



साधारण सभामा मतदान गर्न आफ्नो प्रतिनिधि (प्रोक्सी) नियुक्त गर्ने निवेदन

श्री संचालक समिति
कर्णाली डेभलपमेन्ट बैंक लि.
केन्द्रीय कार्यालय
नेपालगंज, बाँके ।

विषय: प्रतिनिधि नियुक्त गरेको बारे ।

महाशय,

जिल्ला न.पा. / गा.वि.स. वडा नं. टोल बस्ने म / हामी
ले त्यस बैंकका शेयर बालाको हैसियतले मिति २०७८ फागुन
२० गते शुक्रबारका दिन हुने बैंकको वार्षिक साधारणसभामा स्वयं उपस्थित भई छलफल तथा निर्णयमा सहभागी हुन नसक्ने भएकोले उक्त सभामा
भाग लिन तथा मतदान गर्नको लागि जिल्ला न.पा. / गा.वि.स.
वडा नं. टोल बस्ने त्यस बैंकका शेयरबाला
श्री शेयरधनी परिचय नं.
प्रमाण-पत्र नं. लाई मेरो / हाम्रो प्रतिनिधि मनोनित गरी पठाएको छु / छौ ।

निवेदक,

दस्तखत:

नाम:

ठेगाना:

शेयरधनी परिचय नं.

प्रमाण-पत्र नं.

फिता नं.

देखि

सम्म

मिति:

द्रष्टव्य: यो निवेदन साधारणसभा हुनु भन्दा कमिमा ४८ घण्टा ।

कर्णाली डेभलपमेन्ट बैंक लि.

१७ औं वार्षिक साधारण सभामा उपस्थितिका लागि जारी गरिएको

प्रवेश-पत्र

शेयरधनीको नाम: शेयर प्रमाण-पत्र नं.: परिचय नं.: शेयर
धनीको सही: शेयर संख्या: मिति २०७८ फागुन २० शुक्रबारका दिन कर्णाली
डेभलपमेन्ट बैंक लि.को हुने १७ औं वार्षिक साधारण सभामा उपस्थित हुन जारी गरिएको प्रवेश-पत्र ।

द्रष्टव्य : शेयरधनी आफैले खाली ठाउँहरू भर्नुहोला । सभाकक्षमा प्रवेश गर्न यो पत्र प्रस्तुत गर्नु अनिवार्य छ ।

कम्पनी सचिव



कर्णाली डेभलपमेन्ट बैंक लि.
Karnali Development Bank Ltd.
सम्पत्तिको आगार

CONTAINS

1. AGM Notice	5
2. Information about AGM	6
3. Chairman's Statement	7
4. Auditor's Report	14
5. Balance Sheet	17
6. Statement of Profit or Loss	19
7. Statement of Comprehensive Income	20
8. Statement of Cash Flows	21
9. Statement of Changes In Equity	23
10. Statement of Distributable Profit or Loss	25
11. Notes Forming Part of Financial Statements	27-88
12. Letter of Nepal Rastra Bank	89



कर्णाली डेभलपमेन्ट बैंक लि.
Karnali Development Bank Ltd.
सम्पत्तिको आधार

१७औं वार्षिक साधारण सभा सम्बन्धी सूचना

शेयरधनी महानुभावहरु,

यस बैंकको मिति २०७८ साल माघ १८ गते मंगलबारका दिन बसेको संचालक समितिको बैठकको निर्णय अनुसार यस बैंकको १७औं वार्षिक साधारण सभा निम्न मिति, समय र स्थानमा निम्न विषयहरुमा छलफल तथा निर्णय गर्न बस्ने भएको हुँदा सम्पूर्ण शेयरधनी महानुभावहरु उपस्थित भई दिन हुन जानकारीका लागि यो सूचना प्रकाशित गरिएको छ ।

सभा हुने मिति, समय र स्थान :

मिति : २०७८ फाल्गुण २० गते शुक्रवार ।

समय : दिउँसो १:०० बजे ।

स्थान : कल्पतरु होटल, नेपालगंज र विद्युतिय माध्यम (ZOOM APP) मार्फत एकसाथ सभा सञ्चालन हुनेछ ।

(नयाँ भेरियन्ट सहितको कोभिड-१९ को महाव्याधिको संक्रमणको जोखिम रोकथाम तथा नियन्त्रणका लागि नेपाल सरकारबाट जारी गरिएका स्वास्थ्य सुरक्षा सम्बन्धी निर्देशन तथा मापदण्डको सम्मान एवं परिपालना गर्दै सभा सम्पन्न गर्नुपर्ने विशेष परिस्थितिका कारण तोकिएको संख्यामा मात्र शेयरधनीहरु सभा स्थलमा उपस्थित हुन सक्ने भएकोले शेयरधनी महानुभावहरुको उपस्थितिका लागि भर्चुअल (विद्युतिय) माध्यमको व्यवस्था गरिएको छ ।)

छलफल तथा निर्णयका विषयहरु :

(क) सामान्य प्रस्ताव :

१. संचालक समितिको तर्फबाट अध्यक्षज्यू द्वारा प्रस्तुत आ.व. २०७६/०७७ को वार्षिक प्रतिवेदन उपर छलफल गरी पारित गर्ने ।
२. आ.व. २०७६/०७७ को नाफा नोक्सान, बासलात तथा नगद प्रवाह विवरण सम्बन्धी अनुसूचि उपर छलफल गरी पारित गर्ने ।
३. आ.व. २०७७/०७८ को लागि लेखापरिक्षण गर्नको लागि संचालक समितिको निर्णयानुसार नियुक्ती हुनु भएको बाह्य लेखापरिक्षकको नियुक्ती र पारिश्रमिक अनुमोदन गर्ने ।
४. विविध ।

(ख) विशेष प्रस्ताव :

१. विविध ।

संचालक समितिको आज्ञाले,
कम्पनी सचिव

साधारणसभा सम्बन्धी सामान्य जानकारी:

१. साधारण सभा प्रयोजनको लागि मिति २०७८ साल माघ २८ गते देखि २०७८ साल फागुन २० गतेसम्म शेयर दाखिल खारेजको काम बन्द रहनेछ। नेपाल स्टक एक्सचेन्ज लिमिटेडमा मिति २०७८ माघ २७ गतेसम्म नेपाल स्टक एक्सचेन्ज लिमिटेडमा कारोबार भई प्रचलित कानून बमोजिम बैंकको शेयर रजिष्ट्रार प्रभु क्यापिटल लिमिटेड, दरबारमार्ग, काठमाडौंमा प्राप्त शेयर नामसारी भएको लिखतको आधारमा शेयरधनी दर्ता किताबमा नाम कायम रहेको शेयरधनीले सो सभामा भाग लिन पाउनेछन्।
२. साधारणसभामा भाग लिनका लागि प्रवेशपत्र वा शेयर प्रमाणपत्रको सकलप्रति साथमा लिई आउनुहुन सबै शेयरधनी महानुभावहरूलाई सूचित गरिन्छ। कुनै कारणवस शेयरधनी महानुभावहरूले प्रवेशपत्र प्राप्त गर्न नसकेमा यस बैंकको रजिष्टर्ड (प्रधान) कार्यालय नेपालगंजमा साधारणसभा हुने मिति अगावै सम्पर्क राख्नु भई प्रवेश-पत्र प्राप्त गर्न सक्नुहुनेछ।
३. शेयरधनी महानुभावहरूको उपस्थिति पुस्तिकामा दस्तखत गर्न शेयरधनी उपस्थिति पुस्तिका विहान ९:०० बजेदेखि सभा सम्पन्न नहुँदासम्म खुला रहनेछ। कोभिड-१९ को महामारीका कारण सभामा उपस्थित हुँदा आपसी दुरी कायम गर्ने, मास्क, पञ्जा लगायतको न्यूनतम सुरक्षाको उपकरणहरू प्रयोग गर्न सम्पूर्ण शेयरधनीहरू महानुभावहरूलाई अनुरोध छ।
४. एकजना शेयरधनीले एकभन्दा बढी प्रतिनीधि नियुक्त गर्न सकिने छैन। एकजना भन्दा बढी प्रतिनीधि नियुक्त भएको देखिएमा सम्पूर्ण प्रोक्सी स्वतः बदर हुनेछ।
५. शेयरधनीले प्रतिनीधि नियुक्त गरिसकेपछि प्रतिनीधि नियुक्तिपत्र (प्रोक्सी) बदर नगरी आफै साधारणसभामा उपस्थित भई हाजिर पुस्तिकामा दस्तखत गर्नु भएमा प्रतिनीधि नियुक्तिपत्र (प्रोक्सी) स्वतः बदर भएको मानिनेछ।
६. बैंकको शेयर लगत किताबमा संरक्षकको रूपमा नाम उल्लेख भएको व्यक्ति मात्र नाबालक वा विक्षिप्त शेयरधनीको तर्फबाट संरक्षकको हैसियतले सभामा भाग लिन सक्नेछन्।
७. संयुक्त रूपमा शेयर लिने शेयरधनीहरूको हकमा शेयरधनीहरूको लगत किताबमा पहिलो नाम उल्लेख भएको व्यक्ति अथवा सर्वसम्मतीले प्रतिनीधि नियुक्त गरिएको एकजना व्यक्तिले मात्र सभामा भाग लिन गर्न पाउने छन्।
८. शेयरधनी महानुभावहरू सभा स्थलमा आउँदा छाता, भोला वा अन्य कुनै वस्तु नलिई आउनु हुन र मास्कको अनिवार्य प्रयोगको लागि अनुरोध गरिन्छ। सभा अवधिभर सभा स्थलमा रहेको सुरक्षाकर्मीले आवश्यक देखेमा सुरक्षा जाँच गर्न सक्ने भएको हुँदा निजहरूलाई सहयोग गरिदिनुहुन अनुरोध गरिन्छ।
९. वासलात नाफा-नोक्सान हिसाब र नगद प्रवाह विवरण (अनुसूचि सहित) बैंकको प्रधान कार्यालय तथा काठमाडौं उपत्यकाका शेयरधनीहरूले बैंकको वित्तीय विवरण सहितको पुस्तिका यस बैंकको शेयर रजिष्ट्रार प्रभु क्यापिटल लिमिटेड, दरबारमार्ग, काठमाडौंबाट प्राप्त गर्न सक्नु हुनेछ।
१०. अन्य विस्तृत जानकारीका लागि यस बैंकको रजिष्टर्ड (प्रधान) कार्यालयको फोन नं. ०८१-४१५०४०, ०८१-४१५०७४ मा सम्पर्क गर्न हुन अनुरोध गरिन्छ।
११. साधारणसभाको दिन सभा शुरु हुनु भन्दा अगावै उपस्थित भई दिनु हुन शेयरधनी महानुभावहरूलाई हार्दिक अनुरोध गरिन्छ।

संचालक समितिको तर्फबाट अध्यक्षज्यू द्वारा प्रस्तुत प्रतिवेदन

आदरणीय शेयरधनी महानुभावहरु,

कर्णाली डेवलपमेन्ट लिमिटेडको अध्यक्ष म तथा मेरा सहकर्मी संचालक समितिका साथीहरुको तर्फबाट समेत शेयरधनीहरु लगायत अन्य आमन्त्रित महानुभावहरुलाई संस्थाको १७ वार्षिक साधारण सभामा हार्दिक स्वागत गर्दछु ।

यहाँहरुले यस संस्थालाई महत्वपूर्ण एवं रचनात्मक सुझाव दिईरहनु भएको विदितै छ र यसै अनुरूप यहाँहरुको रचनात्मक सुझावलाई मार्गदर्शनको रूपमा लिई यस संस्थालाई प्रगति पथ तर्फ लाने जिम्मा हामी संचालक समितिका सदस्यहरुलाई दिनु भएकोमा यहाँहरुको अपेक्षा अनुरूप काम गर्न हामीले भरमग्दुर प्रयास गरेका छौं । हामीले यहाँहरुको सद्भाव सुझाव र मार्ग निर्देशन अनुरूप आर्थिक वर्ष ०७६/०७७ मा सम्पन्न गरेका कारोबारहरुको समिक्षा गरी भावी कार्यक्रम तर्जुमा गर्न यहाँहरुले मार्गदर्शन गराउनुहुनेछ भन्ने कुरामा विश्वस्त हुँदै १७ औं वार्षिक प्रतिवेदनका साथ २०७८ पौष मसान्त सम्मको बासलात तथा नाफा नोक्सान हिसाब, नगद प्रवाह विवरण प्रस्तुत गर्ने अनुमति चाहन्छु ।

(१) आर्थिक वर्ष २०७६/०७७ को कारोबार समिक्षा

शेयरधनी महानुभावहरु,

बैंकको प्रमुख वित्तिय विवरणहरु सभामा पेश गर्नु अघि म आर्थिक वर्ष ०७६/०७७ को समिक्षा अवधिको समिष्टगत अवस्थाको बारेमा संक्षिप्त विश्लेषण गर्ने अनुमति चाहन्छु ।

हाल देशमा विद्यमान कोभिड-१९ र सो घाट उत्पन्न कार्थिक संकट, विकासको लागि वजेट निकास र समयमै सो सदुपयोग खर्च हुन नसकेको ले बैंकमा र बजारमा तरलताको अभावले प्रत्यक्ष प्रभाव परेको साथै विभिन्न मुलुकमा परेको आर्थिक मन्दीका कारणले हाम्रो मुलुकमा समेत आर्थिक क्षेत्रमा प्रतिकूल प्रभाव परेको विदितै छ । विगत केही वर्ष देखी कायम रहेको अस्थिर राजनैतिक वातावरण र बैकिङ क्षेत्रमा देखा परेको प्रतिस्पर्धात्मक प्रतिकूलताहरुको बावजुद अघिल्लो आ.व.को तुलनामा समिक्षा अवधिमा निक्षेप घट्छाडण र कर्जा ठट्टाढट्ट ले बृद्धि भएको छ र बैंकले समिक्षा वर्षमा व्यवसाय विस्तार तथा लगानीका नयाँ क्षेत्र खोज्न अपरिहार्य भएकोले साधारण खर्च सकेसम्म कम गर्नेगरी यस आर्थिक वर्षमा व्यापार विस्तार तथा कारोबार बृद्धिका गर्न लागी परेका छौं ।

