated 48.68 percent share of issued shared capital for the public. 5(nga). Promoter shareholders are classified into class 'ka' shareholders. Share ownership of this group is 51.32 percent. 5(cha). Shareholders whose shares are to be sold in public are classified into class "kha". Share ownership of this group will be 48.68 percent. 17.45 percent of shares has been converted from promoter shares to public shares and the shareholders of such shares are classified into class "kha1". Shares of this class can be distributed to employees, not exceeding 5 percent, as per the decision of Board of Directors.	5. Composition of the capital of the Bank: 5(kha). The issued capital of the Bank will be NPR 6,921,689,700 (in words: Six Billion Nine Hundred Twenty One Million Six Hundred Eighty Nine Thousand Seven Hundred Only) and 16 percent bonus shares on the same adjusted with fraction share and new issue for managing share composition thereafter. Such capital consists of ordinary shares of NPR 100 each. 5(ga). The minimum paid-up capital of the Bank will be as mentioned above. 5(gha). The Bank has separated maximum 49 percent share of issued shared capital for the public. 5(nga). Promoter shareholders are classified into class 'ka' shareholders. Share ownership of this group will be 51 percent. 5(cha). Shareholders whose shares are to be sold in public are classified into class "kha". Share ownership of this group will be 49.00 percent. Shares of this class can be distributed to employees, not exceeding 5 percent, as per the decision of Board of Directors.	Need to change the issued capital of NPR 6,921,689,700 (in words: Six Billion Nine Hundred Twenty One Million Six Hundred Eighty Nine Thousand Seven Hundred Only) with addition of the Board proposed bonus share of 16 percent and fraction share adjustment and further adjustment thereon to maintain the capital structure as 51:49 for Promoter and Public shareholding respectively. Public shareholders have been kept in one class as directed by Nepal Rastra Bank.

PROPOSED AMENDMENTS IN ARTICLE OF ASSOCIATION

Following amendments were made in Rule 2, 8(2) (ka),(ga), (gha), 8(3), and 8(3)(ka), 10(6), 11(2)(ga), 13(2), 20(4), 29(1)(cha) of Article of Association:

S.N.	Related Topics	Prevailing Arrangement	Proposed Amendment	Reasons
1	Address of Registered Office of the Bank	**2. Address of Registered Office of the Bank :** Registered Office (Central) of this Bank will be located at ward no. 31 of Kathmandu Metropolitan city, Kathmandu District, Bagmati Zone, Nepal. The Bank can open Branch, Sub-branch or office in different places to conduct the transaction by taking approval from Nepal Rastra Bank.	**2. Address of Registered(Central) Office of the Bank :** Registered Office (Central) of this Bank will be located at ward no. 1 of Kathmandu Metropolitan city, Kathmandu District, Bagmati Zone, Nepal. The Bank can open Branch, Sub-branch or office in different places to conduct the transaction by taking approval from Nepal Rastra Bank.	220th meeting of Board of Directors held on 2016/11/17 had taken a decision regarding changing the registered office of the Bank for which information of change was communicated to Office of Company Registrar and as per approval received on 2017/01/23 from Regulation Department of Nepal Rastra Bank, the Bank started all transaction of its main office and branch from Durbar Marga branch from newly built building.
2	No of Director and their tenure	8(2) The Bank will have total nine members in the Board . The Board group wise representative will be as follows: (ka) 5 members elected or selected from Promoters shareholders in mutual understanding. (ga) 3 members elected from group of Public shareholder group "Kha" (gha) 1 professional director appointed by Board from among the business expert list published by Nepal Rastra Bank. 8(3) Tenure of Board of Director will be 4 years.	8(2) The Bank will have total seven members in the Board and in the Board following group representative will be included: (ka) 3 members elected or selected from Promoters shareholders in mutual understanding. (ga) 3 members elected from group of Public shareholder group "Kha" (gha) 1 professional director appointed by Board holding Master's Degree & having experience as specified by Nepal Rastra Bank. 8(3) Tenure of directors will be maximum of 4 years. Board member can be reappointed. But, professional director appointment can only be for one tenure. (ka) Without consideration to anything written in Rule 8(3), Chairman or Managing Director appointed after implementation of Banks and Financial Institutions Act, 2017 can hold the office up to maximum of two tenures.	To comply with provision mentioned in Section 14, 15 and 17 of Banks and Financial Institutions Act, 2017 related to structure of Board of Directors and their tenure.
3	Meeting of the Board of Director	10(6) Meeting of Board of Directors shall be held at least 12 times in a year but interval between any two meetings shall not exceed 2 months.	10(6) Meeting of Board of Directors shall be held at least 12 times in a year, provided that difference between any two meetings shall not exceed 60 days.	To comply with provision mentioned in Section 21 of Banks and Financial Institutions Act, 2017 related to meeting of Board of Directors.

S.N.	Related Topics	Prevailing Arrangement	Proposed Amendment	Reasons
4	Qualification and Experience of Director	Rule 11(2) (ga) has been added after 11(2) (kha) in Article of Association	11(2)(ga) Following qualification and experience is required to be the director: (a) Experience in foreign or domestic Banks and Financial Institutions or related sector as director or officer of related institution or 5 years experience in Nepal Government's officer level post. or (b) Holding Master's Degree and Experience in foreign or domestic Banks and Financial Institutions or related sector as director or officer of organized institution or 3 years experience in Nepal Government's officer level post. or (c) Masters degree in Management, Banking, Commerce, Economics, Accounts, Statistics, Mathematics, Business Administration, Human Resource Management, Law, etc. or (d) Having qualification and experience as prescribed by Nepal Rastra Bank from time to time.	To comply with the provision related with the "Banks and Financial Institutions Directors and Chairman's Qualification and experience Policy, 2017" published by Nepal Rastra Bank.
5	Minimum no. of Shares to be subscribed to become a Director	13(2) Minimum 10 shares is to be subscribed in own name to be appointed as a director of the Bank. But, this provision shall not apply to director appointed from professional expert list published by Nepal Rastra Bank and in case of director representing the foreign or domestic Banks and Financial Institutions or Organized Institution as by virtue of their investment in share capital of the Bank	13(2) Minimum 10 shares is to be subscribed in own name to be appointed as a director of the Bank. But, this provision shall not apply to independent director holding Masters Degree in subject specified by NRB and gained experience as prescribed by Nepal Rastra Bank and in case of director representing the foreign or domestic Banks and Financial Institutions or Organized Institution as by virtue of their investment in share capital of the Bank.	To Comply with section 17 of Banks and Financial Institutions Act 2017.
6	Related to Tenure of Chief Executive Officer	20(4) Tenure of Chief Executive Officer will be of four years and he/she shall be eligible for reappointment.	20(4) Tenure of Chief Executive Officer will be of maximum four years and he/she shall be eligible for reappointment for one tenure. This provision shall apply after application of Banks and Financial Institutions Act 2017.	To comply with section 29 of Banks and Financial Institutions Act 2017.

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 year, 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-II 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 year is transfered to Investor's Protection Fund as per the provision of Companies Act, the fund is being operated by Office of Company Registrar, Nepal Government. Investors may lodge their mandate with Bank's Registrar & Share Transfer Agent i.e. CBIL Capital Ltd., Dillibazar, Kathmandu, Nepal.

S.N.	Year	Amount (NPR)
1	2008/09	2,112,450
2	2009/10	3,063,160

Complaint Handling of Investors

As part of its commitment to quality and customer service, the Bank encourages feedback on the service provided to investors in the funds under management. The Bank aims to create and maintain among its employees, senior management and directors (the "directors" or "Board of directors"), a culture of treating all investors fairly and diligently. Thus, the Bank handles all complaints from investors who invest in funds for which the Bank acts as management company in a professional, correct and prompt manner and in accordance with its internal instruction.

In order to ensure a consistent and efficient investor-oriented approach for shares registration service, the Bank has appointed CBIL Capital Limited for:

- Maintaining the shareholder's list of the Bank.
- Safe keeping deposit & withdrawl 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 Registrar and Share Transfer Agent (RTA) with a mandate to process transfer of Shares/Bonds, dividend/interest payments, recording of Shareholders' requests, solution of investors' grievances amongst other activities connected with the issue of Shares/Bonds. Shareholders/ investors who wish to lodge Complaints/enquires shall at first instance contact the registrar, CBIL Capital Limited. Upon the receipt the complaint/enquiries, Registrar shall either address within the timeline as per our agreement with them. They are also bound to provide with relevant details of such complaints to the Bank.

The Investors may lodge their transfer deed/requests/complaints with the RTA at following address:

CBIL Capital Limited
Registrar to Share Division
Batule Ghar, Dillibazar – 33
Kathmandu, Nepal
Phone: (977-1) 4417723 / 4417457 / 4418526 / 4421235
Fax: (977 -1) 4239306
E Mail: info@cbilcapital.com

B. Contact Chief Information Officer

If the registrar is unable to satisfactorily address the enquiries and resolve the complaints, then shareholder may contact the office of the Chief Information Officer of the Bank.

Address of the Chief Information Officer
Mr. Bodh Raj Devkota
Assistant Chief Executive Officer/ Chief Information Officer
Citizens Bank International Limited
P.O.Box: 19681, Narayanhiti Path, Kathmandu, Nepal
Toll-Free Number: 977-1-6600166667
TEL: 977-1-4427842/4427843
Fax: 977-1-4427044
Email: info@ctznbank.com
URL: www.ctznbank.com

C. Contact Online

Investors can lodge the complains and inquiries via online complaint handling. The reporting and resolution process for investors and shareholders are same as the Bank follows with valued customers.

CAPITAL STRUCTURE OF THE BANK

Details of Our Share Capital and Share Distribution

NPR IN MILLION

Particulars	FY 2016/17	FY 2015/16	FY 2014/15
Paid-up Share Capital at the end of the year	8,029.16	4,401.32	3,065.23
Less: Proposed Bonus Shares	1,107.47	750.68	510.87
Less: Right allocation at 1:0.25	1,384.34		
Less: Share Issuance for Premier Finance Acquisition	35.56		
Less: Right allocation at 1:0.55	1,685.88	-	-
Less: Calls in Advance	(585.41)	585.41	-
Paid-up Share Capital at the beginning of the year	4,401.32	3,065.23	2,554.36

During the year, the Bank has met the minimum paid-up capital requirement of NPR 8 billion as prescribed by NRB Directive.

NPR IN MILLION

Holder	FY 2016/17		FY 2015/16		FY 2014/15	
	Amount	% Holding	Amount	% Holding	Amount	% Holding
Institutional Promoter Shares	371.71	5.37%	176.06	5.74%	155.22	6.08%
Individual Promoter Shares	3,180.52	45.95%	1,395.75	45.54%	1,154.63	45.20%
Public Shareholder	3,369.46	48.68%	1,493.42	48.72%	1,244.51	48.72%
Total	**6,921.69**	**100.00%**	**3,065.23**	**100.00%**	**2,554.36**	**100.00%**

Particulars	FY 2016/17	FY 2015/16	FY 2014/15	FY 2013/14
No. of Shareholder Holding 0.5 % or more shares	34	28	34	37
% of Holding	42.52%	34.85%	37.23%	46.37%

Details of Shares held by Directors and Executive Members

Name	Designation	No. of Shares Held as on FY end of 2016/17
Dr. Shankar Prasad Sharma	Chairman	587,559.95 PROMOTER SHARE 94,613.46 ORDINARY SHARE
Bal Krishna Prasai*	Director	268,221.94 PROMOTER SHARE 78,766.11 ORDINARY SHARE
Manohar Das Mool#	Director	940,277.74 PROMOTER SHARE 349,348.90 ORDINARY SHARE
Prakash Chandra Mainali	Director	642.69 ORDINARY SHARE
Pabitra Kumar Karki	Director	876,029.22 PROMOTER SHARE 329,315.80 ORDINARY SHARE
Bijaya Dhoj Karki	Director	173.72 ORDINARY SHARE
Dr. Chanda Karki	Director	23,282.74 PROMOTER SHARE
Chandra Tandon	Director	122,623.00 PROMOTER SHARE 195.00 ORDINARY SHARE
Avanindra Kumar Shrestha	Professional Director	-
Rajan Singh Bhandari	CEO	140,530.66 ORDINARY SHARE
Ganesh Raj Pokhrel	DCEO	175,208.86 PROMOTER SHARE 98,387.95 ORDINARY SHARE
Bodhraj Devkota	ACEO	29,008.09 ORDINARY SHARE
Ramdhan Shrestha	ACEO	268,651.86 PROMOTER SHARE 27,473.61 ORDINARY SHARE
Rajendra Lal Shrestha	CRRO	-
Paras Kumar Kafle	COO	10,516.76 ORDINARY SHARE
Umang Sharma	CAO	13,354.71 ORDINARY SHARE
Sumit Babu Khatri	CCO	-
Sanjeeb Kumar Shrestha	CITO	16,668.14 ORDINARY SHARE
Pramesh Raj Kayastha	CFO	-

* Representative of Rag Investment Pvt. Ltd.

Mr. Manohar Das Mool resigned as director with effect from April 30, 2017

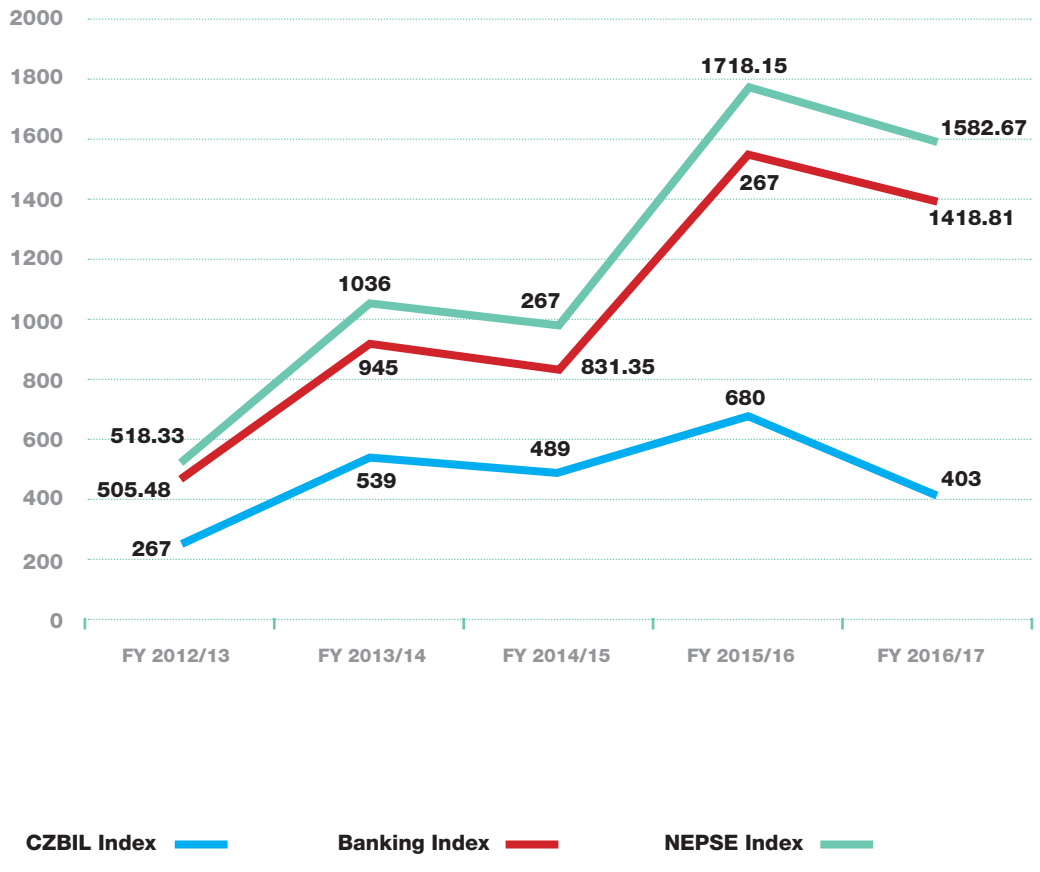
SHARE MARKET INFORMATION

Stock Symbol

The Bank's shares are traded on the Nepal Stock Exchange Ltd. (NEPSE) with stock symbol "CZBIL" for ordinary shares and "CZBILP" for promoter shares.