यस समिक्षा अवधिमा यस बैंकले हासिल गरेको देहाय बमोजिमको प्रगती विवरणलाई आदरणीय शेयरधनी सदस्यहरुले अवश्य पनि सकारात्मक रूपमा स्विकार गर्नुहुनेछ भन्ने हामीले अपेक्षा गरेका छौं ।

तुलनात्मक रुपमा बैंकको कारोबारको विवरण :

NFRS प्रतिवेदनको आधारमा बैंकको कारोबार

विवरण	आ.व.०७६/०७७	आ.व.०७५/०७६	वृद्धि रकम	वृद्धि %
चुक्ता पूँज	५०,२८,३०,०००	५०,२८,३०,०००	-	-
साधारण जगेडा कोष	२७,३७७,५७१	२५,९३४,४६२	१,४४३,१०९	५।५६
निक्षेप तथा सापटी	३,९८७,४४१,८६०	३,३७२,७११,२७५	६१४,७३०,५८५	१८।२३
कर्जा तथा सापटी	२,४८१,६५१,१२४	२,११८,९९१,२७९	३६२,६५९,८४५	१७।११
नगद तथा बैंक मौज्दात	१,८८२,७९६,६००	१,६५९,५४३,८०३	२२३,२५२,७९७	१३।४५
कुल संचालन आम्दानी	९७,१०९,१३६	११३,८०९,८५८	(१६,७००,७२२)	(१४।६७)
कुल संचालन खर्च	१०९,७६५,८९०	१०३,८५०,७९३	५,९१५,०९७	५।७०
व्याज आम्दानी	३८८,९७८,०६५	३१५,३१६,४४२	७३,६६१,६२३	२३।३६
व्याज खर्च	३१७,९५७,३०१	२३२,१४५,४८४	८५,८११,८१७	३६।९६
संचालन मुनाफा	(१२,६५६,७५४)	९,९५९,०६५	(२२,६१५,८१९)	(२२७।०९)
स्वद नाफानोक्सान	(११,२१४,६५७)	१२,१३३,४४४	(२३,३४८,१०१)	(१९२।४३)

(२) राष्ट्रिय तथा अन्तर्राष्ट्रिय परिस्थितिबाट कम्पनीको कारोबारमा परेको असर :

विश्वका कतिपय मुलुकमा आर्थिक कारोबारमा परेको प्रतिकूल असरका कारणले सृजित मन्दी तथा रोजगारीका अवसरहरुमा कटौतीका कारणले रेमिटान्स लगायत अन्य कारोबारमा परेको प्रभावले हाम्रो देशमा पनि बैकिङ तथा वित्तिय कारोबार असहज भएको यहाँहरु लाई अवगत नै छ । देशमा आएको महाभुकम्पले जनमानसमा भएको क्षति र राजनीतिक क्षेत्रले अर्थतन्त्र विकास र सुदृढीकरणमा ध्यान नदिदाँ समग्र अर्थतन्त्रका परिसूचकहरु कमजोर बन्दै गए । विद्यमान विविध असमञ्जस्यताका कारणले समग्र आर्थिक क्षेत्र आशानुरूप गति लिन

सकेको छैन, उद्योग व्यवसाय नियमित संचालन नहुनु, नयाँ व्यवसाय स्थापना नहुदाँ संचालनमा रहेका लाई पनि बीच अट्टो पारेको बेलामा मुलुकको अर्थतन्त्र मन्दीको चपेटामा परेको छ । मुलुकले बाह्य र आन्तरिक लगानीलाई विस्तारित रुपमा अगाडी बढाउन सकेको छैन । मुलुकमा सकारात्मक लगानीको वातावरण सिर्जना भई अर्थ व्यवस्था प्रगति र उन्नतिको दिशातर्फ अग्रसर हुने कुरामा भने हामी आशावादी छौ ।

(३) औद्योगिक तथा ब्यवसायिक सम्बन्ध :

यस बैंकले आफ्नो स्थापनाकाल देखि नै औद्योगिक तथा ब्यवसायिक कारोबारको सिलसिलामा विभिन्न, व्यक्ति, वित्तीय संस्था, औद्योगिक एवं गैरसरकारी संघ संस्थाहरूसँग सम्बन्ध कायम राख्दै आइरहेको र आगामी दिनहरूमा पनि कायम राख्दै आफ्नो कारोबार बढ्दै एवं विस्तार लैजाने नीति लिएको छ । आफ्ना ग्राहक एवं शुभ चिन्तक प्रति सदैव सुमधुर सम्बन्ध कायम राख्ने तर्फ व्यवस्थापन सधैं प्रयत्नशील रहदै आएको छ ।

(४) संचालक समितिमा भएको हेरफेर :

मिति २०७६/११/०६ गते भएको बैंकको १५ र १६ औं वार्षिक साधारण सभाबाट समूह ख सर्वसाधारण समूहबाट शेयरधनीहरूको प्रतिनिधित्व गर्ने गरि श्री ई. निसार अली दर्जी तथा श्री उषा कुमारी भण्डारी संचालक पदमा निर्वाचित हुनुभएका छ साथै यस बैंकको स्वतंत्र संचालकको रुपमा श्री टंक बहादुर बस्नेत लाई संचालक समितिबाट नियुक्त गरिएको छ ।

(५) लेखा परिक्षण प्रतिवेदन सम्बन्धमा संचालक समितिको धारणा :

संचालक समितिबाट नियुक्त हुनु भएका बाह्य लेखा परिक्षक श्री केशव न्यौपाने ज्यूले समिक्षा अवधिमा लेखा परिक्षण कार्य सम्पन्न गर्नु भएको छ । लेखा परिक्षण पश्चात प्राप्त बैंकको प्रारम्भिक लेखा परिक्षण प्रतिवेदन माथि संचालक समितिको बैठकमा गहन छलफल भई सर्वसम्मतिबाट जवाफ पठाइयो । तत् पश्चात बासलात, नाफा नोक्सान हिसाब, नगद प्रवाह विवरण र लेखा परिक्षकको प्रतिवेदन माथि छलफल भई सर्वसम्मति पारित गरियो ।

बैंकको नियमित कार्य सम्पादनका क्रममा भएका सामान्य कमी कमजोरी बाहेक नेपाल राष्ट्र बैंकको नीति निर्देशन, कम्पनी रजिष्टारको कार्यालय तथा नेपालको प्रचलित कानून विपरीत हुने गरी अन्य कुनै नकारात्मक कैफियत लेखा परीक्षणप्रतिवेदनमा देखिएको छैन । लेखा परीक्षकले दिएका सुझावहरूको कार्यान्वयनको लागि व्यवस्थापनलाई निर्देशन दिई सकिएको र सोही अनुरूप अधिकांश सुझावहरू कार्यान्वयनमा ल्याई सकेको व्यहोरा जानकारी गराउन चाहान्छु ।

(६) मानव संसाधन :

आफ्ना कर्मचारीहरूको योगदानको उच्च कदर गर्दै समय सुहाउदो प्रतिस्पर्धी बैकिङ्ग सेवा प्रदान गर्न कर्मचारीहरूको दक्षता एवं क्षमता अभिवृद्धिको लागि बैंकको आन्तरिक एवं विभिन्न निकायहरूबाट बेला बेलामा प्रदान गरिने तालिम, कार्यशाला, गोष्ठी आदिमा कर्मचारीहरूलाई सहभागी गराउँदै आएको छ । कर्मचारीहरूलाई उत्प्रेरणा दिने एवं मनोबल उच्च राख्न समय सापेक्ष पारिश्रमिक तथा सुविधा पुनरावलोकन गर्ने, कार्य सम्पादन मूल्यांकन एवं कार्य सम्पादनको आधारमा कर्मचारीहरूको बढुवा गर्ने परिपाटीको विकास गरिएको छ ।

बैंकको उच्च व्यवस्थापन पक्ष र कर्मचारीहरू बीच सदा सुमधुर सम्बन्ध कायम राख्दै आएको छ । बैंकको सम्पूर्ण कर्मचारीहरू उच्च मनोबलका साथ बैंकको हित अभिवृद्धिमा दत्तचित्त, कर्तव्यनिष्ठ र अनुशासित भएर लागी परेका छन । व्यवस्थापन पक्षले सम्पूर्ण कर्मचारीहरूबाट आवश्यक सहयोग प्राप्त गरिरहेको छ र भविष्यमा पनि निरन्तरता प्राप्त भै रहने छ भन्ने पूर्ण विश्वास गरेको छ ।

(७) पूँजि संरचना :

बैंकको पूँजि संरचना तपसिल बमोजिम रहेको छ ।

पूँजि संरचनाको प्रकार	प्रतिशत (%)	वृत्ता पूजि रकम	कैफियत
संस्थापक	५१ %	रु. २६९४३३०००/००	
सर्वसाधारण (कर्मचारी समेत)	४९ %	रु. २५८८६७०००/००	
जम्मा		रु. ५०,२८,३०,०००/-	

(९) संचालक समिति सम्बन्धमा :

आर्थिक वर्ष ०७६/०७७ मा यस बैंकका २४ वटा संचालक समितिको बैठकहरू सम्पन्न भएका छन । सो बैठकहरूबाट बैंकको समग्र संगठनात्मक नेतृत्वदायी भूमिका निर्वाह गरिनुका साथै बैंकको कार्यक्रम तथा बजेट स्वीकृति, व्याजदर परिवर्तन, शेयर पूँजि, साधारण सभा, बैंकको दैनिक आइपुर्ने गम्भिर समस्याहरूको निदान, आर्थिक तथा कर्जा सम्बन्धी समस्या विषयमा अध्ययन र निर्णय पारित गर्ने लगायतका नीतिगत सवालहरूमा संचालक समितिले आफ्नो भूमिका सक्षमतापूर्वक निर्वाह गर्न सफल रहेको छ ।

(१०) बैंकको आ.व. ०७८/७९ को पौष महिनासम्मको उपलब्धी तथा प्रगति :

(क) बैंकको संगठनात्मक अवस्था :

क्र.सं.	विवरण	०७८ पौष मसान्त सम्मको
१	चुक्ता पूँजि	५०,२८,३०,०००
२	साधारण जगेडा कोष	९,४८,३२,९१९
३	निक्षेप तथा सापटी	४,५२,७४,२८,७९५
४	कर्जा तथा सापटी	३,२३,९५,७९,२१४
५	नगद तथा बैंक मौज्दात	१,६२,७८,४३,८०१
६	कुल संचालन आम्दानी	८,२९,८६,०१७
७	कुल संचालन खर्च	५,५५,८२,७४२
८	व्याज आम्दानी	२,२७२,९९,८१७
९	व्याज खर्च	१,५९४,७९,५५६
१०	संचालन मुनाफा	(१,६३,९६,६४८)
११	खुद नाफा/नोक्सान	(१,६३,९६,६४८)

स्थापनाकालदेखी नै बैंकले यस क्षेत्रमा प्रदान गरेको वित्तिय कारोबार प्रति यस क्षेत्रका जन-समुदायबाट प्राप्त समर्थन विश्वासलाई मध्यनजर गरी सर्वसाधारण समेतलाई छिटो छरितो तथा विश्वासिले सेवा प्रदान गर्न प्रधान कार्यालय नेपालगंज लगायत दाङ, बाँके र बर्दिया जिल्लाका विभिन्न ठाउँहरूमा शाखा विस्तार गरिसकेको जानकारी यस सभामा गराउन चाहन्छु ।

(ख) कम्प्युटर सफ्टवेयर :

नेपाल राष्ट्र बैंकको निर्देशनमा उल्लेख भएका विवरणहरू निर्दिष्ट ढाँचामा पेश गर्न तथा प्रतिस्पर्धि बजारमा आफ्नो कारोबारलाई चुस्त राख्न अपरिहार्य भएकोले PUMORI IV नामको सफ्टवेयर प्रधान कार्यालयमा लगायत अन्य शाखा कार्यालयहरू समेत संचालनमा सफ्टवेयर प्रणाली संचालन गरि यस आर्थिक वर्ष भित्र ५ वटा शाखा कार्यालयमा ATM जडान गरी जनसमुदायमा अत्याधुनिक बैंकिङ सेवा प्रदान गर्ने गरिएको छ ।

(ग) कर्मचारी तथा बैंक व्यवस्थापन :

समीक्षा अवधिमा केन्द्रीय कार्यालय लगायत सम्पूर्ण शाखा कार्यालयहरूमा प्रमुख कार्यकारी अधिकृत सहित १३२ जना कर्मचारी कार्यरत रहेको व्यहोरा जानकारी गराउन चाहन्छु । प्रतिस्पर्धि बजारमा ग्राहकलाई छिटो छरितो सेवा प्रदान गर्न कर्मचारीहरूलाई आवश्यकता अनुसार तालिमको पनि व्यवस्था गरी रहेको व्यहोरा अवगत गराउन चाहन्छु ।

(१२) बैंक तथा वित्तिय संस्थाको सेवा :