Particulars	Symbol	Year end 2016/17 Closing Price NPR
Ordinary Shares	CZBIL	403
Promoter Shares	CZBILP	325

Particulars	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17
CZBIL Index	267	539	489	680	403
Banking Index	505.48	945	831.35	1573.71	1418.81
NEPSE Index	518.33	1036	961	1718.15	1582.67



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 upgraded the rating of Bond to "[ICRANP] LBBB+" (pronounced ICRA NP L triple B Plus) from "[ICRANP] LBBB" (pronounced ICRA NP L triple B) to the Rs. 500 million Subordinated Bond Program (8.5% Citizens Bank Bond 2077). Instruments with this rating are considered to have moderate degree of safety regarding timely servicing of financial obligations. Such instruments carry moderate credit risk.

Furthermore, ICRA Nepal has assigned the issuer rating of "[ICRA NP-IR] BBB+" (pronounced ICRA NP Issuer Rating Triple BBB 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 reduced credit concentration risks to around twenty two percentage of the portfolio among top 20 borrowers group has positively indicated the Bank's performance. In the previous year, the bond had been removed from "rating watch with negative implications". The result of rating shows our market credibility and believability.

Particulars	May 2017
Rating for Subordinated Bonds	ICRA Nepal has upgraded the rating to [ICRANP] LBBB+ rating to the subordinated bonds 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. The rating of [ICRANP] LBBB+ is one notch higher than [ICRANP] LBBB.
General Issuer Rating	ICRA Nepal assigned the rating of [ICRANP-IR] BBB+ pronounced ICRA NP Issuer Rating Triple B plus, to the Bank.
Meaning	[ICRANP-IR] BBB+ indicates the moderate credit quality rating i.e. higher than average credit risk.
Market Share – Credit	2.94% in terms of credit portfolio in Nepal's commercial banking system as on mid Jan-2017.
Factors for Positive Rating	Franchise expansion (58 branches and 53 ATMs spread across Nepal)
	Adequate capitalization (CRAR of 13.85% as of mid-April-2017)
	Profitability Profile (PAT/ATA of 1.31% and Return on Net Worth 24% for FY 2016)
	Experienced management team
	Business Growth (CAGR 29% in last five years v. 21% for the industry for the same period)
	The Bank reported improvement in NPLs from 1.53% in July 2015 to 1.38% in July 2016 aided by the dilution effect of portfolio growth.
Constraints on Rating	Lower proportion of low cost deposits (25% as on mid-Jan-17)
	Higher concentration of deposits among the top 20 accounts (39% as on mid-Jan-17), although same has been reduced compared to the earlier period.
	Higher exposure to riskier segment like real estate sector and loan against shares (18% as of Jan-17)
	Credit portfolio remains concentrated among the top 20 borrowers accounting to 22% of portfolio as on Jan-17, although same has been reduced compared to the earlier period.
	The Bank has lower proportion of cost current and saving accounts deposit, 25% as on Mid Jan 2017 that led in higher cost of fund for the Bank at 4.54% for FY 2017 as compared to industry average of 3.14%.

Citizens Bank International Limited

ICRA Nepal assigns [ICRANP-IR] BBB+ rating to Citizens Bank International Limited; upgrades subordinated bond rating to [ICRANP] LBBB+

Facility/Instrument	Amount	Rating Action (May 2017)
Issuer Rating	NA	[ICRANP-IR] BBB+ (Assigned)
Subordinated Bond Program	NPR 500 Million	[ICRANP] LBBB+ (Upgraded)

ICRA Nepal has assigned rating of **[ICRANP-IR] BBB+** (pronounced ICRA NP Issuer Rating Triple B Plus) to Citizens Bank International Limited (CZBIL). The sign of + (plus) or – (minus) appended to the rating symbols indicate their relative position within the rating categories concerned. [ICRANP-IR] BBB+ ratings are considered as moderate credit quality rating assigned by ICRA Nepal. The rated entity carries higher than average credit risk. The rating is only an opinion on the general creditworthiness of the rated entity and not specific to any particular debt instrument.

ICRA Nepal has also upgraded the rating of subordinated bonds of NPR 500 million of CZBIL from **[ICRANP] LBBB** (pronounced ICRA NP L Triple B) to **[ICRANP] LBBB+** (pronounced ICRA NP L Triple B Plus). Subordinated bond rating BBB+ is one notch higher than BBB. 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 rating assignment/upgradation of CZBIL factors in the bank's adequate track record (operating since Apr-2007), improving market positioning through franchise expansion[1] and scale up in operations while maintaining adequate profitability and progressively improving its assets quality indicators despite acquisition of weak financial institutions[2]. CZBIL was able to downsize its adjusted NPLs (including NBAs[3]) from 3.75% as of Jul-15 to 2.50% as of Jan-17[4] (including NBAs of 1.18%) while maintaining moderate delinquencies levels (generally ~4-7%; ~5.4% on Jan-17). Bank's adequate capitalization levels (CRAR[5] of 13.85% as of mid-Apr-17) and experienced management team is expected to support future growth plans of the bank. ICRA Nepal also positively takes note of increasing share of retail/SME loans in bank's portfolio (~57% on Jan-17 vs. ~40% on Jul-14) which has gradually reduced credit concentration risks (~28% among top 20 borrowers on Jul-14 to ~22% on Jan-17).

The ratings are however constrained by the bank's high growth strategy as reflected in CAGR[6] of ~31% over last three years vs. ~23% for industry which though has benefitted bank's market share (54 bps increment in market share over this period to 2.91% as of mid-Jul-16) which could create incremental stress in asset quality in increasing interest rate scenario. The ratings also take into account the bank's inferior deposits profile with lower proportion of low cost CASA[7] deposits (~25% as on mid-Jan-17 vs. ~48% for industry). This has led to high cost of deposits among peers (4.54% for H1FY17 for CZBIL vs 3.14% for industry), weakening its competitive positioning to some extent. At the same time, concentration of deposits among top accounts also remains on higher side (~39% among top 20 customers as on mid-Jan-17, although same has been reduced compared to earlier period) and exposure to risker segments like real estate sector and loan against shares (~18% as on Jan-17) also remain relatively higher. The ratings also continue to factor in the unstable political conditions and uncertain operating environment that banks in Nepal are currently facing.

CZBIL reported portfolio growth of ~39% during FY16 and ~24% during 9MFY17 (CAGR of ~27% over past 5 years ending mid-Jul-16 albeit on a small base vs. industry average growth of ~21%). Higher

[1] 58 branches and 53 ATMs spread across Nepal as of Jan-17 compared to 42 branches in Jul-14.
[2] 3 problematic finance companies have been acquired so far which contribute to ~36% of reported NPAs and ~95% of NBAs of the bank as of Jan-17.
[3] Non-Banking Assets
[4] H1FY17 and 9MFY17 data are unaudited
[5] Capital to Risk-weighted Assets Ratio
[6] Compounded Annual Growth Rate
[7] Current and Savings Accounts

growth in low interest rate regime especially in recent years could impair the repayment ability of borrowers in scenario of upward movement of interest rates. CZBIL's portfolio mix primarily comprises of retail loans (~43%) followed by large corporate loans (~43%) and SME loans (~14%). The high exposure to riskier segments and reduction in low yielding corporate loans by ~16% since Jul-14, has been supporting better yields among peers (10.24% for 9MFY17). This has also reduced credit concentration risks to ~22% of portfolio as on mid-Jan-17 among top 20 borrower groups. Going forward, the management intends to leverage the existing franchise to achieve future credit growth focusing more along retail/SME segment. The bank's ability to achieve the growth targets along with commensurate risk control measures would have a key bearing over its financial profile.

Despite increased fresh NPL generation during FY16 (1.02% vs. 0.88% for FY15), improved recovery rate (~36% vs. ~17% for FY15) prevented spike in NPLs and hence the bank reported improvement in NPLs from 1.53% in Jul-15 to 1.38% in Jul-16 (notwithstanding some deterioration during the past 6-9 months; NPLs reached to 1.55% as of Apr-17). Reported NPLs of the bank were also benefitted by dilution effect of portfolio growth. 0+ days delinquencies of the bank have also moderated compared to earlier periods and was 5.39% as of mid-Jan-17 with a large chunk of these (~65%) remaining overdue up to 30 days. The bank's ability to sustain improvement in its asset quality remains to be seen and would remain a key rating driver.

Apart from NPLs, bank also has significant stock of NBAs (0.93% as of Jul-16; increased to 1.18% as of Jan-17 through acquisition of Premier Finance). Recovery from NBAs has remained satisfactory so far with ~36% of NBA addition from acquired entities being disposed till mid-Jan-17 yielding good gains on disposal as well. Out of bank's NBA stock of NPR 559 million as of mid-Jan-17, ~95% were contributed by acquired entities. In addition, ~36% of NPLs as of Jan-17 were from these acquired entities thereby reflecting relatively better asset quality originated by CZBIL. Going forward, with increasing interest rates, ICRA Nepal expects the asset quality of banks, including CZBIL's to witness increment in stress over medium term due to decline in repayment capacity of the borrowers to serve facilities at higher interest rates. However, the bank's ability to absorb such losses is adequate (Net NPA/Net worth of 2.47% on mid-Jan-17 compared to 12.11% on mid-Jul-14) and is expected to be further supported by planned capital enhancement through rights issue and capitalisation of internal accruals to meet the elevated capital requirements of 8 bn by Jul-17.

CZBIL witnessed healthy growth in deposits (~29% CAGR over past five years compared to ~21% for industry). However due to high growth in advances and consequent reliance on large depositors, bank was not able to improve share of low cost CASA deposits which remained largely constant at ~25% over last few years. This has resulted in higher cost of funds for CZBIL, compared to peers and industry average, at 5.44% for 9MFY17 (4.23% for FY16 vs. 2.87% for industry). Tightening liquidity in banking sector in recent months has resulted in increased cost of funds for the bank as well. Also, with changed regulations[8], interest rates in savings deposits may witness upward trend and given the banks' high reliance on term deposits, costs of deposits is expected to increase over medium term. Furthermore, deposit concentration on top 20 depositors also remains high at ~39% as of mid-Jan-17 and remains a rating concern.

As for profitability, despite higher cost of deposits, CZBIL's earnings profile has improved owing to its adequate NIMs (3.36% for FY16) supported by higher yield on advances and improved asset quality. The net profitability has also been supported by healthy business growth, adequate non-interest income (1.31% of ATA[9] during FY16), moderate operating expense ratio (1.70% of ATA during FY16) and healthy write back of provision on account of sale of NBAs in recent periods. Return indicators have improved during the past few years with RoNW and RoA[10] for FY16 at ~24% and 2.24% and hence continues to remain better to industry average at ~21% and 1.97% respectively. Nonetheless, these indicators have declined to an extent for 9MFY17 owing to increased capital base and delayed pricing of

[8] Call deposits (mostly from institutions) which used to enjoy preferential rates can now be provided interest rates up to minimum interest rates offered on savings deposits.
[9] Average Total Assets
[10] Return on Net Worth and Return on Assets

advances vis. a vis. increased cost of funds (NIMs of 2.74% and fee based income of 1.22% of ATA reflecting into RoNW of ~18%) and hence the ability to maintain adequate NIMs and control the credit cost on account of concerns on asset quality will be critical for profitability.

CZBIL's capitalisation levels are adequate with CRAR of 13.85% and tier I capital of 12.24% as of mid-Apr-2017 (both as per Basel III) which remains comfortable compared to minimum regulatory requirement of 11% and 7.50% respectively (both including Capital Conservation buffer). The tier 1 capital requirement is expected to increase to 8.5% by mid-Jul-19 (including capital conservation buffer) although the requirement for total capital would be stable at 11% (incl. CCB). Given the expectation of CZBIL's adequate internal accruals and proposed rights and bonus issue to attain the revised regulatory capital of NPR 8 bn by Jul-17 (NPR 5.88 bn as of Apr-17), capitalization levels are expected to remain adequate to support CZBIL's growth plans over the medium term.

Bank Profile

Citizens Bank International Limited started its commercial operation from April 20, 2007 and is registered as "A" class Commercial Bank with Nepal Rastra Bank (NRB). Its head office is located at Narayanhiti, Kathmandu. Citizen Investment Trust, the largest shareholder holds 4.43% stake in the bank while the other promoters are largely individuals from diverse backgrounds. Share capital of the company is distributed among promoter & public in the ratio of ~51:49. The bank's equity shares are listed and being actively traded on the Nepal stock exchange. Mr. Rajan Singh Bhandari is the CEO of the bank.

CZBIL's 58 branches and 53 ATMs provides it with presence throughout the country. CZBIL has market share of 2.76% in terms of deposit base and 2.94% of loan & advances in commercial banking industry of Nepal as on mid-Jan-17. CZBIL reported a profit after tax of NPR 1,080 million during FY16 over an asset base of NPR 55,062 million as of mid-Jul-16 against profit after tax of NPR 720 million during FY15 over an asset base of NPR 41,493 million as of mid-Jul-15. For 9MFY17, CZBIL reported PAT of NPR 883 million over an assets base of NPR 66,948 million. As of mid-Apr-2017, CZBIL's CRAR was 13.85% and gross NPLs were 1.55%. In terms of technology platform, CZBIL has implemented Pumori-IV across all of its branches.