विदेशमा बसेका नेपालीहरूले आर्जन गरेको रकम यस बैंकबाट भुक्तानी गर्ने गरिएको छ । उक्त प्रयोजनका लागि Western union Money Transfer, IME, Prabhu Remit, SAMSARA Remit, Himal Remit, Everest Remit, NIC ASIA Remit, Kumari Remit, Esewa Remit र City Remit जस्ता संस्थाहरूसँग सम्झौता गरी Remittance सेवा प्रदान गरिरहेका छौ । साथै यस बैंकको सबै शाखा कार्यालयहरूबाट Fax Transfer को माध्यमबाट देश भित्र रकमान्तरको व्यवस्था गरी सेवा प्रदान गरिरहेका छौ ।

प्रतिस्पर्धि बजारमा ग्राहकलाई छिटो छरितो सेवा प्रदान Mobile Banking, fonepay, IPS लगायतका आधुनिक बैंकिङ सेवाहरू संचालनमा ल्याइएको छ । यसले बचत तथा निक्षेपको अंश तथा व्यक्तिगत ग्राहकहरूको संख्या बढाउन राम्रै सहयोग पुऱ्याएको छ । सबै शाखा कार्यालयहरूबाट निःशुल्क ABBS सुविधा, ECC सुविधा, Connect IPS भुक्तानी सुविधा उपलब्ध भइरहेको छ ।

(१३) नेपाल राष्ट्र बैंकको निर्देशन र सुधार :

यस आर्थिक वर्षमा नेपाल बैंक सुपरिवेक्षण तथा निरीक्षण विभागबाट प्राप्त भएका निर्देशन तथा सुझावहरूलाई बैंकको कार्य सुधार तथा भावी कार्यक्रम संचालनमा उपलब्धी मुलक मार्गदर्शनका रुपमा अंगिकार गरिनेछ ।

(१४) आन्तरिक नियन्त्रण व्यवस्था :

नेपाल राष्ट्र बैंकको निर्देशन बमोजिम बैंकको आन्तरिक नियन्त्रण प्रणालीको प्रभावकारी व्यवस्थापनका लागि बैंकले बैंकिङ कारोबारसँग सम्बन्धीत आवश्यक विनियम, निति, निर्देशिका, योजना, कार्यविधि, एचयमगअत Paper हरु तर्जुमा गरी कार्य गर्दै आएको छ । नेपाल राष्ट्र बैंकको स्थलगत एवम् गैर स्थलगत निरीक्षणका क्रममा दिएका निर्देशन एवम् सुझावहरू तथा आन्तरिक एवम् बाह्य लेखा परीक्षण प्रतिवेदनमा औल्याएका कैफियतहरूलाई आन्तरिक लेखापरीक्षण समितिको सिफारिस बमोजिम संचालक समितिले उच्च महत्वका साथ सुधार

तथा कार्यान्वयन गर्ने व्यवस्थापनलाई निर्देशन दिने र उक्त सुझावहरूको प्रभावकारी कार्यान्वयन गर्ने गरिएको छ ।

(१५) लेखा परिक्षकको नियुक्ती :

यस बैंकको १५ र १६ औं वार्षिक साधारण सभा स्विकृती लिई आ.व. २०७६/०७७ को लेखा परिक्षण सम्पन्न गरिएको तथा आ.व. २०७७/०७८ लेखा परिक्षक नियुक्ती गर्ने तथा पारिश्रमिक निर्धारण यसै सभाबाट हुनेछ भन्ने विश्वास व्यक्त गर्दछु ।

(१६) लाभार्थ सम्बन्धमा :

समीक्षा वर्षमा लाभार्थ बाँडफाँड गर्न सिफारिस गरिएको छैन ।

(१७) बैंकका समस्याहरु :

बैंक तथा वित्तीय संस्थाहरूले आफूना संजालहरु विस्तार गर्ने क्रममा ग्रामिण क्षेत्रहरूमा समेत बैंकिङ पहुँच पुऱ्याएका छन् जसबाट प्राथमिकता प्राप्त क्षेत्र र विपन्न वर्गको उत्थानमा आवश्यक सहयोग पुगिरहेको छ भने आधुनिक बैंकिङ सेवाबाट कार्य प्रणालीमा थप सहजता प्रदान गरेको छ । वित्तीय संस्थाहरूको वृद्धि, शाखा संजालहरूमा वृद्धि, कारोबारमा वृद्धि जस्ता कारणले वित्तीय बजारको अवस्था बलियो भएतापनि बैंकिङ कारोबारलाई प्रत्यक्ष र अप्रत्यक्ष रुपमा असर पार्ने विभिन्न तत्वहरु हुने भएकोले निम्नानुसारका जोखिम एवं चुनौतीहरु रहने देखिन्छ ।

(१८) संस्थागत सुशासन :

बैंकले संस्थागत सुशासन सम्बन्धी समय समयमा नेपाल राष्ट्र बैंक लगायत अन्य सम्बन्धित नियमनकारी निकायहरुबाट प्राप्त मार्गदर्शनहरूलाई उच्च प्राथमिकताका साथ पालना गर्दै आएको छ । बैंकको सुशासन अभिवृद्धि एवं संस्थाले गर्ने कार्यहरु पारदर्शी एवं नियम संगत गर्नका लागि संचालक समिति, लेखा परीक्षण समिति, जोखिम व्यवस्थापन समिति, कर्मचारी सेवा सुविधा समिति, सम्पत्ति शुद्धीकरण निवारण सम्बन्धी समिति, कर्जा समिति, बैंक व्यवस्थापन तथा अन्य विभिन्न समिति क्रियाशिल रहेका छन् ।

बैंकले सम्पत्ति शुद्धीकरण तथा आतङ्ककारी क्रियाकलापमा वित्तीय लगानी निवारण सम्बन्धमा प्रचलित ऐन, नियम तथा नेपाल राष्ट्र बैंकबाट जारी निर्देशनहरूको कार्यान्वयन तथा पालना गरि आएको छ । सम्पत्ति शुद्धीकरण निवारण सम्बन्धी समितिले सम्पत्ति शुद्धीकरण निवारण सम्बन्धमा भए गरेका काम कारवाहीको नियमित अनुगमन गर्ने गरेको छ । आवश्यक बैंकले संचालन गरेका कार्यक्रमहरु पारदर्शी एवम् नियम संगत छन् । बैंकले तयार गरेका वित्तीय विवरणहरु नेपाल वित्तीय प्रतिवेदनमान (NFRSs), लेखा सम्बन्धी सर्वमान्य सिद्धान्त र नेपाल राष्ट्र बैंकको निर्देशन अनुसार छन् ।

(१९) अन्य विवरण :

कम्पनी ऐन २०६३ को दफा १०९ को उपदफा ४ संग सम्बन्धित आ.व. ०७५/०७६ को अन्य थप विवरणहरु अनुसूचि १ मा तथा धितोपत्र दर्ता तथा निष्काशन नियमावली २०६५ को नियम २२ को उपनियम १ संग सम्बन्धित थप विवरणहरु अनुसूचि २ मा उल्लेख गरिएको छ ।

(२०) बैंकको आगामी कार्यदिशा :

व्यवसाय/सेवा वृद्धिका लागी सर्गठित संस्थाको भावी योजना र त्यस्तो योजनाको प्राप्तिका लागी चालिने समयबद्ध रणनीति अनुरूप बैंकले आगामी दिनमा कार्यक्रम विस्तारसगै निम्न लिखित योजनाहरु तर्जुमा गरेको अवगत गराउन चाहन्छु :-

- बैंकले ने.रा.बैंकको निर्देशन बमोजिम हाल चुक्ता पूँजी ५० करोड पुऱ्याई सकेको हुँदा थप प्रदेश भित्र ५ जिल्ला सम्म बैंकिङसेवालाई सरल विस्तृत रुपमा परिमार्जन गरी नयाँ शाखा खोली लैजाने योजना रहेको छ ।
- निक्षेपको लागत कम गर्न संस्थागत निक्षेप तर्फको निर्भरतालाई न्यून गर्दै लैजाने र सर्वसाधारणहरूलाई बचत परिचालन गर्न बचत तर्फ नयाँ योजनाहरु तर्जुमा गर्ने ।
- बैंकको अनुगमन क्षमतालाई प्रभावकारी बनाउन सवारी साधन तथा आधुनिक उपकरणहरु द्वारा बैंकलाई सम्पन्न गर्दै लैजाने ।
- कर्जा तथा सापटीमा प्राप्त हुने प्रतिफललाई वृद्धि गर्न साना तथा मझौला उद्योगमा जाने कर्जा तथा खुद्रा कर्जामा समेत प्राथमिकता दिने ।
- कर्मचारीको मनोबल उच्च राख्न साधनश्रोतले भ्याएसम्म सेवा सुविधमा ध्यान दिने ।
- व्यापारिक दृष्टिकोणबाट आर्थिक उपलब्धी मुलुक घर/जग्गा परियोजना संचालन गर्ने ।

यी बाहेक नयाँ बैंक तथा वित्तीय संस्थाहरूको प्रवेशबाट उत्पन्न हुनसक्ने जोखिमहरु, डेभलपमेन्ट बैंकले प्रदान गरेको तथा भविष्यमा प्रदान गरिने कर्जा तथा सापटी खराब कर्जामा परिणत हुन गएमा हुने जोखिम, देशको राजनैतिक, आर्थिक तथा सामाजिक परिस्थिती तथा नेपाल राष्ट्र बैंकको आर्थिक एवं वित्तीय नीति नियममा हुने परिवर्तनबाट हुनसक्ने जोखिमहरु, निक्षेप तथा कर्जाको व्याजदरमा आउने परिवर्तनबाट हुन सक्ने जोखिमहरु, पूँजि बजारको अवस्थामा आउने उतार चढावबाट पर्नसक्ने जोखिमहरु, देशको मौद्रिक नीति लगायत राष्ट्र बैंकले जारी गर्ने नीति नियम र निर्देशनको अप्रत्याशित परिवर्तनबाट सिर्जना हुनसक्ने सम्भावित जोखिमहरु, देशको वैदेशिक नीतिमा हुनसक्ने परिवर्तन तथा विदेशी मुद्राको विनिमय दरमा घटवढ भई उत्पन्न हुनेसक्ने सम्भावित जोखिमहरु तथा कम्पनिले सरकारी र गैर सरकारी धितोहरूमा लगानी गर्दा धितोपत्र मूल्यमा परिवर्तनका कारण उत्पन्न हुनसक्ने जोखिमहरु लगायत सम्पूर्ण जोखिमहरूको गहन अध्ययन र विश्लेषण गरी उक्त जोखिमहरूको न्यूनिकरण गर्दै जाने रणनीति रहेको छ ।

(२१) हार्दिक कृतज्ञता ज्ञापन :

यस पूनित अवसरमा बैंकका निक्षेपकर्ताहरु, ग्राहक वर्ग, शुभेच्छुक, सहयोगी शेयरधनिहरु तथा बैंक व्यवस्थापन तहमा रही अमूल्य सहयोग गर्दै आउनु भएका संचालकज्यू हरु तथा संस्थामा संलग्न लगनशिल कर्मचारी वर्गहरुबाट प्राप्त सहयोग प्रति हार्दिक धन्यवाद व्यक्त गर्दै भविष्यमा समेत यस प्रकारको सहयोग एवं शुभेच्छाको आशा लिएको छु । बैंकको घोषित लक्ष्य प्राप्तिका लागि सम्वद्ध सबै शेयरधनि महानुभावहरुबाट समेत आगामी दिनमा सहयोग, सद्भाव र शुभेच्छाको अपेक्षा राखेको छु ।

बैंकले गर्ने दैनिक काम कारोवारका शिलशिलामा प्राप्त निर्देशन, सुझाव तथा सहयोगको लागि बैंकसंग सम्वन्धित निकाय नेपाल राष्ट्र बैंक, कम्पनी रजिष्टारको कार्यालय तथा सम्वन्धित अन्य निकायहरुमा कार्यरत पदाधिकारीहरुलाई समेत हार्दिक कृतज्ञता ज्ञाहेर गर्दछु ।

धन्यवाद

राजेन्द्र वीर राय
अध्यक्ष
संचालक समिति

धितोपत्र दर्ता तथा निष्काशन नियमावली, २०६५ को अनुसूची १४

(नियम २२ को उपनियम (१) संग सम्बन्धीत)

१. कानूनी कारवाही सम्बन्धी विवरण :

समिक्षा अवधिमा बैक तथा बैकका संचालक तथा संस्थापक शेयरधनी एवं बैकका पदाधिकारी तथा कर्मचारीहरु उपर कानूनी कारवाही सम्बन्धी कुनै मद्दा दायर भएको छैन ।

२. संगठित संस्थाको शेयर कारोबार सम्बन्धी विश्लेषण

धितोपत्र बजारमा शेयर कारोबारमा हुने उतार चढाबमा खुल्ला बजारले तय गरेको मूल्यको आधारमा हुने भएकोले यसलाई वैक व्यवस्थापन एवं यसका संचालकहरुको धारणा तटस्त रहेको छ । शेयर मूल्यलाई असर पार्न सक्ने कुनै निर्णय आदि केही भएमा सो को जानकारी तोकिएको समयमा उपलब्ध गराउने गरिएको छ । यस विकास बैकको समिक्षा अवधिको शेयरको अधिकतम, न्यूनतम, आन्तिम मूल्य, कारोबार भएको कुल दिन तथा कारोबार संख्या निम्नानुसार उल्लेख गरिएको छ ।

नेपाल स्टक एक्सचेन्जको वेबसाइट धधधालभउवकितयअपाअक अनुसार

विवरण	२०७६ आश्विन मसान्त	२०७६ पौष मसान्त	२०७६ चैत्र मसान्त	२०७७ आषाढ मसान्त
शेयरको अधिकतम मूल्य	११८	११४	१२९	१०२
शेयरको न्यूनतम मूल्य	९८	९५	९७	९७
शेयरको अन्तिम मूल्य	१०५	१०१	१००	१००
कारोबार भएको कूल सख्या	५७२६९	८९५७७	३०२९६८	२०९१६
कारोबार भएको कूल दिन	६३	५६	४५	१३