May 2017

For further details please contact:

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DISCLOSURE OF INFORMATION UNDER SECTION 109(4) OF COMPANIES ACT, 2006

a. Business review of the previous year

This has been disclosed in detail in Director's Report.

b. Any impact caused to the business of the company due to national and international condition, Risk that may arise from fluctuation in exchange rate in course of foreign exchange transactions, Economic risks of affecting Nepalese market as an impact of recession in the international market

Devaluation of Nepalese currency in comparison to foreign currency on account of fluctuating foreign exchange rate has resulted in increase in the price of raw materials used for manufacturing and industrial purpose and has subsequently reduced production. Similarly, international recession might decrease tourism and remittance affecting the entire banking sector.

c. Current year's achievement till the preparation of the Director's Report and Board of Directors' view on future activities of the company

This has been discussed under the heading "Financial Position of the Bank" and "Strategies and Programs of FY 2017/18" 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. Risk that may arise due to change in policy relating to commercial banks by Nepal Government or Nepal Rastra Bank.
2. Risk 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. The risks that may arise due to natural calamities.
10. The consequences of unstable political situation of the country.
11. Increase in competition in banking sector.

g. Any remarks and observation stated in the Independent Auditors' Report and Board of Directors' response thereon

No material remarks.

h. Amount recommended for distribution of dividend

From the distributable profit of FY 2016/17, bonus share of 16.00 Percent (i.e. NPR 1,107,470,346) and cash dividend of 1.00 percent (i.e. NPR 69,216,897) of paid-up capital NPR 6,921,689,663 as of mid-July 2017 has been recommended for distribution as dividend.

i. Details of shares forfeited (number of shares, face value, amount received by the company prior to forfeiture, amount received by the company after putting such forfeited shares into subscription and amount refunded on account of forfeited shares)

The Bank has not forfeited any shares.

j. Review of the progress made by the Company and its subsidiary(s) in the previous fiscal year and the position of the same at the end of that fiscal year

The review of the progress made by the Company and its subsidiary CBIL Capital Limited in the previous fiscal year and the position of the same at the end of that fiscal year is reflected through standalone Financial Statements and Consolidated Financial Statements. The synopsis of the same is also presented in Director's Report.

k. Major transactions completed by the company and its subsidiary company in the financial year and any material changes that have taken place in transactions of the company during that period

The major transactions of the Bank and the subsidiary CBIL Capital Limited for the period of 2016/17 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.N.	Position	Name	Shareholding pattern	Total shares	Fraction shares
1.	Chairman	Dr. Shankar Prasad Sharma	Promoter	587,559.95	0.95
			Public	94,613.46	0.46
2.	Director	Mr. Bal Krishna Prasai (Rag Investment Pvt. Ltd.)	Promoter	268,221.94	0.94
			Public	78,766.11	0.11
3.	Director	Mr. Prakash Chandra Mainali	Public	642.69	0.69
4.	Director	Mr. Pabitra Kumar Karki	Promoter	876,029.22	0.22
			Public	329,315.80	0.8
5.	Director	Mr. Bijaya Dhoj Karki	Public	173.72	0.72
6.	Director	Dr. Chanda Karki	Promoter	23,282.74	0.74
7.	Director	Mr. Chandra Tandon	Promoter	122,623.00	
			Public	195.00	
8.	Director	Mr. Avanindra Kumar Shrestha	Independent Director	-	-

n. Information provided on personal interest of Board of Directors and their relatives (nearest kin) regarding contract or agreement done with the Company during previous financial year

The Bank has not received any such information.

o. Buyback of share by the Company, reason thereof for buyback, number of shares bought back, face value of share and amount paid during the buyback

The Bank has not bought back any shares.

p. Information on existence/ non – existence of Internal control system and its detail

The Bank has the following policies, procedures, and mechanism in place to ensure Internal Control System:

1. Financial Bye-laws, HR Bye-laws, Loan Write- Off policy, Loan policy and other operational policies and procedures.
2. Independent Internal Audit Department has been formed.
3. A system has been developed for regular supervision of internal control system by Audit Committee.
4. All efforts are made to ensure that the Bank adheres to good corporate governance.
5. Credit risk management department has been formed which is separate from credit business line to minimize the risk on credits.

q. Details of total management expenses incurred during the previous financial year

S.N.	Particulars	Amount (NPR)
1	Staff expenses	439,525,665
2	Office operating expenses	538,546,093

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.N.	Name	Overall Designation	Position held
1	Mr. Chandra Tandon	Director, BOD	coordinator
2	Mr. Bijaya Dhoj Karki	Director, BOD	Member
3	Dr. Chanda Karki	Director, BOD	Member
4	Mr. Anit Sapkota	Head of Internal Audit Department	Member Secretary

2. Apart from sitting fees, no any remuneration or facilities are provided to Audit Committee members. Except for member secretary, other members of the committee are provided NPR 11,000 sitting fees per meeting.

3. The committee meeting was held 13 times during the FY 2016/17.

4. The major suggestion of the committee was to ensure that Non- Performing Loans do not increase.

s. Dues payable to the company by any director, MD, CEO, Substantial shareholder (holding share more than 1%) or their relatives or firms or institutions in which they have their involvement

The Bank has no such dues.

t. Remuneration, allowances, and benefits paid to Director, MD, CEO and Other Officials

S.N.	Position	Director (NPR)	Chief Executive Officer (NPR)	Other Executive Officer (NPR)
1.	Sitting Fees	3,295,000*		
2.	Remuneration and Allowances			
	a) Salary		7,867,200	12,748,428
	b) Allowances		11,183,113	23,306,829
	c) Dashain allowances		960,600	1,527,212
	d) Provident fund contribution		786,720	1,002,157
	e) Staff welfare fund		1,674,400	1,857,439
	Gross remuneration and allowances		**22,472,033**	**40,442,067**
	Less: Income Tax		7,404,211	9,517,320
	Net remuneration and allowances		**15,067,822**	**30,924,747**
3.	Bonus		As per prevailing bonus act	As per prevailing bonus act
4.	Telephone/Mobile	309,000	As per contract with the Bank	As per Employee Bye-laws of the Bank
5.	Fuel	546,000		
6.	Newspaper	206,000		
7.	Vehicle facility	No	Yes	Yes
8.	Accommodation facility	No	No	No
9.	Insurance	No	Yes	Yes

*Including sitting fees of different sub-committees NPR 1,166,000/-

Notes:

1. Vehicle facility is provided to CEO along with the driver, fuel, and repair and maintenance. Other executive officers are provided

vehicle facilities along with fuel as per Employee Bye-laws of the Bank.

2. There is the provision of accident 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 2016/17 are as follows:-

S.N.	Financial year	Amount (NPR)
1.	FY 2008/09 (2065/66)	298,380
2.	FY 2009/10 (2066/67)	571,485
3.	FY 2010/11 (2067/68)	2,725,831
4.	FY 2011/12 (2068/69)	5,972,135
5.	FY 2012/13 (2069/70)	11,408,489
6.	FY 2013/14 (2070/71)	6,501,074
7.	FY 2014/15 (2071/72)	6,725,986
8.	FY 2015/16 (2072/73)	22,471,094
9.	FY 2009/10 (2066/67)- Nepal Housing And Merchant Finance Limited	243,104
10.	FY 2010/11 (2067/68)- Nepal Housing And Merchant Finance Limited	148,179
11.	Unclaimed Dividend FY 2003/04 (2060/61) and 2004/05 (2061/62)- People's Finance Limited	481,770
12.	FY 2009/10 (2066/67)- People's Finance Limited	1,379,918
13.	FY 2006/07 (2063/64)- Premier Finance Limited	75,723
14.	FY 2009/10 (2066/67)- Premier Finance Limited	876,703

As per Section 182(9) of Companies Act, 2006, dividend amount of NPR 5,175,610 not received by shareholders has been deposited to Office of Companies Registrar on 2017/06/09.

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 annual financial statements of the Bank in the clause no. 30 of annexure 33 Notes to Accounts.

x. Any other details to be disclosed in the report from the directors in accordance with the Companies Act, 2006 or other prevailing laws

Not applicable

y. Any other pertinent details

Not applicable

DISCLOSURE OF INFORMATION UNDER REGULATION 26(2) OF SECURITIES REGISTRATION AND ISSUE REGULATION 2017 (2073)

1. Legal Proceedings:

Whereby following law-suit has been filed, the Bank shall disclose the date when the case is filed, the issue pertaining in the case, the name of such promoter or director and possible legal outcomes of the legal proceeding:

(a) A law-suit filed by or against the bank during the period:

In fiscal year 2016/17, 4 law-suits have been filed by the Bank and 43 law-suits have been filed against the Bank.

(b) A law-suit filed by or against the promoter 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.

2. Analysis of stock performance of the Bank:

(a) Management's view on the performance of the stock 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 2016 (NPR)	Mid-Jan 2017 (NPR)	Mid-Apr 2017 (NPR)	Mid-Jul 2017 (NPR)
High Price	790	586	490	451
Low Price	566	445	354	365
Closing Price	580	490	440	403
Total volume of trading of shares	1,655,629	1,291,530	1,463,373	920,281
Total days Traded	55	57	59	57

3. 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 banking sectors, shortage of liquidity in the market for investment, lack of area for investment, unstable political situation, lack of skilled manpower, unfavorable environment for investment, lack of investors confidence even if labor problems have deceased, 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.

4. Corporate Governance:

Details regarding corporate governance have been mentioned in point no. 6 of Directors Annual Report.

5. 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 right shares of 13,843,379 units in the ratio of 10:2.5 ordinary shares on paid-up share capital of NPR 5,537,381,761.54 million of face value of NPR 100 per share, is based upon the assumptions of increase in the business of banking industry but during the year the liquidity crunch faced by the overall industry leading to shortage in the amount for investment in the market which induced the increase in the rate of interest in deposits caused the Financial Statement items to deviate by more than 20%.

BALANCE SHEET
FY 2016/17

NPR IN THOUSAND

Capital and Liabilities	Fiscal Year 2016/17		Difference (%)	Reason for Deviation above 20 %
	Audited Financials (NPR)	Projected Financials (NPR)		
1. Share Capital	8,029,160	8,029,160		
2. Reserves and Surplus	1,359,527	1,598,740	-14.96%	
3. Debentures and Bonds	500,000	500,000		
4. Borrowings	1,533,578	1,119,050	37.04%	Borrowings made in the normal course of banking business
5. Deposits Account	52,718,581	55,450,400	-4.93%	
6. Other Liabilities	11,261,643	932,000	35.37%	Payable generated against the regular banking transaction
Total Capital and Liabilities	**65,405,489**	**67,629,350**	**-3.29%**	
Assets	**Audited Financials (NPR)**	**Projected Financials (NPR)**	**Difference (%)**	**Reason for Deviation above 20 %**
1. Cash Balance	2,033,096	2,218,020	-8.34%	
2. Balance With Nepal Rastra Bank	2,842,478	3,881,530	-26.77%	Due to unstable liquidity and unstable deposit rate in the banking sector
3. Balance With Banks and Financial Institutions	1,050,737	1,854,450	-43.34%	
4. Money at Call and Short Notice	152,055	247,450	-38.55%	Due to less interbank lending transaction
5. Investment	8,449,820	9,097,080	-7.12%	
6. Loans, Advances and Bills Purchased	47,085,382	48,074,560	-2.06%	
7. Fixed Assets	1,765,129	1,503,650	17.39%	
8. Non-Banking Assets	-	-		
9. Other Assets	2,026,792	752,610	169.30%	Assets held against regular banking transaction
Total Assets	**65,405,489**	**67,629,350**	**-3.29%**	

PROFIT AND LOSS ACCOUNT
FY 2016/17

NPR IN THOUSAND

Profit and Loss Account	Fiscal Year 2016/17		Difference	Reason for Deviation above 20 %
	Audited Financials (NPR)	Projected Financial (NPR)		
1. Interest Income	4,926,556	4,814,050	2.34%	
2. Interest Expenses	3,169,545	2,741,350	15.62%	
Net Interest Income	**1,757,011**	**2,072,700**	**-15.23%**	
3. Commission and Discount	125,924	110,510	13.95%	
4. Other Operating Income	352,889	399,330	-11.63%	
5. Exchange Fluctuating Income(Trading Gain)	182,493	200,000	-8.75%	
Total Operating Income	**2,418,317**	**2,782,540**	**-13.09%**	
6. Staff Expenses	439,526	414,230	6.11%	
7. Other Operating Expenses	538,546	469,250	14.77%	
8. Exchange Fluctuating Loss	-	-		
Operating Profit Before Provision for Possible Loss	**1,440,246**	**1,899,060**	**-24.16%**	
9. Provision For Possible Loss	403,942	200,000	101.97%	Due to Increase in Non-Performing Loan
Operating Profit	**1,036,304**	**1,699,060**	**-39.01%**	
10. Non-Operating Income/Expenses	63,933	158,920	-59.77%	Due to non-operating transaction less than projected
11. Loan Loss Provision Written Back	716,037	280,000	155.73%	Due to Recovery of non-performing loans and sale of non-banking Assets
Profit From Regular Operation	**1,816,273**	**2,137,980**	**-15.05%**	
12. Profit/Loss from Extra-Ordinary Activities	(80,355)	-	100.00%	Due to loan written off that has not been projected
Profit and Loss After Considering All Activities	**1,735,918**	**2,137,980**	**-18.81%**	
13. Provision for Staff Bonus	157,811	194,362	-18.81%	
14. Provision for Income Tax	496,446	583,090	-14.86%	
Current Year Tax Provision	265,338	583,090	-54.49%	Due to short net profit than projected and tax benefit of loss set off of acquired institution
Prior Period Taxation	-	-		
Deferred Tax (income)/Expenses	231,109	-	100.00%	
Net Profit/(Loss)	**1,081,662**	**1,360,528**	**-20.50%**	**Due to lack of liquidity and unstable Deposit Rate in Banking Sector**

INTERIM FINANCIAL REPORTING
QUARTERLY FINANCIAL STATEMENTS

FOR EACH QUARTER OF THE YEAR 2016-17

(in millions)

S.N.	Particulars	Q I Mid July 2016 - Mid Oct 2016	Q II Mid Oct 2016 - Mid Jan 2017	Q III Mid Jan 2017 - Mid Apr 2017	Q IV Mid Apr 2017 - Mid July 2017
1	**Total Capital & Liabilities (1.1 to 1.7)**	**63,027.48**	**65,090.83**	**66,947.82**	**66,551.14**
1.1	Paid-up Capital	5,537.35	5,537.35	5,876.44	6,921.69
1.2	Reserves and Surplus	1,648.22	1,915.23	2,176.18	2,527.16
1.3	Debenture and Bond	500.00	500.00	500.00	500.00
1.4	Borrowings	1,618.25	1,634.46	808.88	1,533.58
1.5	Deposits (a+b)	50,319.22	52,749.23	55,560.90	52,718.18
	a. Domestic Currency	49,908.44	52,328.62	55,222.86	5,2471.90
	b. Foreign Currency	410.77	420.62	338.04	246.68
1.6	Income Tax Liabilities	136.41	7.64	-	-
1.7	Other Liabilities	3,268.03	2,746.91	2,025.42	2,350.13
2	**Total Assets (2.1 to 2.7)**	**63,027.48**	**65,090.83**	**66,947.82**	**66,551.14**
2.1	Cash & Bank Balance	6,844.79	6,929.81	6,798.97	6,056.23
2.2	Money at call and short Notice	537.14	302.78	1,152.31	152.05
2.3	Investments	7,710.03	7,660.22	7,912.25	8,599.38
2.4	Loans & Advances (a+b+c+d+e+f)	43,730.75	46,782.08	47,800.02	48,077.61
	a. Real Estate Loan	5,119.33	5,172.09	5,457.33	5,435.40
	1. Residential Real Estate Loan (Except Personal Home Loan upto Rs 10 million)	1,590.95	1,753.12	1,766.87	1,765.12
	2. Business Complex & Residential Apartment Construction Loan	997.10	963.53	845.26	848.83
	3. Income generating Commercial Complex Loan	231.00	229.00	227.00	225
	4. Other Real Estate Loan (Including Land Purchase & Plotting)	2,300.28	2,226.44	2,618.21	2,596.44
	b. Personal Home Loan of Rs. 10 million or less	2,538.65	2,767.08	2,717.41	2,765.46
	c. Margin Type Loan	3,231.06	3,310.28	3,233.13	3,114.28
	d. Term Loan	9,240.93	9,027.64	9,546.83	9,716.91
	e. Overdraft Loan / TR Loan / WC Loan	11,308.27	11,879.66	11,252.46	11,289.19
	f. Others	12,292.51	14,625.33	15,592.86	15,756.36
2.5	Fixed Assets	1,227.11	1,286.16	1,302.26	1,765.12
2.6	Non Banking Assets	-	-	-	-
2.7	Other Assets	2,977.66	2,129.78	1,982.01	1,900.72