3. समस्या र चुनौतीहरू :

देशको आर्थिक तथा राजनैतिक अवस्था, बैकिंग क्षेत्रमा बढ्दो प्रतिष्पर्धा, व्याज दरमा भएको उच्च वृद्धि, वित्तिय बजारमा रहेको तरलता र लगानी मैत्री वातावरणको संकुचन, बढ्दो उर्जा संकट, श्रम समस्याका साथै आन्तरिक समस्या तर्फ दक्ष जनशक्तिको अभाव र उच्च मूल्य बढिले संचालन खर्चमा ल्याएको असर आदि वित्तिय क्षेत्रका समस्या र चुनौतीका रुपमा यथावत रहेका छन् ।

समिक्षा अवधिमा वैकिंग क्षेत्रले व्यहोनुं परेको उपरोक्त आन्तरिक समस्याहरुको निराकरणको लागि व्यवस्थापनले लिएको सजगता, अधिकतम संसाधनको प्रयोग, आचारणमा मितव्ययीता, कर्जा लगिमा विविधिकरण र मानव संसाधनको उचित प्रयोग एवं दक्षता अभिवृद्धि गर्ने नीति बैंक व्यवस्थापनले लिएको छ । यसै बाह्य समस्याको निराकरणको लागि वित्तिय बजारको अवस्था अनुरूप उपयुक्त रणनीतिको तर्जुमा गरिदै आईएकोछ ।

अनुसूची १

कम्पनी ऐन २०६३ को दफा १०८ उपदफा ४ अनुसारको विवरण

१) शेयर जफत भएको भए जफत भएको शेयर संख्या, त्यस्तो बैकले प्राप्त गरेको जम्मा रकम र त्यस्तो शेयर जफत भएपछि सो शेयर विन्ती गरी बैकले प्राप्त गरेको रकम तथा जफत भएको शेयर वापत रकम फिर्ता गरेको भए सोको विवरण:

समीक्षा वर्षमा बैंकको कनै पनि शेयरहरु जफत गरिएको छैन ।

२) विगत आर्थिक वर्षमा कम्पनी र यसको सहायक कम्पनीको कारोबारको प्रगति, सो आर्थिक वर्षको अन्तमा रहेको स्थितिको पत्रावलोकन :

विकास बैंकको हाल सम्म कुनै सहायक कम्पनी नभएको र बैंकले गरेको प्रगतिको बारेमा यसै प्रतिवेदनको विभिन्न बँदाहरुमा प्रस्तुत गरिएको छ ।

3) कम्पनी तथा त्यसको सहायक कम्पनीले आर्थिक वर्षमा सम्पन्न गरेका प्रमुख कारोबारहरु र सो अवधिमा कम्पनीको कारोबारमा आएको कुनै महत्वपूर्ण परिवर्तन:

हालसम्म यस बैंकको कुनै सहायक कम्पनी नरहेको ।

8) विगत आर्थिक वर्षमा बैंकका आधारभूत शेयरधनीहरुले उपलब्ध गराएका जानकारीहरुः

विगत आ.व.मा बैङ्कका आधारभूत शेयरधनीहरूले कुनै पनि जानकारी उपलब्ध गराएका छैनन् ।

५) विगत आर्थिक वर्षमा बैंकका संचालक तथा पदाधिकारीहरूले लिइएको शेयर स्वामित्वको विवरण र कम्पनीको शेयर कारोबारमा निजहरू संलग्न भएको मध्ये त्यस सम्बन्धमा निजहरूबाट प्राप्त गरेको जानकारी :

यस्तो कुनै जानकारी बैंकलाई प्राप्त भएको छैन ।

६) कम्पनीले आफ्नो शेयर आफैले खरिद गरेको मध्ये त्यसरी आफ्नो शेयर खरिद गर्नुको कारण, त्यस्तो शेयरको संख्या र अंकित मूल्य तथा त्यसरी खरिद गरे वापत बैंकले भुक्तानी गरेको रकम :

समीक्षा वर्षमा विकास बैंकले आफ्नो शेयर आफै खरिद नगरेको ।

७) आन्तरिक नियन्त्रण प्रणाली मध्ये वा नभएको मध्ये सोको विवरण:

बैंकको व्यवसायमा द्रुतगतिमा भएको विस्तार संगसंगै बैकिङ्ग व्यवसायमा भएको जोखिमलाई संगठित रूपमा व्यवस्थापन गर्न आन्तरिक लेखापरीक्षणलाई बढी प्रभावकारी बनाउनुका साथै अन्य जोखिम व्यवस्थापन संग सम्बन्धित विभिन्न समितिहरूको भूमिकालाई समेत प्रभावकारी बनाउँदै लिएको छ । बैंकको संचालक समितिका सदस्यको संयोजकत्वमा अन्य उच्च पदाधिकारीहरूलाई सम्मिलित गराई गठन गरिएको जोखिम व्यवस्थापन समितिले नियमित रूपमा बैठक गरी कर्जा जोखिम, संचालन जोखिमका साथ साथै अन्य विभिन्न बैकिङ्ग जोखिमहरूको समयानुकूल उचित व्यवस्थापनका लागि विभिन्न उपायहरू तर्जुमा गर्ने गरेको छ ।

८) समीक्षा आर्थिक वर्षको कुल व्यवस्थापन खर्च विवरण:

(क) कर्मचारी खर्च	रु. ६१,५८७,८३१।००
(ख) कार्यालय संचालन खर्च	रु. ४०,४३०,६९०।००
(ग) ङास तथा परिपोधन खर्च	रु. ७,७४७,३६९।००
जम्मा	रु. १०९,७६५,८९०।००

९) लेखापरीक्षण समितिका पदाधिकारीहरूको नाम, उनीहरूको काम, कर्तव्य र सुविधाहरू:

बैंकले संचालक श्री उषा कुमारी को संयोजकत्वमा गठन गरेको लेखा परिक्षण समितिमा लेखा विभागका श्री निरज विक्रम शाह र श्री नर्जित बस्नेत समेत ३ सदस्य समिति रहने व्यवस्था गरेको छ । उक्त समितिले बैंकको वित्तिय स्थिति, आन्तरिक लेखा नियन्त्रण, जोखिम व्यवस्थापन जस्ता विषयहरूमा अध्ययन गर्ने तथा आन्तरिक र बाह्य लेखा परिक्षकले दिएका प्रतिवेदनहरू उपर छलफल गरी संचालक समितिलाई नियमित रूपमा आवश्यक राय सुझाव दिने गरेको व्यहोरा यहाँहरूलाई अवगत गराउन चाहन्छु ।

१०) संचालक, प्रबन्ध संचालक, कार्यकारी प्रमुख, कम्पनीका आधारभुत शेयरधनी वा निजको नजिकका नातेदार वा निज संलग्न रहेको फर्म, कम्पनी वा संगठित संस्थाले कम्पनीलाई बुझाउन बाँकी रकम:

कुनै प्रकारको रकम बुझाउन बाँकी छैन ।

११) संचालक, प्रबन्ध संचालक, कार्यकारी प्रमुख तथा पदाधिकारीहरूलाई भुक्तानी गरिएको पारीश्रमिक मत्ता तथा सुविधाको रकम:

बैंकको आर्थिक नियमावलीमा व्यवस्था भए अनुसार संचालकहरूलाई बैठक भत्ता एवं अन्यलाई पारीश्रमिक प्रदान गर्ने गरिएको छ ।

१२) शेयरधनीहरूले बुझिलिन बाँकी रहेको लामांश रकम:

शेयरधनीहरूले बुझिलिन बाँकी रहेको लामांश रकम बाँकी छैन ।

१३) दफा १४१ बमोजिम सम्पत्ति खरिद वा बिक्री गरेको कुराको विवरण:

हाल सम्म यस दफा अनुसारको सम्पत्ति खरिद बिक्री गरिएको छैन ।

१४) दफा १७५ बमोजिम सम्बन्ध कम्पनी बिच भएको कारोबारको विवरण:

हाल सम्म यस दफा बमोजिमको सम्बन्ध कम्पनी बिच कारोबार भएको छैन ।

१५) यस ऐन तथा प्रचलित कानून बमोजिम संचालक समितिको प्रतिवेदनमा सुलाउनु पर्ने अन्य कुराहरू:

नभएको ।

K. P. N. & ASSOCIATES

CHARTERED ACCOUNTANTS

| GPO Box: 3738
● House No. 65, Kumari Marga-6
| Dillibazar, Kathmandu, Nepal

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of *Karnali Development Bank Limited*

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Karnali Development Bank Limited**, which comprise the statement of financial position as at 31 Ashad 2077 (15 July 2020), and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Karnali Development Bank Limited** as at 31 Ashad 2077 (15 July 2020), and its financial performance and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards (NFRSs).

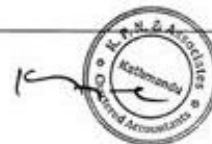
Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

S.N.	Key Audit Matters	Auditor's Response
1	<p>General Controls on Information Technology</p> <p>Information Technology controls with respect to transaction recording, generating reports in compliance with NRB guidelines and other compliances to regulators is an important part of the process of IT infrastructure. Most of the such reports are highly dependent on efficiency of Core Banking and other allied software.</p> <p>IT infrastructure is considered key audit matter because if any control lapses arises or incorrect data punched may result in wrong reporting to the management, stakeholders and regulators.</p>	<p>Our audit approach is based on the IT Guidelines issued by the NRB and it includes;</p> <p>a. Understanding the punching of data in system and evaluation of result and ensuring its reliability.</p> <p>b. Review of reports generated by the system on sample basis. We verified the interest income & interest expenses reported by system through manual computation on sample basis.</p>



● 01-4420903 | ● info@kpn.com.np | ● www.kpn.com.np

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with NFRSs, and 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.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of our auditor's report. However, further events or conclusions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

We further report that;

- We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of audit,
- The accounts and records of the Company has been maintained as required by law,
- Financial statements are in agreement with the books of account maintained by the Company,
- The Capital Fund, Risk Bearing Fund and the provision for possible impairment of assets of the Company are adequate as per the directives issued by the Nepal Rastra Bank,
- In our opinion and to the best of our information and according to explanation given to us, the Board of Directors, the representative or any employee of the Company has not acted contrary to the legal provisions relating to accounts nor caused direct loss or damage to the Company deliberately or acted in a manner that would jeopardize the interest and security of the Company,
- The operations of the Company were within its jurisdiction,
- The Company has not acted in a manner to jeopardize the interest and security of the depositors and investors,
- The Company has a centralized core accounting system and details received from branches though the statements are not independently audited, were adequate for the purpose of our audit, and
- We have not come across any fraudulence in accounts, so far as it appeared from our examination of books of account.

Date: 2078/09/29
Place: Dillibazar, Kathmandu
UDIN: 220123CA00469vjrLY



CA. Keshab Prasad Neupane
Principal
K. P. N. & Associates
Chartered Accountants

KARNALI DEVELOPMENT BANK LTD.
STATEMENT OF FINANCIAL POSITION
As on Ashad end 2077

IN NPR

ASSETS	NOTE	ASHAD END 2077	ASHAD END 2076
Cash and cash equivalent	4.1	1,736,268,305	1,522,744,120
Due from Nepal Rastra Bank	4.2	146,528,295	136,799,683
Placement with Bank and Financial Institutions	4.3	-	-
Derivative financial instruments	4.4	-	-
Other trading assets	4.5	-	-
Loans and advances to B/Fis	4.6	-	-
Loans and advances to customers	4.7	2,481,651,124	2,118,991,279
Investment securities	4.8	-	-
Current tax assets	4.9	14,601,150	8,190,971
Investment in subsidiaries	4.10	-	-
Investment in associates	4.11	-	-
Investment property	4.12	-	-
Property Plant and Equipment	4.13	116,069,227	101,316,039
Goodwill and Intangible assets	4.14	410,464	632,325
Deferred tax assets	4.15	-	9,649,167
Other assets	4.16	68,698,099	61,842,264
TOTAL ASSETS		4,564,226,664	3,960,165,848
LIABILITIES	NOTE	ASHAD END 2077	ASHAD END 2076
Due to Bank and Financial Institutions	4.17	-	-
Due to Nepal Rastra Bank	4.18	-	-
Derivative financial instruments	4.19	-	-
Deposits from customers	4.20	3,987,441,860	3,372,711,275
Borrowing	4.21	-	-
Current Tax Liabilities	4.9	-	-
Provisions	4.22	-	-
Deferred tax liabilities	4.15	42,085	-
Other liabilities	4.23	31,771,988	57,247,000
Debt securities issued	4.24	-	-
Subordinated Liabilities	4.25	-	-
TOTAL LIABILITIES		4,019,255,933	3,429,958,275

EQUITY			
Share Capital	4.26	502,830,000	502,830,000
Share premium		458,926	458,926
Retained Earnings		(26,620,677)	(14,232,643)
Reserves	4.27	68,302,482	41,151,290
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS		544,970,731	530,207,573
NON-CONTROLLING INTEREST			-
TOTAL EQUITY		544,970,731	530,207,573
TOTAL LIABILITIES & EQUITY		4,564,226,664	3,960,165,848
Contingent liabilities and commitment	4.28	69,242,969	43,809,486
Net assets value per share		108.38	

As per our report of even date

Bed Prakash Singh Thakuri
Account Officer

Dinesh Kumar Rawat
Chief Executive Officer

Rajendra Bir Raya
Chairman

CA. Keshab Prasad Neupane
For; K.P.N & Associates
Chartered Accountants

Dr. Om Prakash Mishra
Director

Yubraj Adhikari
Director

Er. Nisar Ahamad Darji
Director

Usha Bhandari
Director

Tanka Bdr. Basnet
Indp Director

KARNALI DEVELOPMENT BANK LTD.
STATEMENT OF PROFIT OR LOSS
For the year ended Ashad 2077

IN NPR

	NOTE	ASHAD END 2077	ASHAD END 2076
Interest income	4.29	388,978,065	315,316,442
Interest expense	4.30	317,957,301	232,145,484
Net interest income		71,020,763	83,170,958
Fee and commission income	4.31	29,601,127	32,574,178
Fee and commission expense	4.32	-	-
Net fee and commission income		29,601,127	32,574,178
Net interest, fee and commission income		100,621,890	115,745,136
Net trading income	4.33	-	-
Other operating income	4.34	164,945	-
Total operating income		100,786,835	115,745,136
Impairment charge/(reversal) for loans and other losses	4.35	3,677,699	1,935,278
Net operating income		97,109,136	113,809,858
Operating expense			
Personnel expenses	4.36	61,587,831	53,988,365
Other operating expenses	4.37	40,430,690	44,913,854
Depreciation & Amortization	4.38	7,747,369	4,948,574
Operating Profit		(12,656,754)	9,959,065
Non operating income	4.39	-	3,162,226
Non operating expense	4.40	-	663,631
Profit before income tax		(12,656,754)	12,457,660
Income tax expense	4.41		
Current Tax expenses		-	-
Deferred Tax (Expenses)/Income		(1,442,097)	324,216
Profit for the period		(11,214,657)	12,133,444
Profit attributable to:			
Equity holders of the Bank		(11,214,657)	12,133,444
Non-controlling interest		-	-
Profit for the period		(11,214,657)	12,133,444
Earnings per share			
Basic earnings per share		(2.23)	2.41
Diluted earnings per share		(2.23)	2.41

As per our report of even date

Bed Prakash Singh Thakuri
Account Officer

Dinesh Kumar Rawat
Chief Executive Officer

Rajendra Bir Raya
Chairman

CA. Keshab Prasad Neupane
For; K.P.N & Associates
Chartered Accountants

Dr. Om Prakash Mishra
Director

Yubraj Adhikari
Director

Er. Nisar Ahamad Darji
Director

Usha Bhandari
Director

Tanka Bdr. Basnet
Indp Director

KARNALI DEVELOPMENT BANK LTD.
STATEMENT OF COMPREHENSIVE INCOME
For the year ended Ashad 2077

IN NPR

			RESTATED
	NOTE	ASHAD END 2077	ASHAD END 2076
Profit for the year		(11,214,657)	12,133,444
Other comprehensive income, net of income tax			
a) Items that will not be reclassified to profit or loss			
"Gains/(Losses) from investments in equity instruments measured at fair value"			
Gains/(Losses) on revaluation			-
Actuarial gain/(loss) on defined benefit plans		37,111,164.00	(11,799,407)
Income tax relating to above terms		(11,133,349)	3,539,822
Net other comprehensive income that will not be reclassified to profit or loss		25,977,815	(8,259,585)
b) Items that are or may be reclassified to profit or loss			
Gains/(Losses) on cash flow hedge			-
Exchange gains/(losses) arising from translating financial assets of foreign operation			-
Income tax relating to above terms			-
Reclassify to profit or loss			-
Net other comprehensive income that are or may be reclassified to profit or loss			-
c) Share of other comprehensive income of associate accounted as per equited method			-
Other comprehensive income for the year, net of income tax		25,977,815	(8,259,585)
Total comprehensive income for the period		14,763,158	3,873,859
Total comprehensive income attributable to:			
Equity holders of the bank		14,763,158	3,873,859
Non-controlling interest		-	-
Total comprehensive income for the period		14,763,158	3,873,859

Bed Prakash Singh Thakuri
Account Officer

Dinesh Kumar Rawat
Chief Executive Officer

Rajendra Bir Raya
Chairman

CA. Keshab Prasad Neupane
For; K.P.N & Associates
Chartered Accountants

Dr. Om Prakash Mishra
Director

Yubraj Adhikari
Director

Er. Nisar Ahamad Darji
Director

Usha Bhandari
Director

Tanka Bdr. Basnet
Indp Director

KARNALI DEVELOPMENT BANK LTD.
STATEMENT OF CASH FLOWS
For the year ended Ashad 2077

IN NPR

		RESTATED
	ASHAD END 2077	ASHAD END 2076
CASH FLOW FROM OPERATING ACTIVITIES		
Interest received	374,381,085	302,442,229
Fees and other income received	29,601,127	32,574,178
Dividend received	-	-
Receipts from other operating activities	-	3,162,226
Interest paid	(317,393,630)	(249,275,833)
Commission and fees paid	-	-
Cash payment to employees	(54,803,196)	(48,062,936)
Other expenses paid	(40,430,690)	(47,344,603)
Operating cash flows before changes in operating assets and liabilities	(8,645,303)	(6,504,739)
(Increase)/ Decrease in operating assets		
Due from Nepal Rastra Bank	(9,728,612)	13,958,771
Placement with bank and financial institutions	-	-
Other trading assets	-	-
Loan and advances to bank and financial institutions	-	-
Loan and advances to customers	(356,359,918)	(868,937,911)
Other assets	(2,236,481)	(4,060,643)
(Increase)/ Decrease in operating liabilities		
Due to bank and financial institutions		-
Due to Nepal Rastra Bank		-
Deposits from Customers	614,730,585	890,942,457
Borrowings	-	-
Other Liabilities	4,287,845	(11,717,171)
Net Cash flow from operating activities before tax paid	242,048,115	13,680,764
Income taxes paid	(6,410,179)	(6,856,867)
Net Cash flow from operating activities	235,637,936	6,823,897
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investment securities		-
Receipt from the sale of investment securities		-
Purchase of property and equipment	(24,283,751)	(27,974,118)
Receipt from the sale of property and equipment	2,170,000	11,900,000
Purchase of intangible assets	-	(311,523)
Receipt from the sale of intangible assets	-	-
Purchase of investment properties	-	-
Receipt from the sale of investment properties	-	-
Interest received	-	-
Dividend received	-	-
Net cash used in investing activities	(22,113,751)	(16,385,641)

CASH FLOW FROM FINANCING ACTIVITIES		
Receipt from issue of debt securities	-	-
Repayment of debt securities	-	-
Receipt from issue of subordinated liabilities	-	-
Repayment of subordinated liabilities	-	-
Receipt from issue of shares	-	-
Dividends paid	-	-
Interest paid	-	-
Other receipt/ payment	-	-
Net cash from financing activities	-	-
Net increase/ (decrease) in cash and cash equivalents	213,524,185	(9,561,744)
Cash and cash equivalents at Shrawan 1, 2076	1,522,744,120	1,532,305,864
Effect of exchange rate fluctuations on cash and cash equivalents held	-	-
Cash and cash equivalents at Ashad end, 2077	1,736,268,305	1,522,744,120

Bed Prakash Singh Thakuri
Account Officer

Dinesh Kumar Rawat
Chief Executive Officer

Rajendra Bir Raya
Chairman

CA. Keshab Prasad Neupane
For; K.P.N & Associates
Chartered Accountants

Dr. Om Prakash Mishra
Director

Yubraj Adhikari
Director

Er. Nisar Ahamad Darji
Director

Usha Bhandari
Director

Tanka Bdr. Basnet
Indp Director

KARNALI DEVELOPMENT BANK LTD.
STATEMENT OF CHANGES IN EQUITY
For the year ended Ashad 2077



कर्णाली डेवलपमेन्ट बैंक लि.
Karnali Development Bank Ltd.
सम्पत्तिको आधार

Particulars	Share Capital	General Reserve	Share Premium	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning	Investment Adjustment Reserve	Other Reserve	Total
Balance as at Shrawan 1, 2075	502,830,000	14,820,910	2,889,674	-	-	-	7,764,801	-	459,077	528,764,462
Comprehensive income for the year										-
Profit for the year							12,133,444			12,133,444
Other Comprehensive income, net of tax										-
Gains/(losses) from investments in equity instruments measured at fair value										-
Gains/(losses) on revaluation										-
Actuarial gains/(losses) on defined benefit plans									(8,259,585)	(8,259,585)
Total comprehensive income for the year	-	-	-	-	-	-	12,133,444	-	(8,259,585)	3,873,859
Transfer to reserve during the year		2,426,689		32,004,056			(34,630,829)		200,084	-
Transfer from reserve during the year							499,941		(499,941)	-
Transactions with owners, directly recognised in equity										-
Right shares issued										-
Share issue expenses			(2,430,748)							(2,430,748)
Bonus shares issued										-
Cash dividend paid										-
Others										-
Total contributions by and distributions	-	-	(2,430,748)	-	-	-	-	-	-	(2,430,748)
Balance as at Shrawan 1, 2076	502,830,000	17,247,599	458,926	32,004,056	-	-	(14,232,643)	-	8,100,365	530,207,573

* Other Reserve Represents Staff Training Fund, Corporate Social Responsibility Fund and Actuarial Reserve

Dr. Om Prakash Mishra
Director

KARNALI DEVELOPMENT BANK LTD.
STATEMENT OF DISTRIBUTABLE PROFIT OR LOSS
For the year ended Ashad 2077
(As per NRB Regulation)

IN NPR

	ASHAD END 2077	ASHAD END 2076
Opening restated retained earning	(14,232,643)	7,764,801
Less: Dividend distributed		
Less: Bonus Share issued		
Less: Share issue expenses		
Add: Gain from sale of investment securities measured at fair value through OCI		
Remaining balance of Retained Earnings	(14,232,643)	7,764,801
Net profit or (loss) as per statement of profit or loss	(11,214,657)	12,133,444
Appropriations:		
a. General reserve	-	(2,426,689)
b. Foreign exchange fluctuation fund	-	-
c. Capital redemption reserve	-	-
d. Corporate social responsibility fund	-	(121,334)
e. Employees' training fund	-	(78,750)
f. Other		
Transfer from Staff Training Fund		
Transfer from CSR Fund	-	6,643
Transfer from Deferred Tax Reserve	-	493,298
Profit or (loss) before regulatory adjustment	(11,214,657)	10,006,612
Regulatory adjustment :		
a. Interest receivable (-)/previous accrued interest received (+)	(19,522,703)	(13,654,730)
b. Short loan loss provision in accounts (-)/reversal (+)		-
c. Short provision for possible losses on investment (-)/reversal (+)		-
d. Short loan loss provision on Non Banking Assets (-)/resersal (+)		-
e. Deferred tax assets recognised (-)/ reversal (+)	9,649,167	(9,649,167)
f. Goodwill recognised (-)/ impairment of Goodwill (+)		-
g. Bargain purchase gain recognised (-)/resersal (+)		-
h. Acturial loss recognised (-)/reversal (+)	8,700,159	(8,700,159)
i. Other (+/-)		
Distributable profit or (loss)	(26,620,677)	(14,232,643)
Workings for Regulatory Reserve		
a. Interest receivable (-)/previous accrued interest received (+)	Amount	Amount
Accrued Interest receivable as per Trial Balance	50,829,799.98	36,232,820
Interest received till Ashoj 31, 2077 out of Interest Receivable	(19,841,382.29)	(14,558,645)

Interest not received but already booked income (As per NFRS)	30,988,418	21,674,174
Notional Bonus Amount (@ 10%)	(3,098,842)	(2,167,417)
Interest Income after Notional Bonus	27,889,576	19,506,757
Notional Tax Amount (@ 30%)	(8,366,873)	(5,852,027)
Interest not received transferred to Regulatory Reserve	19,522,703	13,654,730
(As per Circular no. 6, 2066-67, Point no. (Aa))		
d. Short loan loss provision on Non Banking Assets (-)/reversal (+)	Amount	Amount
Short loan loss provision on Non Banking Assets		-
Notional Bonus Amount (@ 10%)		-
Short loan loss provision on NBA after Notional Bonus		-
Notional Tax Amount (@ 30%)		-
Short loan loss provision on NBA transferred to Regulatory Reserve		-
(As per Circular no. 6, 2066-67, Point no. (Ee))		
c. Short provision for possible losses on investment (-)/reversal (+)	Amount	Amount
Provision for investment to be made as per GAAP		
Notional Tax Amount (@ 30%)		-
Difference i.e. short provision for investment		-
Investment Adjustment Reserve	Amount	Amount
To be created for unquoted investment		-
Previous year recognised		
This year to be recognised as inflow to retained earnings		-

KARNALI DEVELOPMENT BANK LTD.
NOTES FORMING PART OF FINANCIAL STATEMENTS
For the Year ended Ashad 31, 2077 (July 16, 2020)

1. Reporting entity

Karnali Development Bank Limited (hereinafter referred to as the "the Bank") is a public limited company registered under Companies Act of Nepal. The Bank is licensed as per the Nepal Rastra Bank (NRB) as "B" class financial institution to perform financial services as per the Bank and Financial Institutions Act (BAFIA) and its Memorandum and Articles of Association.

The head office of the bank is located at Nepalgunj, Banke, Nepal and carries out its financial services through its branches.

The bank accepts deposits, issues loans, issues and processes debit cards, is engaged in investing and trading securities, as well as performs other activities set forth in the BAFIA and the Memorandum and Articles of Association of the bank. The company offers range of financial products and services to wide range of clients encompassing individuals, mid markets and corporates.

The bank's shares are listed with Nepal Stock Exchange Ltd and its symbol is KRBL.