(in millions)

S.N.	Particulars	QI Mid July 2016 - Mid Oct 2016	Q II Mid Oct 2016 - Mid Jan 2017	Q III Mid Jan 2017 - Mid Apr 2017	Q IV Mid Apr 2017 - Mid July 2017
3	**Profit and Loss Account**				
3.1	Interest income	988.27	2,041.32	3,356.02	4,919.12
3.2	Interest Expense	552.31	1,186.17	2,101.20	3,169.54
A	**Net Interest Income (3.1-3.2)**	**435.96**	**855.15**	**1,254.82**	**1,750.38**
3.3	Fees, Commission and Discount	25.72	57.43	92.99	125.92
3.4	Other Operating Income	98.78	194.95	262.74	352.88
3.5	Foreign Exchange Gain/Loss (Net)	49.40	97.45	141.97	182.49
B	**Total Operating Income (A+3.3+3.4+3.5)**	**609.85**	**1,204.98**	**1,752.52**	**2,411.68**
3.6	Staff Expenses	106.31	211.42	323.83	412.38
3.7	Other Operating Expenses	88.65	191.02	309.63	436.35
C	**Operating Profit Before Provision (B-3.6-3.7)**	**414.90**	**802.54**	**1,119.06**	**1,562.95**
3.8	Provision for Possible Loss	62.51	119.69	231.90	313.40
D	**Operating profit (C-3.8)**	**352.39**	**682.85**	**887.15**	**1,249.54**
3.9	Non Operating Income/Expenses (Net)	22.42	32.06	58.24	63.49
3.1 0	Write Back of Provision for Possible Loss	445.81	696.84	829.49	901.37
E	**Profit From Regular Activities (D+3.9+3.10)**	**820.61**	**1,411.76**	**1,774.88**	**2,214.41**
3.11	Extraordinary Income/Expenses (Net)	(278.23)	(419.14)	(387.54)	(348.64)
F	**Profit Before Bonus and Taxes (E+3.11)**	**542.39**	**992.62**	**1,387.34**	**1,865.75**
3.12	Provision For Staff Bonus	49.31	90.24	126.12	169.61
3.13	Provision For Tax	147.92	270.71	378.37	485.96
G	**Net Profit/Loss (F-3.12 -3.13)**	**345.15**	**631.67**	**882.85**	**1,210.17**

The growth rate in deposit in second and third quarter has been recorded to be 4.83 percent & 5.33 percent whereas decline in fourth quarter has been recorded to be 5.12 percent. Total deposit for the year has been recorded to be NPR 52,718.58 Million, which is higher than that of previous year by 11.24 percent i.e. by NPR 5,325.08 Million. Along with the deposit, there has been improvement in loans and advances. The same has increased by 6.98 percent, 2.18 percent and 0.58 percent respectively in the 2nd, 3rd, and 4th quarters of the year. Total loans and advances for the year have been recorded to be NPR 48,077.61 Million which is higher than that of previous year by 18.52 percent i.e. by NPR 7,511.78 Million. Similarly, the investment has increased by 15 percent to NPR 8,599.38 Million in the review year as compared to the previous year investment of NPR 7,478.03 Million. The investment has decreased by 0.65 percent in the 2nd quarter whereas in the 3rd and 4th quarter, it has increased by 3.29 percent and 8.68 percent respectively.

It is further observed that there is impressive growth in the net interest income in 2nd quarter with growth rate of 96.16 percent and considerable growth of 46.73 percent, 39.49 percent in 3rd and 4th quarter respectively. Total net interest income for the year has been recorded to be NPR 1,750.38 Million, which is higher than that of previous year by 8.06 percent i.e. by NPR 130.61 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 83.01 percent, 39.76 percent and 37.07 percent respectively in each of 2nd, 3rd, and 4th quarter respectively. The absolute changes in net profit after tax are NPR 286.52 Million, NPR 251.18 Million and NPR 327.32 Million in the 2nd, 3rd, and 4th quarter respectively. Unaudited year end profit after tax has been recorded to be NPR 1,210.17 Million, which is 12.01 percent higher than that of previous year.

GROWTH THROUGH ACQUISITION

The Bank has acquired Premier Finance Limited (PFL) during the review year. Acquisition was the corporate action in which the Bank bought the whole business, assets and liabilities of the finance company. Acquisition was made as part of the Bank's growth strategy. The acquisition was made by the Bank on 2016.07.17. Synopsis of acquisition are as follows:

Name of the Entity Acquired	**Premier Finance Limited (PFL)**
Description of the Acquiree	A national level financial institution approved by Nepal Rastra Bank as "C" class finance company having its corporate office at Lalitpur, Kathmandu.
Primary reasons for the business combination	To increase capital base, customer base of the Bank
How the Bank obtained control of the acquiree?	The Bank purchased the running business of PFL, where the acquisition was duly approved by the Special General Meeting and final approval letter was received from Nepal Rastra Bank
Acquisition-date fair value of the total consideration transferred to the Bank	NPR 704,567,423
The acquisition-date fair value of each major class of consideration paid	
- Equity Shares in face value	NPR 35,563,584
- Others	-
Gain on Bargain Purchase	NPR 669,003,839
Acquisition Date	2016.07.17
Date of Joint Operation	2016.07.17
Number of branches added	2
Pre-existing relationships with Acquiree	None
Deposit base	NPR 686.27 million
Credit base	NPR 517.03 million

SEGMENT REPORTING

PRODUCT WISE LOANS AND ADVANCES

(NPR IN MILLION)

S.N.	Particulars	As at Mid July 2017		As at Mid July 2016	
		Outstanding	%	Outstanding	%
1	Term Loan	9,798.08	20.23%	8,183.94	20.17%
2	Overdraft	6,618.67	13.66%	6,387.47	15.75%
3	Trust Receipt Loan / Import Loan	947.55	1.96%	692.58	1.71%
4	Demand & Other Working Capital Loan	3,832	7.91%	3,372.37	8.31%
5	Residential Personal Home Loan (Up to Rs. 10 million)	2,765.47	5.71%	2,331.45	5.75%
6	Real Estate Loan	5,529.82	11.42%	4,809.21	11.86%
7	Margin Nature Loan	3,114.29	6.43%	2,882.12	7.10%
8	Hire Purchase Loan	3,271.83	6.75%	2,103.26	5.18%
9	Deprived Sector Loan	2,786.12	5.75%	1,699.33	4.19%
10	Bills Purchased	169.33	0.35%	128.06	0.32%
11	Other Product	9,608.61	19.83%	7,976.03	19.66%
	Total	**48,441.99**	**100%**	**40,565.82**	**100%**

Major parts of the loans and advances, comprises of the Term Loan (20.23 percent) in mid July 2017. Similarly, 13.66 percent and 7.91 percent loans were extended as Overdraft and Demand & Other Working Capital Loan respectively. Real estate loan is 11.42 percent, which decreased by 0.44 percent in comparison to previous year. The Deprived Sector Lending and Hire Purchase Loan has increased by 3.13 percent whereas Margin Nature Lending has decreased by 0.67 percent in comparison to previous year.

SECTOR WISE LOANS AND ADVANCES

(NPR IN MILLION)

S.N.	Loan Sector	Number	Amount	% of Total loans & Advances	% of Core Capital
1	Agricultural and Forest Related	2,551	1,301.60	2.69%	14.31%
2	Fishery Related	17	59.88	0.12%	0.66%
3	Mining Related	50	255.95	0.53%	2.81%
4	Agriculture, Forestry & Beverage Production Related	217	2,206.78	4.56%	24.26%
5	Non-food Production Related	278	4,239.56	8.75%	46.61%
6	Construction	338	1,738.02	3.59%	19.11%
7	Power, Gas and Water	39	2,885.84	5.96%	31.72%
8	Metal Products, Machinery & Electronic Equipment & Assemblage	36	90.52	0.19%	1.00%
9	Transport, Communication and Public Utilities	337	710.30	1.47%	7.81%
10	Wholesaler & Retailer	1,208	8,114.31	16.75%	89.20%
11	Finance, Insurance and Real Estate	168	4,837.59	9.99%	53.18%
12	Hotel or Restaurant	40	743.53	1.53%	8.17%
13	Other Services	550	2,506.63	5.17%	27.56%
14	Consumption Loans	12,490	7,280.46	15.03%	80.03%
15	Local Government	-	-	0.00%	0.00%
16	Others	5,824	11,471.03	23.68%	126.10%
	Total	**24,143**	**48,441.99**	**100.00%**	**532.53%**

The Bank has disbursed the loans and advances to the different sectors of the economy. Wholesaler and retailer is the dominant sector of lending with 16.75 percent share of the total loan and advance followed by consumption loans 15.03 percent and finance, Insurance and Fixed Assets 9.99 percent.

COLLATERAL (SECURITY) WISE STATEMENT OF LOAN & ADVANCES

(NPR IN MILLION)

S.N.	Particulars	FY 2016/17 Outstanding Balance			FY 2015/16 Outstanding Balance		
		No.	Principal	%	No.	Principal	%
1	Gold and Silver	10,283.00	3,140.88	6.48%	9,315.00	2,636.74	6.50%
2	Government Securities	1.00	2.45	0.01%	2.00	2.29	0.01%
3	Non Governmental Securities	341.00	3,127.50	6.46%	281.00	2,865.37	7.06%
4	Fixed Deposit Receipts	346.00	653.77	1.35%	171.00	209.15	0.52%
5	Collateral of Properties	11,911.00	37,567.99	77.55%	9,575.00	30,969.64	76.34%
6	Against security of Bill	46.00	1,057.06	2.18%	41.00	836.59	2.06%
7	Against Guarantee	165.00	69.23	0.14%	146.00	72.11	0.18%
8	Credit Card	860.00	19.99	0.04%	245.00	4.28	0.01%
9	Others	190.00	2,803.12	5.79%	301.00	2,969.65	7.32%
	Total	**24,143.00**	**48,441.99**	**100.00%**	**20,077.00**	**40,565.82**	**100.00%**

All of the loans and advances, disbursed by the bank, are secured by securities. In Mid July 2017, 77.55 percent (previous year 76.34 percent) of the total loans and advances are secured by the Property as collateral. Similarly, 6.46 percent (previous year 7.06 percent) of the loans and advances are secured by the Non-Government Securities and 6.48 percent (previous year 6.50 percent) by Gold and Silver.

ELECTRONIC BANKING SERVICES

(NPR IN BILLION)

Branchless Banking Services	FY 2016/17	FY 2015/16
Number of branchless banking center	97	93
Number of branchless banking customers	12,091	114,281
Number of BLB customers per counter	125	1,229

Mobile Banking Services	FY 2016/17	FY 2015/16
Number of mobile banking customers	74,509	54,646

Internet Banking Services	FY 2016/17	FY 2015/16
Number of Internet Banking Customers	11,543	9,247

Card Services	FY 2016/17	FY 2015/16
Total number of ATM	59	49
Number of debit card holder	66,020	56,759
Number of debit card holder per ATM	1,119	1,158
Number of credit card holder	1,070	363

The above table shows the present status of electronic banking of the Bank. This depicts a growing trend in the use of electronic banking services.

The Bank is providing following types of electronic banking services:

a) Branchless Banking

b) Mobile Banking

c) Internet Banking

d) Card Services

e) Automated Teller Machine

a) Branchless Banking

Branchless banking is a distribution channel strategy used for delivering financial services without relying on the Bank's branches. It is serviced through Point of Transaction (POT) machine by using smart cards. It is an agent-based service. The services include deposit, withdrawal, balance enquiry, and fund transfer. As on mid-July 2017,there are 97 branchless banking centers with 12,091 customers throughout the country in comparison to 93 branchless banking centers with 114,281 customers in the previous year.

b) Mobile Banking

The Bank is providing services like balance enquiry, mini statement, last transactions information, withdrawal alerts, cheque book enquiry/request, intra-bank fund transfer, utility bill payments etc. through mobile banking.

c) Internet Banking

The Bank is offering Internet Banking Services to the customers. As on mid-July 2017, there are 11,543 internet banking users of the Bank in comparison to 9,247 customers in the last year. The Bank is providing the service of utility payments, fund transfers and the generation of account statements as Internet banking services.

d) Card Services

The Bank is providing debit card services to the customers. There are 66,020 debit card users of the Bank, as on mid-July 2017 and 56,759 users as on mid-July 2016. In the review year, the Bank has expanded the service for the convenience of valued customer. As a result, the number of debit card holder per ATM is 1,119. Similarly, Bank has been providing internationally acceptable visa dollar card. In the year 2016, the Bank started credit card service as well expanding card services of the Bank.

e) Automated Teller Machine

The Bank has installed ATMs in different places of the country for the convenience of the customers. As on mid July 2017, there are 59 ATMs as compared to 49 ATMs in the previous year installed by the Bank.

VALUE ADDED STATEMENT

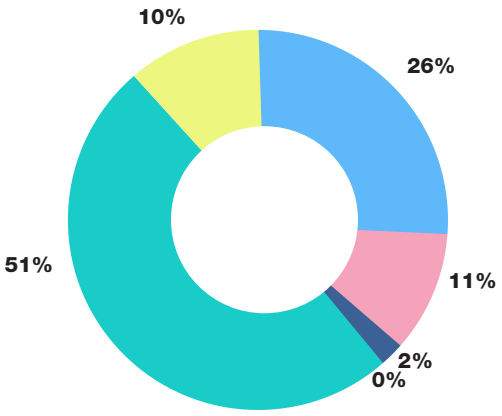
Value Generated by the Bank

The Bank has its own defined objectives, as such how much value (wealth) the Bank created through utilization of capacity, capital, staff, and other resources, and how it is allocated among different stakeholders viz. employees, lenders, shareholders, government, etc.

During review year the Bank has generated total value of NPR 2.321 billion. This is a growth of 10.08 percent or NPR 212.65 million as compared to that of previous year. Highest value has been added to provider of capital which stands at 51 percent (previous year 37 percent). Value addition to expansion and growth stands at 10 percent of total value generation (previous year 17 percent). Value generated to government stands at 11 percent of total value generated as compared to previous year which stands at 22 percent.

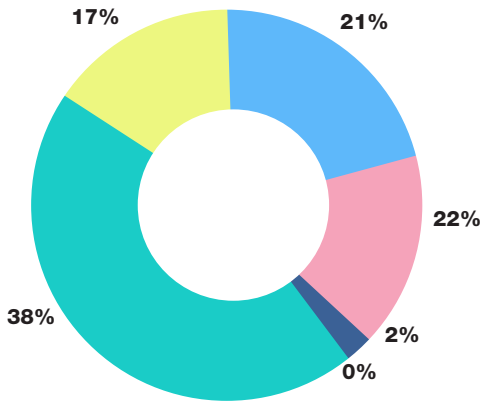
(NPR IN MILLION)

Particulars	July 16, 2017 (Ashadh 31, 2074)	PERCENTAGE	July 15, 2016 (Ashadh 31, 2073)	PERCENTAGE
To Directors and employees	600.63	26.00%	451.53	21%
To the Government	265.33	11.00%	464.83	22%
To Provider of Long Term Loan	42.5	2.00%	42.50	2%
To Community	6.56	0.00%	1.06	0.00%
To Provider of Capital	1,176.69	51.00%	790.16	38%
To Expansion and Growth	230.26	10.00%	359.23	17%
TOTAL VALUE ADDED	**2,321.98**	**100%**	**2,109.33**	**100%**



July 16, 2017 (Ashadh 31, 2074)

- To Directors and employees
- To the Government
- To provider of long term fund
- To Community
- To provider of capital
- To expansion and growth



July 15, 2016 (Ashadh 31, 2073)

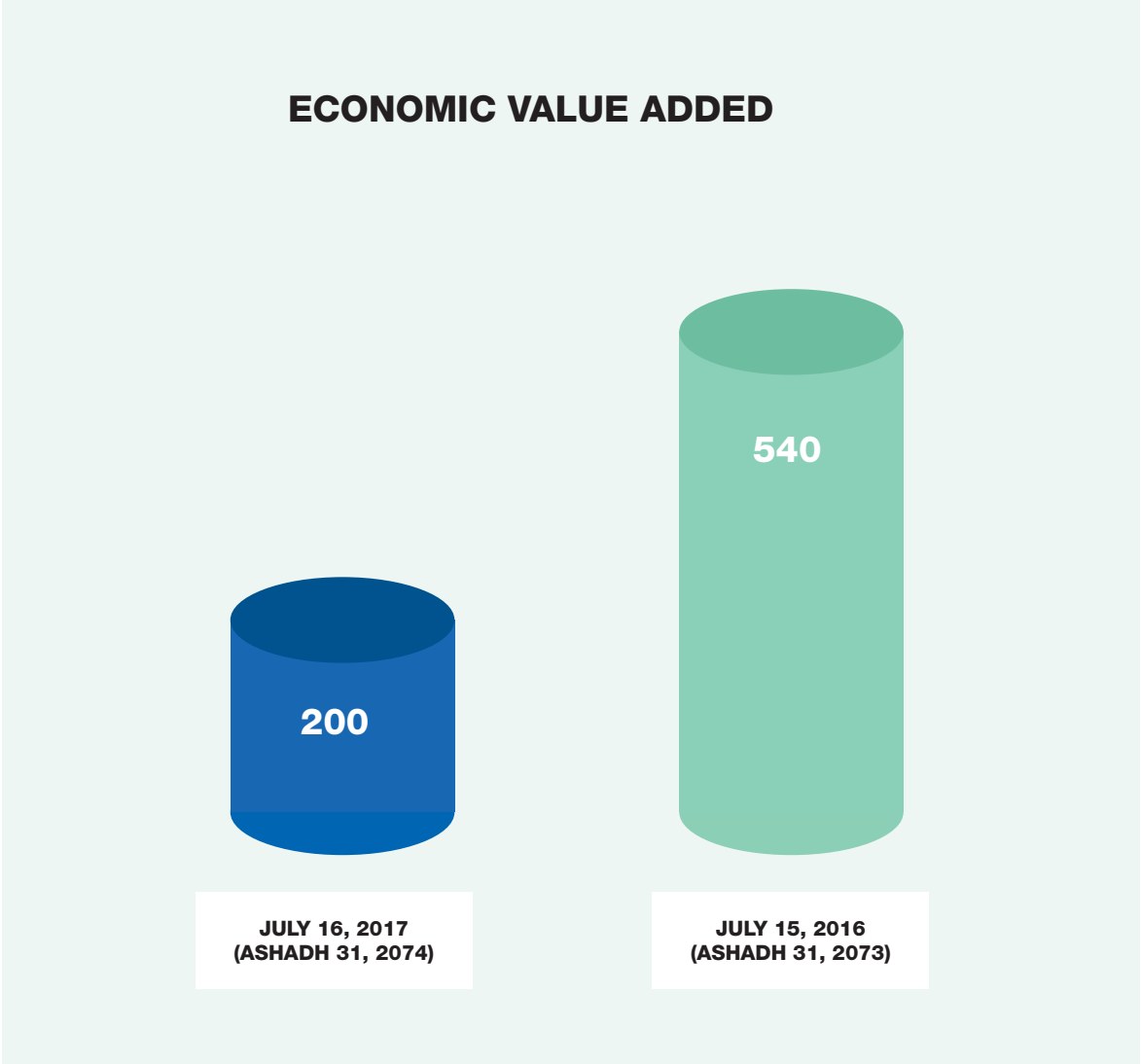
- To Directors and employees
- To the Government
- To provider of long term fund
- To Community
- To provider of capital
- To expansion and growth

Economic Value Added by the Bank

Economic Value Added (EVA) measures the Bank's financial performance based on the residual wealth calculated by deducting cost of capital from its operating profit. During review year the Bank has generated economic value of NPR 200 million. This is a decline of 62.97 percent. The Bank has assumed cost of capital (Economic Costs) of 12 percent that is bank rate 7 percent plus 5 percent risk premium.

STATEMENT OF ECONOMIC VALUE ADDED **(NPR IN MILLION)**

For the Year ended	July 16, 2017(Ashad 31, 2074)	July 15, 2016 (Ashad 31, 2073)
A. Shareholders Fund	7,346.99	4,501.29
B. Net Profit	1,081.66	1,080.28
Return on Shareholder Fund	14.72%	24%
C. Economic Cost (Bank Rate Plus 5 percent risk premium)	12%	12%
D. Economic Cost (A*C)	881.64	540.15
E. Economic Value Added (B-D)	**200.02**	**540.22**



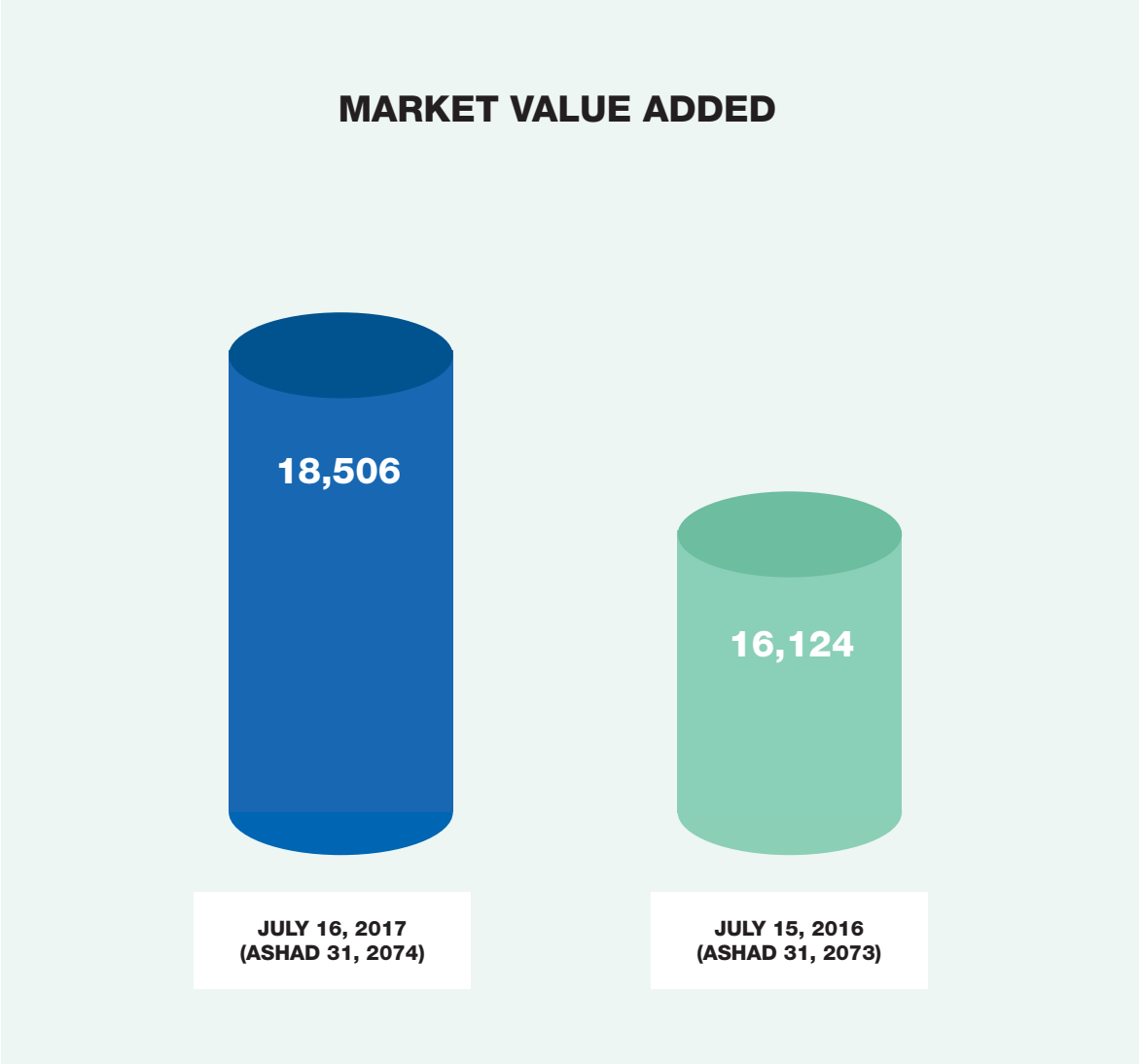
Market Value Added by the Bank

Market Value Added (MVA) measures the difference between the market value of the Bank and the capital contributed by shareholders. During review year, the Bank has heightened its market value addition by NPR 2,382.02 million which is a growth of 14.77 percent.

STATEMENT OF MARKET VALUE ADDED

(NPR IN MILLION)

For the Year ended	July 16, 2017(Ashadh 31, 2074)	July 15, 2016 (Ashadh 31, 2073)
A. No of Shares	69,216,897	30,652,338
B. Market Price per Share	403.00	680.00
C. Total Market Capitalization (A*B)	27,894.41	20,843.59
D. Shareholders Fund	9,388.69	4,719.89
E. Market Value Added (C-D)	**18,505.72**	**16,123.70**



AWARDS & ACCOLADES



Manager of the year 2009 received by CEO of the Bank Mr. Rajan Singh Bhandari from Management Association of Nepal.



Best CEO of the year and Best Bank in Public Sector 2016 in Asia Banking Financial Services & Insurance Excellence Award hosted by World HRD Congress & 11th Employer Branding Awards.



Winner of 15th Soaltee Crowne Plaza Super Sixes - 2013 (T20 Corporate Cricket Tournament).



Merit Award for SAARC Anniversary Awards for Corporate Governance Disclosure, 2015 & for Best Presented Annual Report, 2015 (Private Sector Banks) from SAFA.



Winner of Royal KCTC Indoor Cricket Tournament, 2017 organized by Kathmandu Cricket Training Center.



Best Presented Annual Report Award 2015 in Banking Sector from Institute of Chartered Accountants of Nepal.

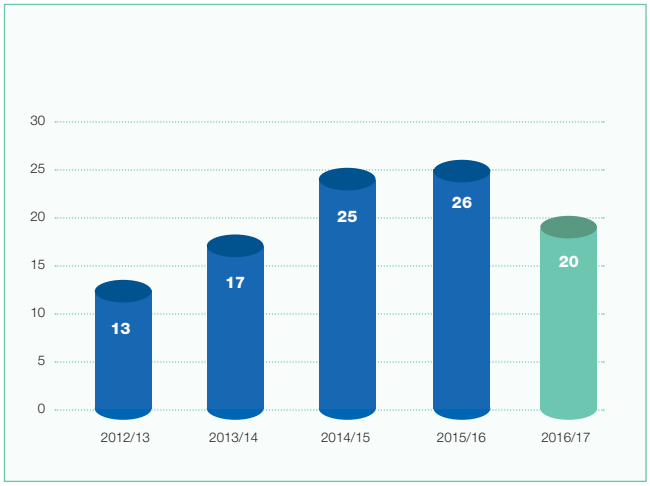
Bank's Performance in Key Performance Indicators

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THE BANK'S PERFORMANCE IN NUMBERS

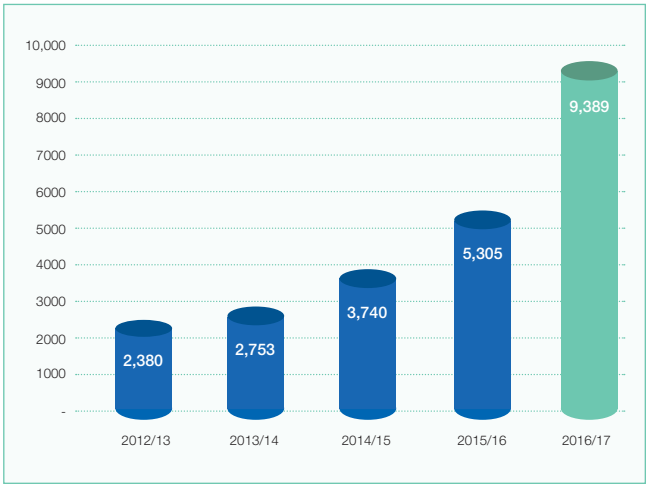
EARNINGS PER SHARE

The portion of the Bank's profit allocated to each outstanding share of common stock.



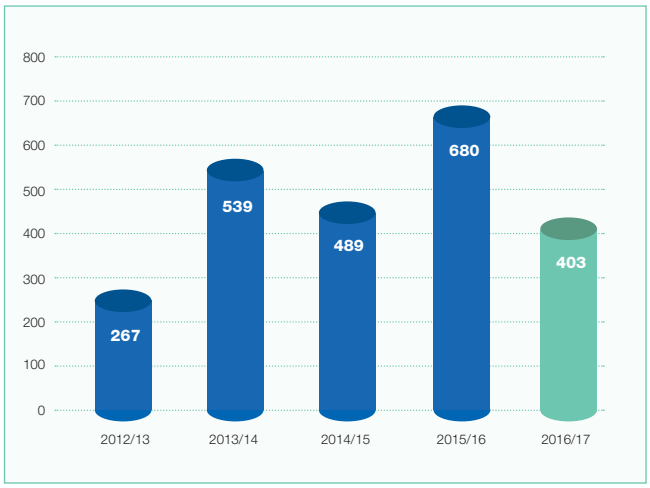
NET ASSETS

The total assets minus total liabilities.