2 Basis of preparation of financial statements

These financial statements, which comprise the statement of financial position, statement of profit or loss, statement of other comprehensive income, statement of changes in equity, statement of cash flows and notes thereto have been prepared in all material aspects in accordance with requirements of applicable Nepal Financial Reporting Standards (NFRS) issued by the Institute of Chartered Accountants of Nepal and in the format issued by Nepal Rastra Bank. These are prepared under accrual basis of accounting in accordance with the historical cost convention, except for certain items as follows:

Liability for defined benefit obligations is recognised at present value of the defined benefit obligation as determined by actuary.

The bank presents its statement of financial position broadly in the order of liquidity.

The significant accounting policies applied in the preparation of financial statements are set out below in Note 3. These policies are consistently applied to all the years presented, except for the changes in accounting policies disclosed specifically.

2.1 Statement of compliance

The Financial Statement of the company which comprise of component mentioned above have been prepared in accordance with Nepal Financial Reporting Standard (hereafter referred as NFRS) issued by Accounting Standard Board of Nepal authorized by Institute of Chartered Accountants of Nepal and Nepal Rastra Bank and in compliance of requirement of the Companies Act 2006 and Generally Accepted Accounting Principles in the Banking industry in Nepal.

2.2 Reporting Period and approval of financial statements

a. Reporting Dates

The Bank follows the Nepalese financial year based on the Nepalese calendar starting from first day of Shrawan (Mid July) of each year to the last day of Ashad (Mid July) of the next year.

Relevant financial statements date/ period	Nepalese calendar date period	English calendar
Reporting date	Ashad 31, 2077	July 15, 2020
Comparative reporting date	Ashad 31, 2076	July 16, 2019
Reporting period	Shrawan 01, 2076 to Ashad 31, 2077	July 17, 2018 to July 15, 2020
Comparative reporting period	Shrawan 01, 2075 to Ashad 31, 2076	July 17, 2018 to July 16, 2019

b. Approval of financial statements

The accompanied financial statements have been approved and authorized for issue by the Board of Directors in its meeting held on .

2.3 Functional and presentation Currency

The financial statements are presented in Nepalese Rupees (Rs.), which is the functional and presentation currency of the company. Amounts in the financial statements are rounded off to the nearest rupee.

2.4 Use of Estimates, assumptions and judgements

The preparation of the financial statements in accordance with NFRS requires management to make judgements, estimates and assumptions in applying the accounting policies that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from these estimates. Estimates, judgements and assumptions are periodically evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized prospectively.

Further information about key assumptions concerning the future, and other key sources of estimation uncertainty and judgement, are set out in the relevant disclosure notes for the following areas:

- Impairment of loans and advances
- Provisions, commitments and contingencies
- Retirement benefit obligations

Disclosures of the accounting estimates have been included in the relevant sections of the notes wherever the estimates have been applied along with the nature and effect of changes of accounting estimates, if any.

2.5 Changes in Accounting Policies

The Bank has consistently applied the accounting policies to all periods presented in these financial statements except for new or revised statements and interpretations implemented during the year. The nature and effect of new standards and interpretations are discussed in note that follows.

2.6 New Standards issued but not yet effective

For the reporting of financial instruments, NAS 32 Financial Instruments Presentation, NAS 39 Financial Instruments Recognition and Measurements and NFRS 7 Financial Instruments – Disclosures have been applied. NFRS 9 has been complied for the classification of Financial Instruments. Few carve-outs on applicable accounting standards as provided by the Institute of Chartered Accountants of Nepal have been used by the Bank, the quantitative and qualitative impact of the same have been disclosed in detail in Notes to the Accounts. Further, several new standards and amendments to the existing standards and interpretations have been issued by International Accounting Standard Board

after the pronouncements of NFRS with varying effective dates. Those become applicable when Accounting Standard Board Nepal incorporates them within NFRS.

2.7 New standards and interpretations not adopted

There have been amendments to the standards issued by IASB and applicability of the new standards have been notified for International Financial Reporting Standards (IFRS). These amendments and new standards become applicable only when ICAN pronounces them.

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 also replaces the existing 'incurred loss' impairment approach with an expected credit loss approach, resulting in earlier recognition of credit losses. The IFRS 9 impairment model has three stages. Entities are required to recognize a 12-month expected loss allowance on initial recognition (stage 1) and a lifetime expected loss allowance when there has been a significant increase in credit risk (stage 2). The assessment of whether a significant increase in credit risk has occurred is a key aspect of the IFRS 9 methodology and involves quantitative measures, such as forward-looking probabilities of default, and qualitative factors and therefore requires considerable management judgment. Stage 3 requires objective evidence of impairment, which is similar to the guidance on incurred losses in IAS 39. IFRS 9 requires the use of more forward-looking information including reasonable and supportable forecasts of future economic conditions. The need to consider multiple economic scenarios and how they could impact the loss allowance is a very subjective feature of the IFRS 9 impairment model. Loan commitments and financial guarantees not measured at fair value through profit or loss are also in scope.

These changes may result in a material increase in the bank's impairment allowances for credit losses although the extent of any increase will depend upon, amongst other things, the composition of the bank's lending portfolios and forecast economic conditions at the date of implementation. The requirement to transfer assets between stages and to incorporate forward looking data into the expected credit loss calculation, including multiple economic scenarios, is likely to result in impairment charges being more volatile when compared to the current IAS 39 impairment model.

The IFRS 9 expected credit loss model principally differs from the regulatory model of incurred loss model.

a. IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts. The new standard introduces the core principle that revenue must be recognized when the goods are transferred or services are rendered to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognized, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognized if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalized and amortized over the period when the benefits of the contract are consumed.

Financial instruments, leases and insurance contracts are out of scope of IFRS 15, and so this standard is not expected to have a significant impact on the bank. IFRS 15 is effective for annual periods beginning on or after 1 January 2018.

b. IFRS 16 Leases

On 13 January 2016 the IASB issued IFRS 16 to replace IAS 17 Leases. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and instead, introduces a single lessee accounting model.

2.8 Discounting

When the realisation of assets and settlement of obligations is for more than one year, the bank considers discounting of such assets and liabilities where impact is material.

2.9 Provisions of carve-out adapted by the bank

The Institute of Chartered Accountants of Nepal (ICAN) issued "Notice regarding Decision on Carve-outs in NFRS with Alternative Treatments" on September 20, 2018 and alternative treatments as per carve-outs has been adapted while preparing the financial statements. The detail of carve-out provisions adapted by the bank is given hereunder:

a. Operating lease in the financial statements of Lessees (NAS 17 Leases, Para 33)

As per carve out prescribed by ICAN for fiscal year 2017-18, "Lease payments under an operating lease shall be recognized as an expense on a straight-line basis over the lease term unless either:

- Another systematic basis is more representative of the time pattern of the user's benefit even if the payments to the lessors are not on that basis; or
- The payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. If payments to the lessor vary because of factors other than general inflation, then this condition is not met."

b. Incurred loss model to measure the impairment loss on loan and advances (NAS 39: Financial Instruments, Para 58: Recognition and Measurement)

As per carve out prescribed for fiscal year 2017-18, 2018-19 and 2019-20, "An entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortized cost is impaired. If any such evidence exists, the entity shall apply paragraph 63 of to determine the amount of any impairment loss unless the entity is bank or bank registered as per Bank and Financial Institutions Act, 2073. Such entities shall measure impairment loss on loan and advances at the higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per paragraph 63 and shall apply paragraph 63 to measure the impairment loss on financial assets other than loan and advances. The entity shall disclose the impairment loss as per this carve-out and the amount of impairment loss determined as per paragraph 63.

c. Impracticability to determine transactions cost of all previous years which is the part of effective interest rate (NAS 39, Para 9: Financial Instruments: Recognition and Measurement)

As per carve out prescribed for fiscal year 2017-18 and 2018-19, "The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instruments (for example, prepayment call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received, unless it is immaterial or impracticable to determine reliably, between parties to the contract that are an integral part of the effective interest rate (see NAS 18 Revenue), transaction costs and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments)."

- d. *Impracticability to determine interest income on amortized cost (NAS 39, Para AG93: Financial Instruments: Recognition and Measurement)*

As per carve out prescribed for fiscal year 2017-18, 2018-19 and 2019-20, "Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Interest income shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset unless the financial asset is written off either partially or fully."

2.10 Standards applied

Standards as pronounced by the Institute of Chartered Accountants of Nepal (ICAN) has been used in the preparation of financial statements. Any departure from the requirements of NFRS, if any, has been separately disclosed in the explanatory notes.

A number of new standards and amendments to the existing standards and interpretations have been issued by International Accounting Standards Board (IASB) after the pronouncements of NFRS with varying effective dates. Those become applicable when ICAN incorporates them within NFRS.

3 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.

3.1 Basis of Measurement

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

- Liabilities for defined benefit obligations are recognised at the present value of the defined benefit obligation less the fair value of the plan assets.
- Financial assets and financial liabilities held at Amortised cost at measured using a rate that is a close approximation of effective interest rate.

3.2 Basis of Consolidation

a. Business Combination and Goodwill

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

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

The bank does not have any transaction associated to business combination.

b. Non-Controlling Interest

The Bank presents non-controlling interests in its consolidated statement of financial position within equity, separately from the equity of the owners of the parent. The group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests. The proportion allocated to the Bank and non-controlling interests are determined on the basis of present ownership interests.

However, Bank does not have a Subsidiary. So, the non-controlling interest has not been calculated separately.

c. Subsidiaries

Subsidiaries are entities that are controlled by the Bank. The Bank is presumed to control an investee when it is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. At each reporting date the Bank reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more elements of control mentioned above. The Financial Statements of Subsidiaries are fully consolidated from the date on which control is transferred to the Bank and continue to be consolidated until the date when such control ceases. The Financial Statements of the Bank's Subsidiaries are prepared for the same reporting year as per the Bank, using consistent accounting policies.

However, Bank does not have any subsidiary.

d. Loss of Control

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

However, Bank does not have any subsidiary.

e. Special Purpose Entity (SPE)

An entity may be created to accomplish a narrow and well-defined objective (eg. to effect a lease, research and development activities or a securitization of financial assets). Such a special purpose entity ('SPE') may take the form of a corporation, trust, partnership or unincorporated entity. SPEs often are created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their governing board, trustee or management over the operations of the SPE. Examples of SPEs include entities set up to effect a lease, a securitization of financial assets, or R&D activities. Nepal Financial Reporting Standard 10 Consolidated Financial Statement is applicable in relation to consolidation of special purpose entity.

The Bank does not have any special purpose entity.

f. Transaction elimination on consolidation

In consolidating a subsidiary, the group eliminates full intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the subsidiary and the Bank (profits or losses resulting from intra-group transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full).

The Bank does not have any subsidiary.

3.3 Cash and cash equivalent

Cash and cash equivalent comprise the total amount of cash-in-hand, balances with other bank and financial institutions, money at call and short notice, and highly liquid financial assets with original maturities period of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the bank in the management of its short-term commitments.

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

3.4 Financial assets and financial liabilities

a. Recognition

The bank initially recognizes a financial asset or a financial liability in its statement of financial position when, and only when, it becomes party to the contractual provisions of an instrument. The bank initially recognizes loans and advances, deposits and debt securities/subordinated liabilities issued on the date that they are originated which is the date that the institution becomes party to the contractual provisions of the instruments. Investments in equity instruments, units of mutual funds, bonds, debenture, government securities and NRB bond are recognized on trade date at which the bank commits to purchase/acquire the financial assets. Regular purchase and sale of financial assets are recognized on trade date.

b. Classification

The bank classifies its financial assets and financial liabilities as per NFRS 9 into the following measurement categories:

Financial assets

- Financial assets held at fair value through profit or loss;
- Financial assets held at fair value through other comprehensive income, and
- Financial assets held at amortized cost.

Financial liabilities

- Held at fair value through profit or loss, or
- Held at amortized cost.
- 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. Interest income from these financial assets is included in Interest Income using the effective interest rate method. The two classes of financial assets are as follows:

i. Financial assets recognized at amortized cost

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

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

ii Financial assets recognized at fair value

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

- Financial assets at fair value through profit or loss

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

- Financial assets at fair value through other comprehensive income

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

Financial Liabilities

The bank classifies financial liabilities as follows:

- Financial liabilities recognized at fair value through profit or loss

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

- Financial Liabilities recognized at amortized cost

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

c. Measurement

Initial Measurement

Financial assets and financial liabilities are recognised when the bank becomes party to the contractual provisions of the relevant instrument and are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value on initial recognition of financial assets or financial liabilities unless the same is measured at fair value through profit or loss. The transaction cost of financial assets and financial liabilities measured at fair value through profit or loss are expensed in 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 rate method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or non-collectability.

In case of loans and advances measured at amortized cost, the processing charge and documentation charges received from customers which are directly attributable to the acquisition or issue of such

financial assets are booked as income in the statement of profit or loss in the reporting period in which they are received. The effective interest rate method is not applied as it is impracticable to determine the amount.

Further, once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter calculated by applying effective interest rate to the gross carrying amount of a financial asset. Interest income on financial assets (loans and advances) which has been individually impaired are not recognised.

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

d. Derecognition

Derecognition of Financial Assets

Financial assets are derecognised when the right to receive cash flows from the assets has expired, or has been transferred, and the bank has transferred substantially all of the risks and rewards of ownership. Financial assets are also derecognised upon write off. Any gain or loss arising on the disposal or retirement of an item of financial asset is determined as the difference between the sales proceeds and its carrying amount and is recognised in the statement of profit or loss. The cumulative gain or loss that was recognised in other comprehensive income, is recognised to statement of profit or loss except for investment in equity instruments measured at fair value through other comprehensive income.