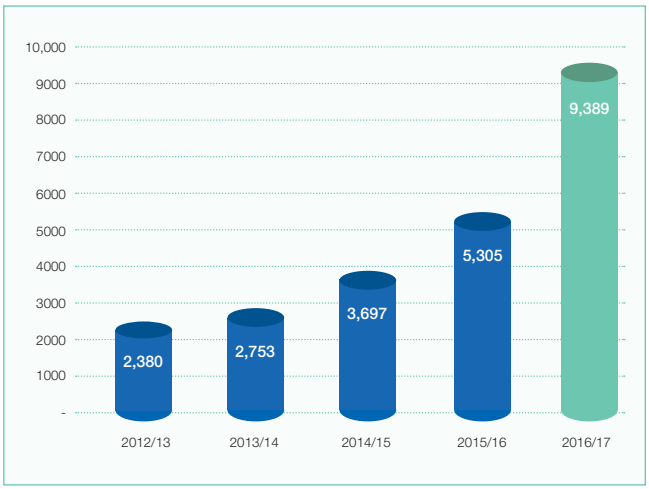
STOCK PERFORMANCE

The price at which a stock can be readily bought or sold in the current market place.



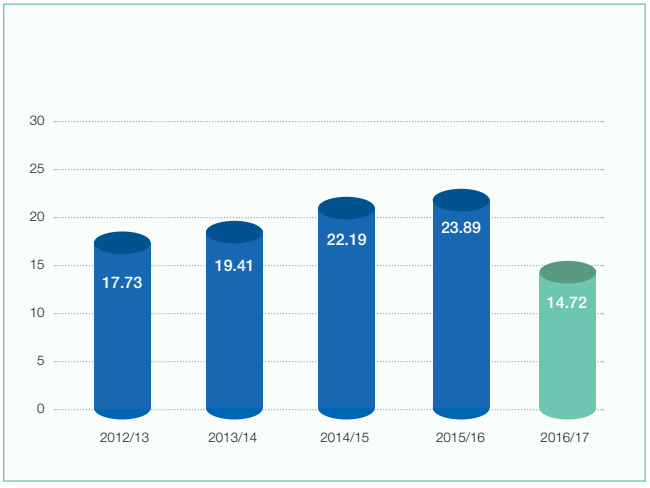
SHARE HOLDER'S FUND

The total assets (what the Bank owns) minus the total liabilities (what the Bank owes).



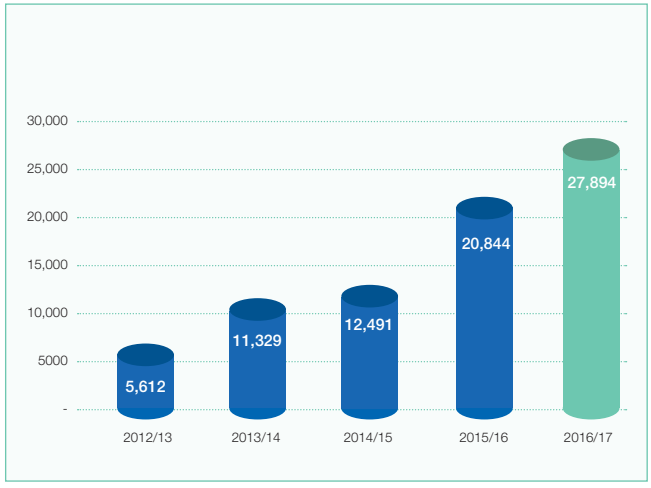
RETURN ON SHAREHOLDER'S FUND

The amount of net income returned as a percentage of shareholder's equity.



MARKET CAPITALIZATION

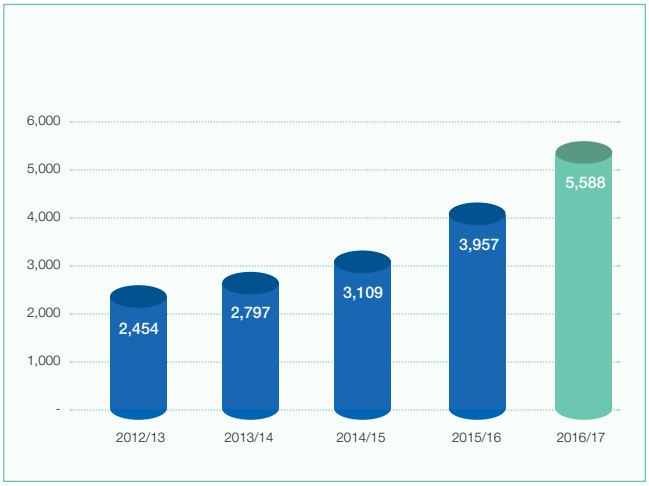
The total market value of all of the Bank's outstanding shares.



HORIZONTAL & VERTICAL ANALYSIS/ TREND ANALYSIS

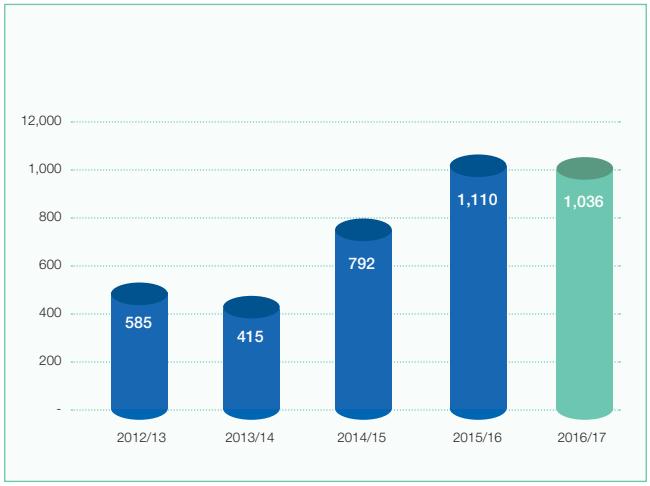
TOTAL REVENUE

The total receipts of the Bank



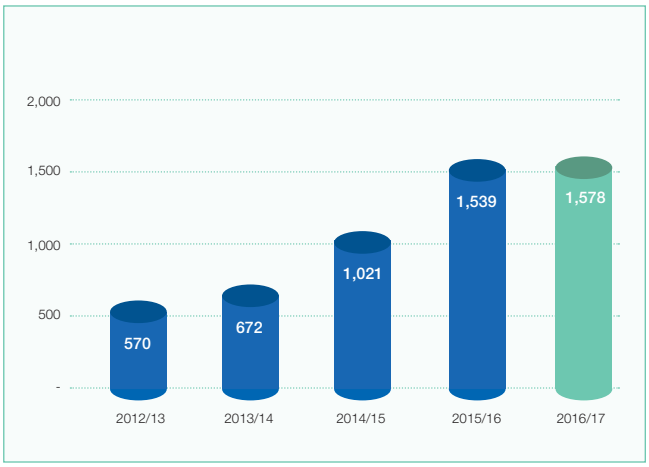
OPERATING PROFIT

The profit earned from a bank's normal core business operations. This value does not include any profit earned from the bank's investments.



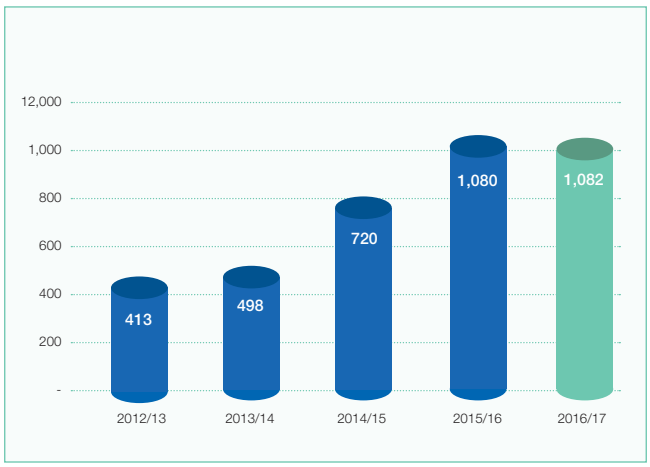
PROFIT BEFORE TAX

A profitability measure that looks at a bank's profits before the Bank has to pay corporate income tax. This measure deducts all expenses from revenue including interest expenses and operating expenses, but it leaves out the payment of tax.



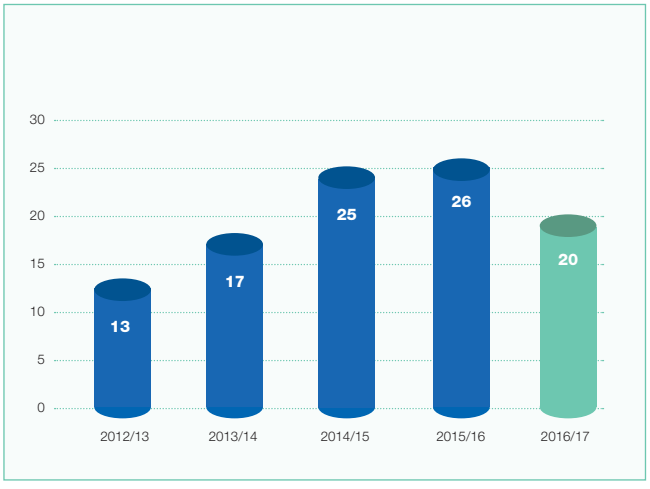
PROFIT AFTER TAX

The net amount earned by the Bank after all taxation related expenses have been deducted.



EARNING PER SHARE

The portion of the Bank's profit allocated to each outstanding share of common stock.



NET PROFIT PER STAFF

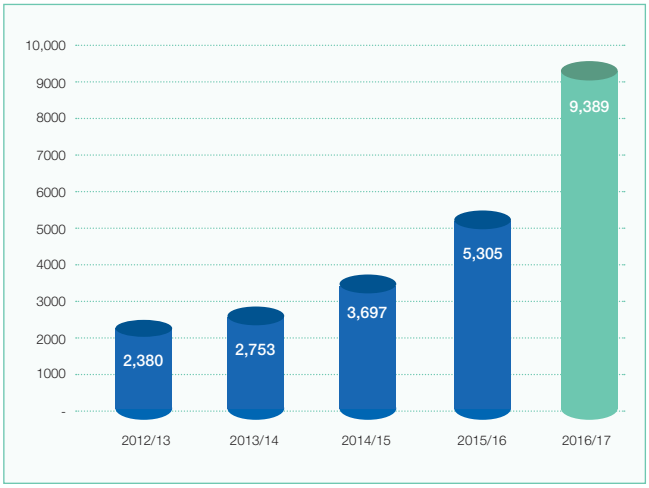
The ratio that measures average net profit earned by the staff of the Bank.



STATEMENT OF FINANCIAL POSITION/BALANCE SHEET

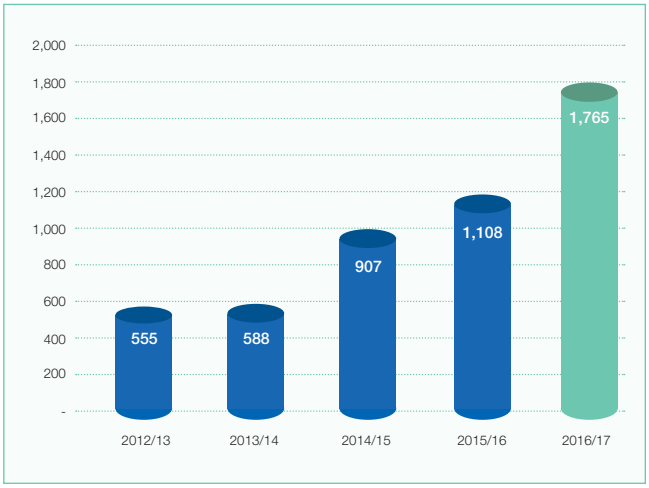
SHAREHOLDER'S FUND

The total assets (what the Bank owns) minus the total liabilities (what the Bank owes)



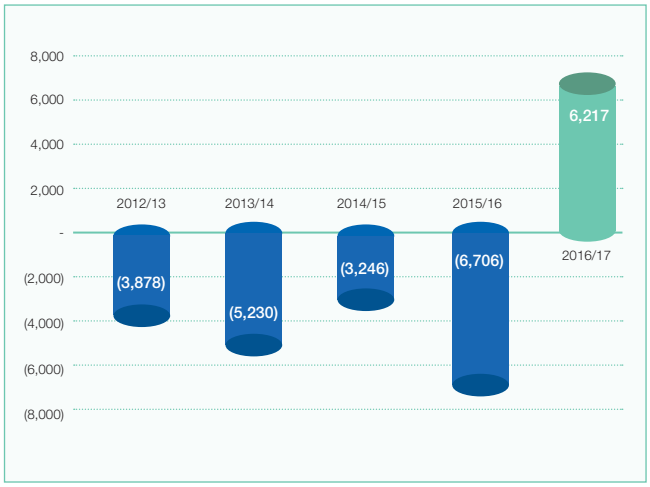
FIXED ASSETS

The asset of Bank that is vital to business operations and is expected to be used for more than one year.



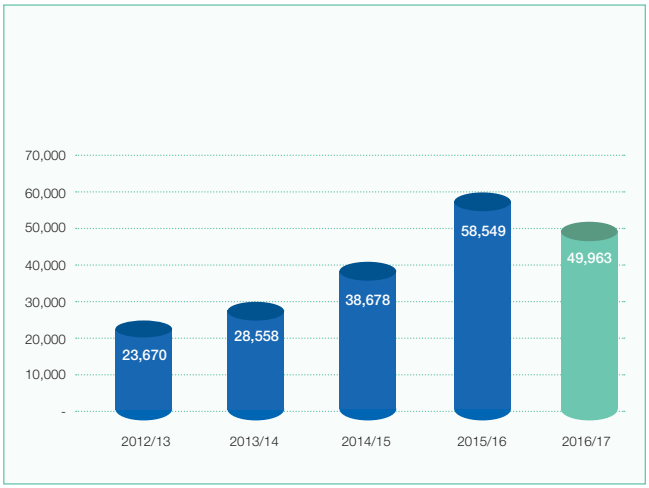
NET CURRENT ASSETS

Current assets minus current liabilities



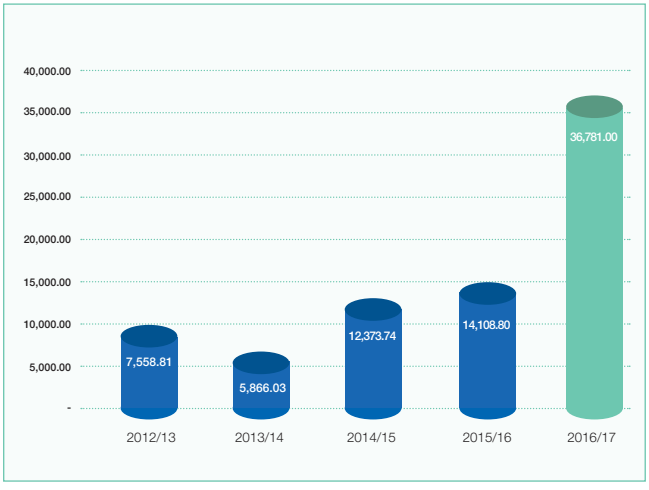
CURRENT LIABILITIES

The debts or obligations of the Bank that are due within one year.



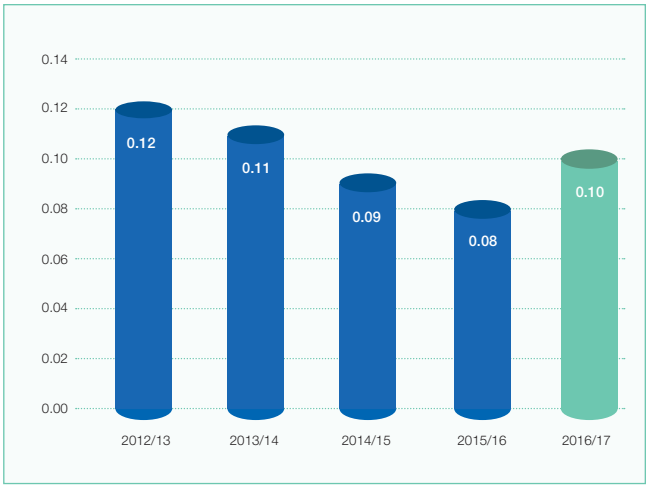
LONG TERM LIABILITIES

The loans and financial obligations lasting over one year.



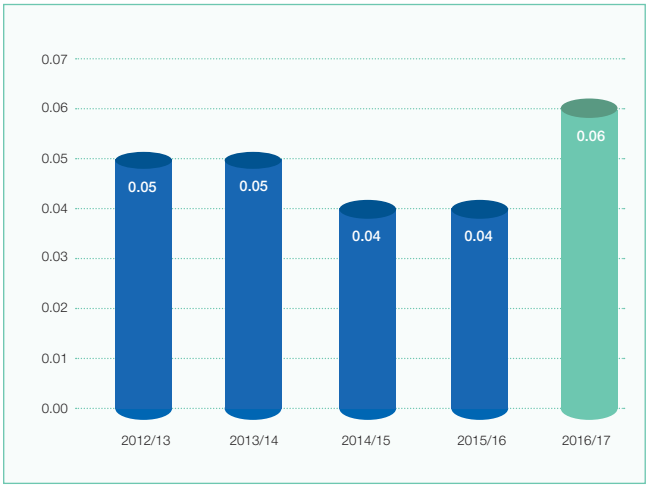
INTEREST INCOME/ LOANS & ADVANCE

The average interest income earned by the Bank on its year end loans and advances.



INTEREST EXPENSES/ TOTAL DEPOSIT & BORROWINGS

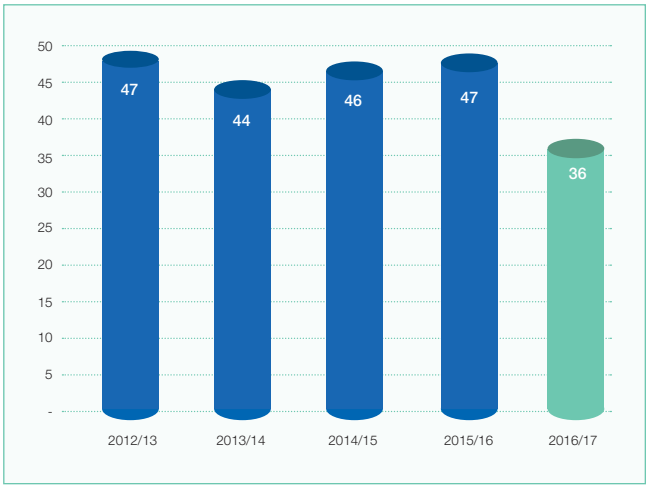
The average interest expenses paid by the Bank on its year end deposits and borrowings



PROFITABILITY/ DIVIDENDS/ PERFORMANCE & LIQUIDITY RATIOS

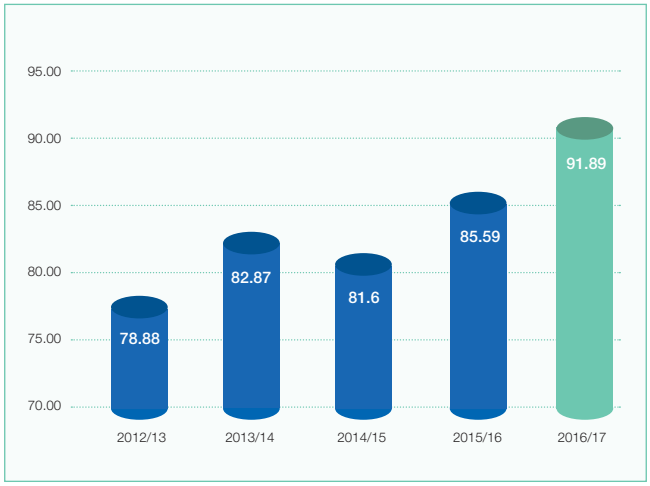
G.P. RATIO

The proportion of profits generated by the sale of products or services, before selling and administrative expenses.



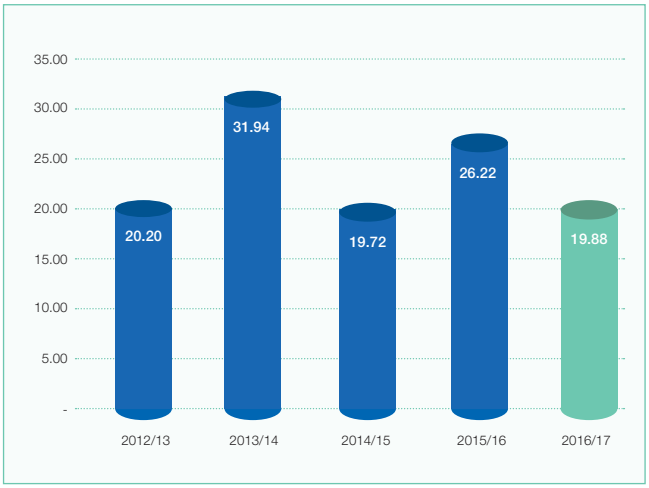
CREDIT TO DEPOSIT RATIO

A commonly used statistic for assessing a bank's liquidity by dividing the Bank's total loans by its total deposits.



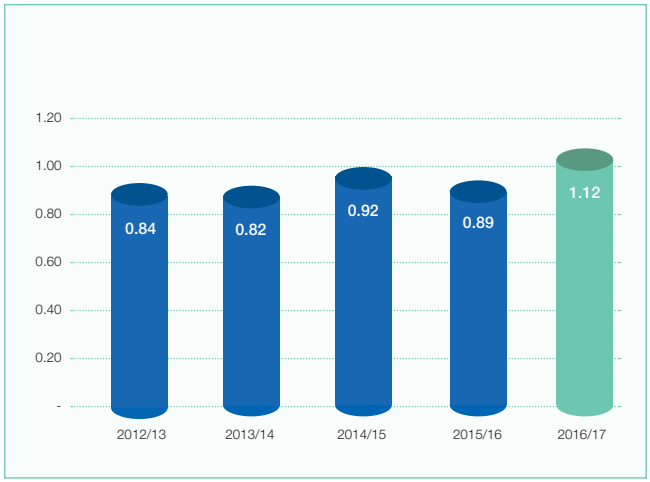
PRICE EARNING RATIO

The ratio that measures its current share price relative to its per-share earnings.



CURRENT RATIO

The financial ratio that measures whether or not the Bank has enough resources to pay its obligations over the next 12 months. It compares the Banks current assets to its current liabilities.



RETURN ON CAPITAL EMPLOYED RATIO

The profitability ratio that measures how efficiently a company can generate profits from its capital employed by comparing net operating profit to capital employed



DEBT-EQUITY RATIO

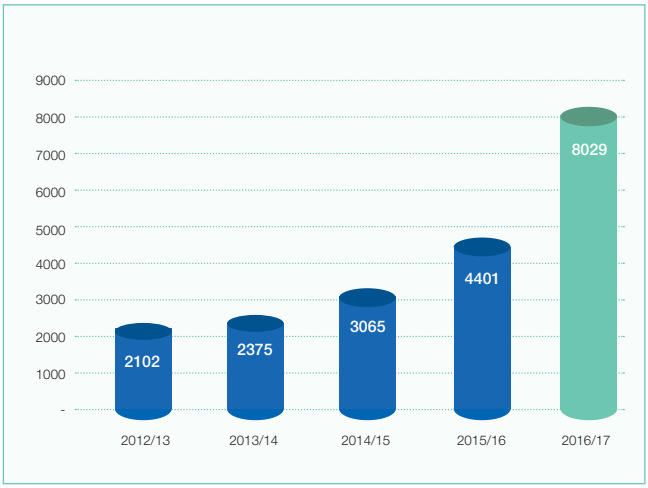
The debt ratio is used to measure the Bank's financial leverage, calculated by dividing a company's total liabilities by its stockholders' equity



YEAR ON YEAR PROGRESS

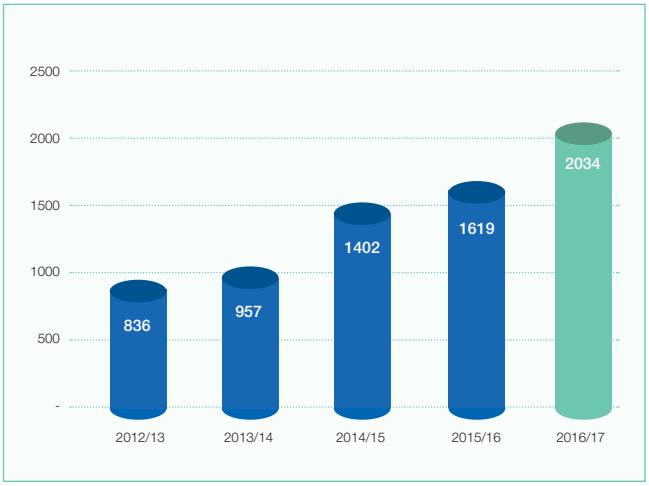
PAID UP CAPITAL

Paid up Capital of the Bank which stood at NPR 4.40 billion in FY 2015/16 has increased to NPR 8.03 billion by the end of FY 2016/17.



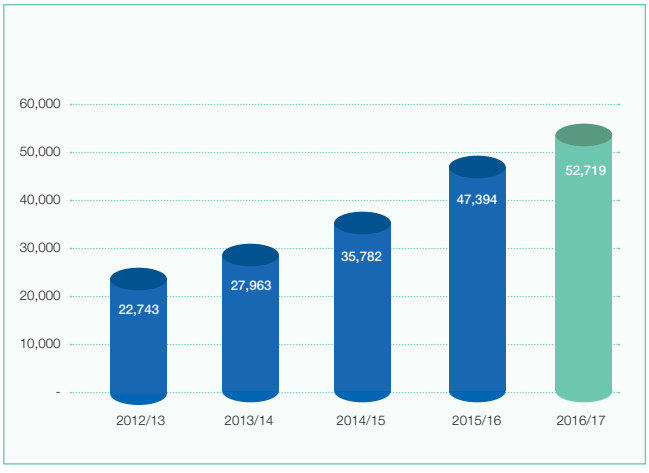
BORROWINGS AND DEBENTURE

To maintain Adequate Capital Fund, Bank has issued NPR 500 Million Citizens Bank Bond, 2021 in January 2014 with coupon rate 8.50% per annum payable quarterly. The Bond is unsecured and hence qualifies for inclusion in tier-II capital.



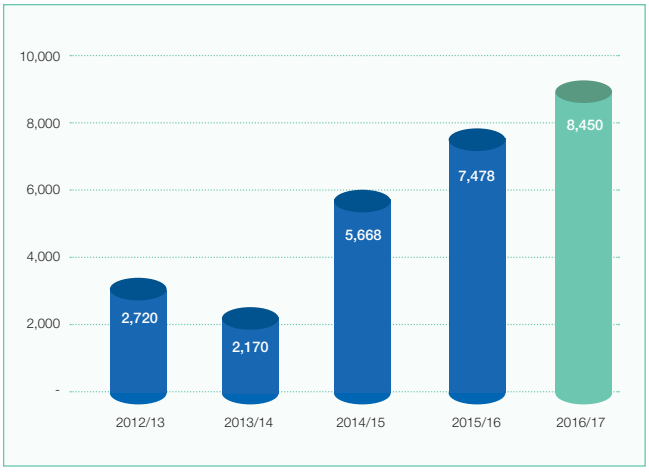
DEPOSITS

Despite the liquidity and deposit crisis, the Bank was able to retain the deposit to a level of NPR 47.39 billion by the end of FY 2015/16 which has been increased to NPR 52.72 billion by the end of FY 2016/17.



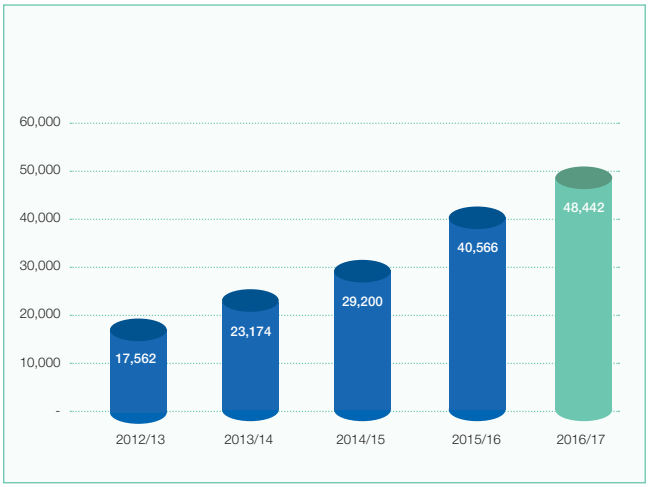
INVESTMENTS

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 productivity to generate revenue to the Bank.



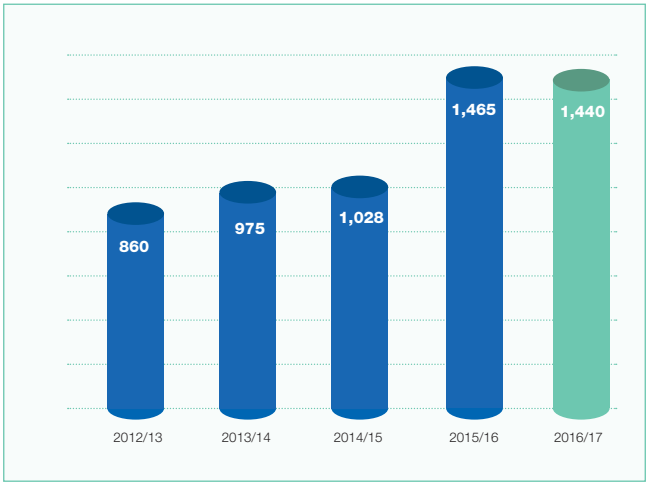
LOANS AND ADVANCES

The Bank has been able to expand its loans and advances portfolio to NPR 48.44 billion from NPR 40.56 billion at the end of FY 2016/17 compared to previous year.