Derecognition of Financial Liabilities

A financial liability is derecognized when, and only when it is extinguished (i.e. when the obligation specified in contract is discharged, cancelled or expired). If the liability is renegotiated with the original lender on substantially different contractual terms, the original liability is derecognized and new liability is recognized.

The difference between the carrying amount of a liability (or portion) extinguished or transferred to another party (including related unamortized cost) and the amount paid for it (including any non-cash assets transferred or liability assumed), are included in statement of profit or loss.

e. 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 bank 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: These are quoted prices in active markets for identical assets or liabilities that the bank can access at the measurement date.

Level 2: These are the inputs other than quoted prices that are observable for the assets or liabilities,

either directly or indirectly. These would include prices for the similar, but not identical, assets or liabilities that were then adjusted to reflect the factors specific to the measured asset or liability.

Level 3: These are unobservable inputs for the assets or liability.

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. Where available, the bank measures the fair value of an instrument using quoted prices in an active market for that instrument. If a market for a financial instrument is not active, the bank, establishes fair value using an appropriate fair valuation technique.

For all unquoted investment in equity instruments, their cost has been considered as their fair value and accordingly these are recognised at cost, net of impairment if any.

f. Impairment

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 the Statement of 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.

However, in case of loans and advances, impairment loss is measured as the higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per paragraph 63 of NAS 39 – Financial Instruments: Recognition and Measurement.

i. Impairment of financial assets measured at amortized cost

Impairment of loans and advances portfolios is based on the judgements of 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 judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. Further, management has taken additional external risk (inflation, market risk and risk of data incompleteness) for the impairment of loans and advances.

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 'recovery of loan written off' under Note no. 4.39.

However, in case of loans and advances, impairment loss is measured as the higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per para 63 of NAS 39 – Financial Instruments: Recognition and Measurement.

ii. Impairment of investment in equity instrument classified as fair value through other comprehensive income

Objective evidence of impairment of investment in an equity instrument is a significant or prolonged decline in its fair value below its cost. Impairment losses are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and the current fair value, less any impairment loss recognized previously in profit or loss.

3.5 Trading assets

The bank classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short term profit making through trading activities or form part of a portfolio of financial instruments that are managed together for which there is evidence of a recent pattern of short-term profit taking. Held for trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognized in net trading income. Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established. Included in this classification are debt securities, equities, short positions and customer loans that have been acquired principally for the purpose of selling or repurchasing in the near term.

3.6 Derivative Assets and Derivative Liabilities

A derivative is a financial instrument whose value changes in response to the change in an underlying variable such as an interest rate, commodity or security price, or index; that requires no initial investment, or one that is smaller than would be required for a contract with similar response to changes in market factors; and that is settled at a future date.

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

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

3.7 Property, Plant and Equipment

All Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the bank and the cost of the item can be measured reliably. At each balance sheet date, the assets' residual values and useful lives are reviewed, and adjusted if appropriate, including assessing for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down to the recoverable amount. Gains and losses on

disposals are included in the statement of profit or loss.

Repairs and maintenance are charged to the statement of profit or loss in the year in which it is incurred.

Depreciation is calculated using the diminishing value method at the rate determined as follows:

Class of Assets	Depreciation Rate
Building	5%
Leasehold properties	5%
Computer and accessories	25%
Vehicles	20%
Furniture and fixtures	25%
Equipment and others - office equipment	25%
Equipment and others - other assets	15%

Land is not depreciated. Assets costing less than Rs. 5,000 are recognised in statement of profit or loss in the year of purchase.

Capital Work in Progress

The cost of property, plant and equipment which are not ready for their intended use till the date of statement of financial position, are disclosed under capital work-in-progress.

3.8 Goodwill Intangible Assets

The intangible assets include software purchased by the bank. All computer software costs incurred or licensed for use which are not integrally related to associated hardware, which can be clearly identified, reliably measured, and it's probable that they will lead to future economic benefits, are included in the statement of financial position under the category 'Intangible Assets'. Software is measured at cost less accumulated amortization and accumulated impairment loss if any. Software is amortized on a straight-line basis in profit or loss over its useful life, from the date that is available for use. The estimated useful life of software for the current and comparative periods is five years. Amortization method, useful lives and residual value are reviewed at each reporting date and adjusted, if any.

3.9 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 sold in ordinary course of business and owner-occupied property.

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.

Any gain or loss on disposal of an investment property is recognized in statement of profit or loss. When the use of a property changes such that it is reclassified as property plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent reporting.

3.10 Income tax

a. Current tax

Current tax in the statement of profit or loss is provided as the amount of tax payable in respect of taxable income for the period using tax rates and tax laws applicable during the period, together with any adjustment to tax payable in respect of previous years.

Current tax, in so far as it relates to items disclosed under other comprehensive income or equity, are disclosed separately under the statement of other comprehensive income or equity, as applicable.

Current tax assets and liabilities are offset only when there is both a legal right of offset and the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

b. Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that the future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities.

Deferred tax, in so far as it relates to items disclosed under other comprehensive income or equity, are disclosed separately under the statement of other comprehensive income or equity, as applicable.

3.11 Deposit, debt securities issued and subordinated liabilities

The estimated fair value of deposits with no stated maturity period is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits and other borrowings without quoted market prices is based on discounting cash flows using the prevailing market rates for debts with a similar credit risk and remaining maturity period.

Debentures are recognized at amortized cost using effective interest rates. The coupon rates of these instruments represent the effective interest rates. Effective interest rate is expected to cover for the credit risk and time value of money on these instruments as these are solely for the purpose of principal and interest.

3.12 Provisions

Provisions are recognized when the bank has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the bank determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in statement of profit or loss net of any reimbursement in other operating expenses

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.

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.

Due to sudden closer of Manakamana Money Transfer, provision for the amount receivable of NRs. 4,930,175.35 from Manakamana Money Transfer had been done in FY 2069-70. Out of the due, NRs. 3,162,225.93 has been recovered in previous year and rest NRs. 1,767,949 has been shown as a receivable in other assets along with the provision of NRs. 1,767,949. Bank is in the process to recover remaining Amount through Court procedure.

3.13 Revenue Recognition

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.

Revenue comprises of interest income, fees and commission, 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 income recognition are as below:

a. Interest income

Interest income is recognized in profit or loss using effective interest method. Effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of financial asset or liability to the carrying amount of the asset or liability. The calculation of effective interest rate includes all transactions cost and fee and points paid or received that are integral part of the effective interest. The 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 is calculated on an effective interest rate to the gross carrying amount of financial assets unless the financial asset is written off either partially or fully. 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, etc.
- Interest income on loans and advances to customers which are individually impaired are not recognised as per the Guidelines on Recognition of Interest Income, 2019 issued by Nepal Rastra Bank.

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 and service charges are recognized as the related services are performed.

c. Dividend Income

Dividend on investment in equity instruments and on units of mutual fund is recognized when the right to receive payment is established. Dividend income are presented in net trading income or other operating income based on the underlying classification of the equity instruments and units of mutual fund.

d. Net trading income

Net trading income comprises of gains less losses related to trading assets and liabilities and includes all realised and unrealized fair value changes, interest and dividends.

e. Net income from other financial instrument at fair value through profit or loss

Gains and losses arising from changes in the fair value of other financial instruments held at fair value through profit or loss are included in the statement of profit or loss in the period in which they arise.

3.14 Interest expenses

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.

3.15 Employees benefits

a. Short-term employee benefits

Expenses in respect of short-term benefits are recognised on the basis of amount paid or payable during which services are rendered by the employees. Liabilities for salary and allowances that are expected to be settled wholly within 12 months after the end of the financial year in which the employees render the related services are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

b. Post-employment benefits

The bank operates post-retirement benefit schemes for its employees including both defined benefit and defined contribution plans. A defined benefit scheme is a plan that defines an amount of gratuity benefit that an employee will receive on retirement, dependent on one or more factors such as age, years of service and salary. A defined contribution plan is a plan into which the bank pays fixed contributions; there is no legal or constructive obligation to pay further contributions.

i. Defined contribution plan

These are plans in which the bank pays pre-defined amounts to publicly administered funds as per local regulations and does not have any legal or informal obligation to pay additional sums. These comprise of contributions to the social security fund with the government on account of provident fund. The Company's payments to the defined contribution plans are recognised as employee benefit expenses when they are due.

ii. Defined benefit plan

The bank's defined benefit plans comprise of gratuity. The liability or asset recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

Service costs and net interest expense or income is reflected in the statement of profit or loss. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in actuarial gain/(loss) reserve in the statement of changes in equity and in the statement of financial position. Gratuity is non funded hence no any fund is deposited during the year.

c. Other long-term employee benefits obligations

The liabilities for earned leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in statement of profit and loss. This benefit is unfunded.

3.16 Leases

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.

The leases entered into by the bank are primarily operating leases. When an operating lease is terminated before the end of the lease period, any payment made to the lessor by way of penalty is recognized as an expense in the period of termination.

Actual lease payments as per the contract with lessor for the reporting period under operating lease are recognized as an expense in statement of profit or loss since the payment to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

3.17 Foreign currency translation

Foreign currency transactions are translated into the appropriate functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss, except when recognized in other comprehensive income.

Non-monetary assets that are measured at fair value are translated using the exchange rate at the date that the fair value was determined. Translation differences on equities and similar non-monetary items held at fair value through profit and loss are recognized in statement of profit or loss as part of the fair value gain or loss.

3.18 Financial guarantee and loan commitment

Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or those present obligations where the outflow of resources are uncertain or cannot be measured reliably. Contingent liabilities are not recognized in financial statements but are disclosed unless they are remote. 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. Detail of financial guarantee and commitments provided by the Bank on the reporting date is given as Note 4.28.

3.19 Share capital and reserve

The Bank applies NAS 32 – Financial Instruments: Presentation, to determine whether funding is either a financial liability (debt) or equity. Issued financial instruments or their components are classified as liabilities if the contractual arrangement results in the bank having a present obligation to either deliver cash or another financial asset, or a variable number of equity shares, to the holder of the instrument.

Expenses incurred of issue of share capital are deducted from equity. Dividends and other returns to equity holders are recognized in the period when they are declared by the members at the annual general meeting and are treated as a deduction from equity.

3.20 Earnings per share including diluted

Basic earnings per share are calculated by dividing the net profit attributable to equity shareholders by the weighted average number of ordinary shares in issue during the year. Diluted earnings per shares is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares that arise in respect of convertible preference shares. The bank does not have any convertible instruments and the diluted earning per share is same as the basic earnings per share.

3.21 Segment reporting

An operating segment is a component of the bank 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 bank'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 manages its branch networks under regional demarcation for supervision, monitoring and control. Inter unit charges and revenues are applied to assess the performance of the business units. These charges are nullified at the overall bank's level. The bank has identified segments on the basis of each geographical presence in seven provinces of the country.

Segment results that are reported by 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 assets/liabilities.

KARNALI DEVELOPMENT BANK LTD.
NOTES FORMING PART OF FINANCIAL STATEMENTS
For the year ended Ashad 2077

Cash & Cash Equivalent

NOTE 4.1

IN NPR

	ASHAD END 2077	ASHAD END 2076
Cash in hand	182,609,216	130,025,463
Balances with B/FIs	1,553,659,089	1,392,718,657
Money at call and short notice	-	-
Other	-	-
TOTAL	1,736,268,305	1,522,744,120

Due from Nepal Rastra Bank

NOTE 4.2

IN NPR

	ASHAD END 2077	ASHAD END 2076
Statutory balances with NRB	146,528,295	136,799,683
Securities purchased under resale agreement	-	-
Other deposit and receivable from NRB	-	-
TOTAL	146,528,295	136,799,683

Placements with Bank and Financial Institutions

NOTE 4.3

IN NPR

	ASHAD END 2077	ASHAD END 2076
Placement with domestic B/FIs	-	-
Placement with foreign B/FIs	-	-
Less: Allowances for impairment	-	-
TOTAL	-	-

Derivative Financial Instruments

NOTE 4.4

IN NPR

	ASHAD END 2077	ASHAD END 2076
Held for Trading		
Interest rate swap	-	-
Currency swap	-	-
Forward exchange contract	-	-
Others	-	-
Held for risk management		
Interest rate swap	-	-
Currency swap	-	-
Forward exchange contract	-	-
Others	-	-
TOTAL	-	-

Other Trading Assets

NOTE 4.5

IN NPR

	ASHAD END 2077	ASHAD END 2076
Treasury bills	-	-
Government bonds	-	-
NRB Bonds	-	-
Domestic Corporate bonds	-	-
Investment in equity instruments	-	-
Other - Investment in units of mutual funds	-	-
TOTAL	-	-
Pledged	-	-
Non-pledged	-	-

Loan and Advances to B/FIs

NOTE 4.6

IN NPR

	ASHAD END 2077	ASHAD END 2076
Loans to microfinance institutions	-	-
Other		
Less: Allowances for impairment		
TOTAL	-	-

Allowances for Impairment

NOTE 4.6.1

IN NPR

	ASHAD END 2077	ASHAD END 2076
Balance at Shrawan 1	-	-
Impairment loss for the year		
Charge for the year	-	-
Recoveries/reversal	-	-
Amount written off	-	-
Balance at Asadh end	-	-

Loans and Advances to Customers

NOTE 4.7

IN NPR

	ASHAD END 2077	ASHAD END 2076
Loans and advances measured at amortized cost	2,520,365,730.00	2,154,028,186.00
Less: Impairment allowances		
Collective impairment	(24,164,022.00)	(21,011,549.00)
Individual Impairment	(14,550,584.00)	(14,025,358.00)
Net amount	2,481,651,124.00	2,118,991,279.00
Loan and advances measured at FVTPL	-	-
TOTAL	2,481,651,124.00	2,118,991,279.00