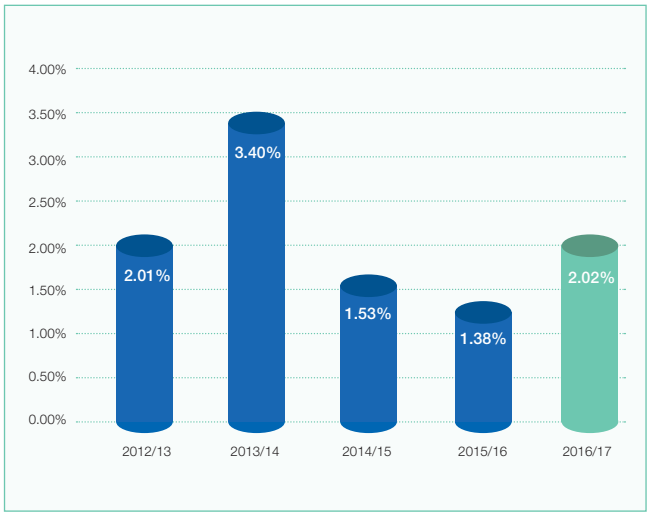


OPERATING PROFIT(BEFORE LLP)

Operating profit has decreased and has reached NPR 1.44 billion in FY 2016/17.



NON-PERFORMING LOANS/ TOTAL LOANS



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BRANCHES LOCATION



60
BRANCHES

59
ATMs

97
BLB (BRANCHLESS BANKING)


21
40
18
Kathmandu
Bhaktapur
Lalitpur
6
3
2
4
12
4
TE FOUR
STATE THREE
STATE ONE
STATE TWO
nang
1
Gorkha
Lamjung
nahun
Rasuwa
Nuwakot
Sindhupalchowk
6
Dolakha
1
Dhading
2
1
Kathmandu
Bhaktapur
Chitwan
1
Makwanpur
Lalitpur
Kavre
1
Ramechap
1
1
1
Parsa
1
1
Bara
3
3
Rautahat
Sarlahi
Mahottari
2
1
2
Dhanusha
1
1
Siraha
Saptari
Sindhuli
Solkhumbu
Sankhuwasabha
Taplejun
Okhaldhunga
Khotang
Bhojpur
1
Thertham
Panchathar
Dhankuta
III
1
2
1
Udayapur
Sunsari
4
2
2
Morang
3
1
1
Jhapa
2
4
2

BRANCH NETWORK

INSIDE VALLEY

BHAISEPATI BRANCH
Amit Kumar Basnet
5592697
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BHAKTAPUR BRANCH
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BOUDDHA BRANCH
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DURBARMARG BRANCH
Govinda Dev Pant
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Manisha Karn
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KALANKI BRANCH
Sushant Ballav Pant
977-01-4286465
977-01-4286534/36
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KAPAN BRANCH
Shikha Chipalu
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KOTESHWOR BRANCH
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KULESHWOR BRANCH
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KUMARIPATI BRANCH
Savidh Basnyet
977-01-5550840
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KUPONDOLE BRANCH
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NEW ROAD BRANCH
Akhil Devkota
01-4223879
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SAMAKHUSI BRANCH
Subarna Budhathoki
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01-4356557,01-4357681
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THAHITY BRANCH
Joni Pradhan
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977-01-4216027/93
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Kiran Mahat
01-4100577
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THIMI BRANCH
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977-01-6636534/ 535
thimi@ctznbank.com

Upcoming Branches in FY 2017/18

- **TOKHA BRANCH**
- **THANKOT BRANCH**

BRANCH NETWORK

OUTSIDE VALLEY

BAGLUNG BRANCH
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068-522994
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BAJHANG BRANCH
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banepa@ctznbank.com

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BIRGUNJ BRANCH
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051-520782, 051-527982
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BIRTAMOD BRANCH
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BUTWAL BRANCH
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CHAME BRANCH
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977-087680206
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977-083-520850/51
surkhet@ctznbank.com

Upcoming Branches in FY 2017/18

- **AURAHI BRANCH**
- **BADHAIYATAAL BRANCH**
- **BANGLACHULI BRANCH**
- **BHUMAHI BRANCH**
- **HALDIBARI BRANCH**
- **MANAHARI BRANCH**
- **SARKEGHAD BRANCH**
- **SIMALCHAUR BRANCH**
- **MANGSEYBUNG BRANCH**
- **SUNAPATI BRANCH**
- **TEMAAL BRANCH**
- **LIKHU PIKEY BRANCH**
- **HARIHARPURGADI BRANCH**
- **JHIMRUK BRANCH**
- **NAMKHA BRANCH**
- **DHAKARI BRANCH**
- **MOHANIYAL BRANCH**
- **BHUME BRANCH**
- **KHALSHA CHHINTANG SAHIDBHUMI BRANCH**

ATM LOCATIONS

LOCATION INSIDE VALLEY

Citizens ATM Terminal	Location
Kamaladi	Kamaladi
Bhatbhateni	Bishalnagar, Bhatbhateni Supermarket
Narayanhiti ATM-1	Narayanhiti Path
Narayanhiti ATM-2	Narayanhiti Path
Boudha	Jorpati -3 Boudha
Newroad	Park Plaza, Khichapokhari
Kumaripati	Kumaripati
GEMS, Dhapakhel	GEMS School, Dhapakhel
Koteshwor	Koteshwor
Kalanki	Ganesh Man Singh Marg, Kalanki
Thahiti	Thahiti Chowk
Nayabazar	V.S. Complex, Sohrakhutte
Maitidevi	Setopul, Maitidevi
Kirtipur	Naya Bazar-17, Kirtipur
Maharajgunj	Narayan Gopal Chowk
Kapan	Saraswatinagar 6, Kapan Marg
Thimi	Bayakha Bazar 7, Thimi
Bhaktapur	Durbar Square Area Khauma-15, BKT
Sallaghari	Sallaghari, Army School, BKT
Patan	Patan, Lalitpur-21
Samakhusi	Samakhusi
Thapathali	Thapathali
Dillibazar	Batuleghar, Dillibazar
Banepa	Banepa, Kavre
Mahaboudha	Mahaboudha, Wotu
Kuleshwor	Kuleshwor
New Baneshwor	Naya Baneshwor, Way To Sankhamul
Chabahil	Kumari Building, Chabahil
Bhaisepati	Bhaisepati-4
KIST Medical College	KIST Medical College, Imadol Marg, Gwarko

LOCATION OUTSIDE VALLEY

Citizens ATM Terminal	Location
Biratnagar	Dharan Road-8, Biratnagar
Birgunj	Adarsha Nagar Chowk, Birgunj
Pokhara	New Road, Pokhara
Lakeside	Lakeside, Pokhara
NepalGunj	Dhambouji Chowk, NepalGunj
NepalGunj-2	Dhambouji Chowk, NepalGunj
Narayangadh	Lions Chowk, Narayanghat
Butwal	Amarpath Line, Butwal
Dhangadhi	Main Road, Dhangadhi
Birtamod	Kakadvitta Road Anarmani VDC-3, Birtamod
Beni	New Road 1, Beni Bazar
Ghorahi	New Road -11, Ghorahi
Gaighat	Triyuga Municipality-02, Gaighat
Mahendranagar	Bheemdatta Municipality 4, Mahendranagar
Pathalaiya	Pathalaiya, Pipra
Charikot	Beech Bazar, Charikot
Itahari	Itahari-1, Dharan Road
janakpur	Bhanuchowk-2, janakpur
Surkhet	Sunnny Hall Line, Surkhet
Hetauda	Parijat Path, Hetauda-4
Jumla	Chandannath VDC-07, Jumla
Jajarkot	Khalangawa Bazar, Jajarkot
Siddharthanagar	Bank Road Siddharthanagar (Bhairahawa)
Kolhabi	Kolhabi
Nijgadh	Nijgadh
Sanoshree	Sanoshree-03 Kusumba Bazar
Dharan	Dharan
Damak	Damak-11 Thana Road
Bardibash	Bardibash
Gwarko	Gwarko-6 Harati Bhawan
Chhahara	Chhahara Bazzar, Chhahara
Bhumahi	Bhumahi Chowk, Sunwal-12, Bhumahi
Haldibari	Haldibari-04, Jhapa
Badhaiyattal	Badhaiyattal-06, Bardiya

REMITTANCE PARTNER NETWORKS

FOR INTERNATIONAL

S.N	Remittance Company	Remittance Product	Remittance Receiving Countries
1	Redha Al Ansari	Citizens Remit	UAE
2	D.Communications Inc. Japan	Citizens Remit	Japan
3	Alfa Exchange	Citizens Remit	UAE
4	Aftab Currency	Citizens Remit	UK
5	Al Ahalia	Citizens Remit	UAE
6	Al Dahab	Citizens Remit	UAE
7	Xpress Money	Citizens Remit	All over the world
8	Small World Financial Services	Citizens Remit	UK & Other European Countries
9	World Remit	Citizens Remit	UK & Other European Countries
10	Aussie Forex Pty Ltd	Citizens Remit	Australia
11	Max Money	Citizens Remit	Malaysia
12	Casco Financial Service	Citizens Remit	UK & Other European Countries
13	Dollarco Exchange Ltd.	Citizens Remit	Kuwait
14	Doha Bank	Citizens Remit	Qatar

FOR NATIONAL

S.N	Remittance Company/ Bank	Remittance Product	Remittance Receiving Countries
1	Ipay Reliable	Ipay Reliable	Malaysia/Australia/Dubai/Dubai /Qatar
2	United Remit	Money Gram	Worldwide
3	CG Finco	Western Union	Worldwide
4	Siddhartha Development Bank Ltd.	Siddhartha Trust Remit	Malaysia, Australia
5	Prabhu Money Trasnsfer	Prabhu Money Tfr.	Worldwide
6	IME	IME	Worldwide
7	City Xpress	City Xpress	Worldwide
8	Himalayan Bank	Batas Remit (Himal)	Worldwide
9	CG Money Remit	CG Money Remit	Qatar/UAE
10	Nepal Investment Bank Ltd.	Prithvi Remit	Saudi Arab /Qatar/UAE
11	Best Remit	Best Remit	Saudi Arab /Qatar/UAE/Malaysia/Japan
12	Sewa Remit	Sewa Remit	Saudi Arab /Qatar/UAE
13	Nepal Remit	Nepal Remit	European Countries, Gulf Countries, UK, Denmark & USA
14	Samsara Remit	Samsara Remit	Dubai, Qatar, Kuwait
15	Easylink Remit	Easylink Remit	Malaysia /Japan
16	JME Remit Company Pvt Ltd.	JME Remit Company Pvt Ltd.	Japan
17	Boom Remit	Boom Remit	Saudi Arab /Qatar/UAE
18	Overseas Remit	Overseas Remit	Japan
19	Ramro Remit	Ramro Remit	Qatar/UAE/ Saudi Arab/Malaysia

BRANCHLESS BANKING LOCATION (BLB)

SUPERVISING BRANCH	BLB LOCATION
BIRATNAGAR	Katahari Tankisinwari Karsiya
POKHARA	Armala
NEPALGUNJ	Bholagaudi Maina Pokhar Sitalbazar Mahadevpuri Jamuni
NARAYANGARH	Gunjanagar Meghauli
KALANKI	Ramkot
BUTWAL	Rani Bagiya Kerwani
DHANGADI	Godavari Pahalwanpur Khodpe
NAYABAZAR	Tinpiple Kavresthali
BIRTAMOD	Gaurigunj Bahundagi Sanishchare Shivgunj
GHORAI	Dudrash Gadwa
GAIGHAT	Beltar Katari
KIRTIPUR	Machhegaun Chalnakhel
MAHENDRANAGAR	Beldandi Dodhara Bramhadev
KAPAN	Zhor
PATHALAIYA	Piluwa
CHARIKOT	Maina Pokhari Namdu Boche Sahare Sailung Susma Chyamawoti
DHARAN	Chatara
ITAHARI	Khanar Tarhara Laukahi
BHAKTAPUR	Sipadol Chhaling Sanga Changu Narayan Tathli Nagarkot
JANAKPUR	Matiyani Laxminiya Bazar
PATANDHOKA	Lele/Tika Bhairab Tika Thali Dhapakhel
SURKHET	Chinchu Mehalkuna Babiyachaur
GAUSHALA	Aurahi Ramgopalpur
BAGLUNG	Hatiya
DOLPA	Juphal
SAMAKHUSI	Okharpauwa Kakani Battar Charghare Chaughada Gerkhu Samundratar Sundaradevi Fikuri Tupche Gorshyang Deurali Bidur Mankamana Khadgabhanjyang Duipipal Thanapati Ganesthan Thansing Balkumari Kharanitar Khanigaun Ralukadevi Bageshwori Budhasing Rautbesi Thaprek Sunkhani Belkot Jiling Taruka Kabilash Laharepauwa Narjamandap
BHAISEPATI	Khokana
KOLHABI	Bijaypur

CORRESPONDENT BANKS DETAILS

FOREIGN BANKS

Standard Chartered Bank
KOLKATA 19,NS ROAD G/F KOLKATA, WEST BENGAL,INDIA
Nostro Account No. : 222-05350212
SWIFT Code : SCBLINBBXXX

HDFC Bank
SENAPATI BAPAT MARG MUMBAI , INDIA
Nostro Account No. : 006-00390000544
SWIFT Code : HDFCINBBXXX

Standard Chartered Bank
1095, 6TH AVENUE #37 NEW YORK, NY 10036, USA
Nostro Account No. : 3582-021189-001
SWIFT Code : SCBLUS33XXX

Mashreq Bank
255, 5TH AVENUE NEW YORK, NY 10016,USA
Nostro Account No. : 70008505
SWIFT Code : MSHQUS33XXX

KB Kookmin Bank
#9-1 NAMDAEMUNRO 2-GA,
JUNG-GU SEOUL, SOUTH KOREA
Nostro Account No. : 8258USD010
SWIFT Code : CZNBKRSEXXX

Standard Chartered Bank
LONDON EC2V 7SB LONDON, UNITED KINGDON
Nostro Account No. : 0001255115201
SWIFT Code : SCBLGB2LXXX

Standard Chartered Bank
B0486 FRANKFURT AM MAIN GERMANY
Nostro Account No. : 50006503
SWIFT Code : SCBLDEFXXX

Standard Chartered Bank
PLOT#1 SHAHAJALAL AVE DHAKA 1230, BANGLADESH
Nostro Account No. : 15 1111678 01
SWIFT Code : SCBLBDDXXX

Standard Chartered Bank
2 CHOME-11-1 NAGATACHO,
CHIYODA TOKYO 100-0014, JAPAN
Nostro Account No. : 23760321110
SWIFT Code : SCBLJPJTXXX

Mashreq Bank
1ST FLOOR, 2 LONDON WALL BUILDING 1-5 LONDON WALL, LONDON EC2M 5PP. UK
Nostro Account No. : 13862
SWIFT Code : MSHQGB2LXXX

State Bank of India
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SWIFT Code : SBINAU2XXX

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Citizens® Bank International Ltd.
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