Analysis of Loan and Advances - by Product

NOTE 4.7.1

IN NPR

	ASHAD END 2077	ASHAD END 2076
Product		
Term Loans	503,567,079.00	831,112,823.00
Overdraft	945,261,031.00	824,935,514.00
Trust Receipt/Import loans	-	-
Demand and other working capital loans	-	-
Personal residential loans	100,866,718.00	73,893,999.00
Real estate loans	-	-
Margin lending loans	-	-
Hire purchase loans	236,464,707.00	228,510,056.00
Deprived sector loans	133,591,954.00	74,442,115.00
Bills purchased		
Staff loans	32,082,863.00	28,679,283.00
Other	517,701,578.00	56,221,576.00
Subtotal	2,469,535,930.00	2,117,795,366.00
Interest receivable	50,829,800.00	36,232,820.00
GRAND TOTAL	2,520,365,730.00	2,154,028,186.00

Analysis of Loan and Advances - by Currency

NOTE 4.7.2

IN NPR

	ASHAD END 2077	ASHAD END 2076
Nepalese rupee	2,520,365,730.00	2,154,028,186.00
Indian rupee	-	-
United State dollar	-	-
Great Britain pound	-	-
Euro	-	-
Japanese yen	-	-
Chinese Yuan	-	-
Other	-	-
TOTAL	2,520,365,730.00	2,154,028,186.00

Analysis of Loan and Advances - by Collateral

NOTE 4.7.3

IN NPR

	ASHAD END 2077	ASHAD END 2076
Secured		
Movable/immovable assets	2,482,715,887.00	2,097,816,369.00
Gold and silver		
Guarantee of domestic B/FIs		
Government guarantee		
Guarantee of international rated bank		
Collateral of export document		
Collateral of fixed deposit receipt	37,649,843.00	56,211,817.00
Collateral of Government securities		
Counter guarantee		
Personal guarantee		
Other collateral		
Subtotal	2,520,365,730.00	2,154,028,186.00
Unsecured	-	-
GRAND TOTAL	2,520,365,730.00	2,154,028,186.00

Analysis of Loan and Advances - by Collateral

NOTE 4.7.4

IN NPR

	ASHAD END 2077	ASHAD END 2076
Specific allowances for impairment		
Balance at Shrawan 1	14,025,358.00	19,096,169.00
Impairment loss for the year:		
Charge for the year		
Recoveries/reversal during the year	525,226.00	(5,070,811.00)
Write-offs	-	-
Exchange rate variance on foreign currency	-	-
Other movement	-	-
Balance at Asar end	14,550,584.00	14,025,358.00
Collective allowances for impairment		
Balance at Shrawan 1	21,011,549.00	14,005,460.00
Impairment loss for the year:		
Charge/(reversal) for the year	3,152,473.00	7,006,089.00
Exchange rate variance on foreign currency	-	-
Other movement	-	-
Balance at Asar end	24,164,022.00	21,011,549.00
Total allowances for impairment	38,714,606.00	35,036,907.00

Investment Securities

NOTE 4.8

IN NPR

	ASHAD END 2077	ASHAD END 2076
Investment securities measured at amortized cost		
Investment in equity measured at FVTOCI		
TOTAL	-	-

Investment securities measured at amortized cost

NOTE 4.8.1

IN NPR

	ASHAD END 2077	ASHAD END 2076
Debt securities	-	-
Government bonds	-	-
Government treasury bills	-	-
Nepal Rastra Bank bonds	-	-
Nepal Rastra Bank deposits instruments	-	-
Other	-	-
Total	-	-
Less: specific allowances for impairment	-	-
TOTAL	-	-

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

IN NPR

	ASHAD END 2076	ASHAD END 2075
Equity instruments		
Quoted equity securities	-	-
Unquoted equity securities	-	-
TOTAL	-	-

Information relating to investment in equities

NOTE 4.8.3

IN NPR

	ASHAD END 2077		ASHAD END 2076	
	COST	FAIR VALUE	COST	FAIR VALUE
INVESTMENT IN EQUITY MEASURED AT FVOCI				
Investment in quoted equity				
Total Of Quoted Share	-	-	-	-
Investment in unquoted equity				
Total Of Unquoted Share	-	-	-	-
TOTAL	-	-	-	-

Current tax assets

NOTE 4.9

IN NPR

	ASHAD END 2077	ASHAD END 2076
Current tax assets		
Current Year income tax assets	14,601,150	8,190,971
Tax assets of prior periods	-	-
Current tax liabilities		
Current year income tax liabilities	-	-
Tax liabilities of prior periods	-	-
TOTAL	14,601,150	8,190,971

Investment in subsidiaries

NOTE 4.10

IN NPR

	ASHAD END 2077	ASHAD END 2076
Investment in quoted subsidiaries	-	-
Investment in unquoted subsidiaries	-	-
Total investment	-	-
Less: Impairment allowances	-	-
Net Carrying Amount	-	-

Investment in associates

NOTE 4.11

IN NPR

	ASHAD END 2077	ASHAD END 2076
Investment in quoted associates	-	-
Investment in unquoted associates	-	-
Total investment	-	-
Less: Impairment allowances	-	-
Net Carrying Amount	-	-

Investment properties

NOTE 4.12

IN NPR

	ASHAD END 2077	ASHAD END 2076
Investment properties measured at fair value		
Balance as on Shrawan 1	-	-
Addition/disposal during the year	-	-
Net changes in fair value during the year	-	-
Adjustment/transfer	-	-
Net Amount	-	-
Investment properties measured at cost		
Balance as on Shrawan 1	-	-
Addition/disposal during the year	-	-
Adjustment/transfer	-	-
Accumulated depreciation	-	-
Accumulated impairment loss	-	-
Net amount	-	-
TOTAL	-	-

NOTE 4.13

IN NPR

Property and Equipment

Particulars	Land	Building	Leasehold Properties	Computer & Accessories	Vehicles	Furniture & Fixture	Machinery	Equipment & Others	ASHAD END 2077	ASHAD END 2076
Cost										
As on Shrawan 1, 2075	45,785,929	-	151,271	5,657,801	22,855,152	7,604,318	-	19,658,145	101,712,616	-
Addition during the Year										
Acquisition	-	-	6,961,077	3,656,250	10,491,800	3,993,418	-	2,871,574	27,974,119	-
Capitalization	-	-	-	-	-	-	-	-	-	-
Disposal during the year	-	-	-	-	(11,900,000)	-	-	-	(11,900,000)	-
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	-
Balance as on Asar end 2076	45,785,929	-	7,112,348	9,314,051	21,446,952	11,597,736	-	22,529,719	117,786,735	-
Addition during the Year										
Acquisition	-	-	1,677,928	1,108,669	811,200	1,164,197	-	618,048	5,380,042	-
Capitalization	-	-	-	-	-	-	-	-	-	-
Disposal during the year	-	-	-	-	(2,030,718)	-	-	-	(2,030,718)	-
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	-
Balance as on Asar end 2077	45,785,929	-	8,790,276	10,422,720	20,227,434	12,761,933	-	23,147,767	121,136,059	-
Depreciation and Impairment										
As on Shrawan 1, 2076	-	-	-	1,883,935	4,932,736	1,213,449	-	3,032,793	11,062,913	
Depreciation charge for the Year	-	-	459,209	930,105	1,470,401	726,315	-	1,821,753	5,407,783	
Impairment for the year	-	-	-	-	-	-	-	-	-	
Disposals	-	-	-	-	-	-	-	-	-	
Adjustment	-	-	-	-	-	-	-	-	-	
As on Asar end 2076	-	-	459,209	2,814,040	6,403,137	1,939,764	-	4,854,546	16,470,696	-

KARNALI DEVELOPMENT BANK LTD.
17TH ANNUAL REPORT

Goodwill and Intangible Assets

NOTE 4.14

IN NPR

Particulars	Goodwill	Software			ASHAD END 2076	ASHAD END 2075
		Purchased	Developed	Other		
Cost						
As on Shrawan 1, 2075	-	797,780	-	-	797,780	
Addition during the Year						
Acquisition	-	311,523	-	-	311,523	
Capitalization	-	-	-	-	-	
Disposal during the year	-	-	-	-	-	
Adjustment/Revaluation	-	-	-	-	-	
Balance as on Asar end 2076	-	1,109,303	-	-	1,109,303	-
Addition during the Year						
Acquisition	-	-	-	-	-	
Capitalization	-	-	-	-	-	
Disposal during the year	-	-	-	-	-	
Adjustment/Revaluation	-	-	-	-	-	
Balance as on Asar end 2077	-	1,109,303	-	-	1,109,303	-
Amortization and Impairment						
As on Shrawan 1, 2075	-	272,556	-	-	272,556	
Amortization charge for the Year	-	204,422	-	-	204,422	
Impairment for the year	-	-	-	-	-	
Disposals	-	-	-	-	-	
Adjustment	-	-	-	-	-	
As on Asar end 2076	-	476,978	-	-	476,978	-
Amortization charge for the Year	-	221,861	-	-	221,861	
Impairment for the year	-	-	-	-	-	
Disposals	-	-	-	-	-	
Adjustment	-	-	-	-	-	
As on Asar end 2077	-	698,839	-	-	698,839	-
Capital Work in Progress Net Book Value						
As on Asar end 2075	-	525,224	-	-	525,224	-
As on Asar end 2076	-	632,325	-	-	632,325	-
As on Asar end 2077	-	410,464	-	-	410,464	-

Deferred Tax

NOTE 4.15

IN NPR

Particulars	CURRENT YEAR		
	" Deferred Tax Assets "	" Deferred Tax Liabilities "	Deferred Tax Assets/(Liabilities)
Deferred tax on temporary differences on following items			
Loan and Advance to B/FIs	-	-	-
Loans and advances to customers	-	-	-
Interest Receivable on Loans and advances	-	-	-
Investment properties	-	-	-
Investment securities	-	-	-
Property & equipment	-	4,222,176	(4,222,176)
Employees' defined benefit plan	3,649,706	-	3,649,706
Lease liabilities	-	-	-
Provisions	-	-	-
Other temporary differences	530,385	-	530,385
Deferred tax on temporary differences	4,180,091	4,222,176	(42,085)
Deferred tax on carry forward of unused tax losses	-	-	-
Deferred tax due to changes in tax rate	-	-	-
Net Deferred tax asset/(liabilities) as on year end of 2077			(42,085)
Deferred tax (asset)/liabilities as on Shrawan 1, 2076			(9,649,167)
Origination/(Reversal) during the year			9,691,252
Deferred tax expense/(income) recognised in profit or loss			(1,442,097)
Deferred tax expense/(income) recognised in other comprehensive income			11,133,349
Deferred tax expense/(income) recognised in directly in equity			-

IN NPR

Particulars	PREVIOUS YEAR		
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets/(Liabilities)
Deferred tax on temporary differences on following items			
Loan and Advance to B/FIs	-	-	-
Loans and advances to customers	-	-	-
Interest Receivable on Loans and advances	-	-	-
Investment properties	-	-	-
Investment securities	-	-	-
Property & equipment		3,628,883	(3,628,883)
Employees' defined benefit plan	12,747,665	-	12,747,665
Lease liabilities	-	-	-
Provisions			-

Other temporary differences	530,385	-	530,385
Deferred tax on temporary differences	13,278,050	3,628,883	9,649,167
Deferred tax on carry forward of unused tax losses	-	-	-
Deferred tax due to changes in tax rate	-	-	-
Net Deferred tax asset/(liabilities) as on year end of 2076			9,649,167
Deferred tax (asset)/liabilities as on Shrawan 1, 2075			6,433,561
Origination/(Reversal) during the year			(3,215,606)
Deferred tax expense/(income) recognised in profit or loss			324,216
Deferred tax expense/(income) recognised in other comprehensive income			(3,539,822)
Deferred tax expense/(income) recognised in directly in equity			-

Other assets

NOTE 4.16

IN NPR

	ASHAD END 2077	ASHAD END 2076
Assets held for sale	-	-
Other non banking assets	-	-
Bills receivable	-	-
Accounts receivable	27,697,864	26,190,576
Accrued income	-	-
Prepayments and deposit	1,297,244	885,631
Income tax deposit	-	-
Deferred employee expenditure	33,886,926	29,267,572
Other	5,816,063	5,498,483
TOTAL	68,698,097	61,842,262

Due to Bank and Financial Institutions

NOTE 4.17

IN NPR

	ASHAD END 2077	ASHAD END 2076
Money market deposits	-	-
Interbank borrowing	-	-
Other deposits from BFIs	-	-
Settlement and clearing accounts	-	-
Other deposits from BFIs	-	-
TOTAL	-	-

Due to Nepal Rastra Bank

NOTE 4.18

IN NPR

	ASHAD END 2077	ASHAD END 2076
Refinance from Nepal Rastra Bank	-	-
Standing Liquidity Facility	-	-
Lender of last report facility from NRB	-	-
Securities sold under repurchase agreements	-	-
Other payable to NRB	-	-
TOTAL	-	-

Derivative financial instruments

NOTE 4.19

IN NPR

	ASHAD END 2077	ASHAD END 2076
Held for trading		
Interest rate swap	-	-
Currency swap	-	-
Forward exchange contract	-	-
Others	-	-
Held for risk management		
Interest rate swap	-	-
Currency swap	-	-
Forward exchange contract	-	-
Other	-	-
TOTAL	-	-

Deposits from customers

NOTE 4.20

IN NPR

	ASHAD END 2077	ASHAD END 2076
Institutions customers:		
Term deposits	128,450,000	112,500,000
Call deposits	730,684,061	505,233,348
Current deposits	43,406,437	58,560,079
Other	-	-
Individual customers:		
Term deposits	1,422,851,924	1,346,072,660
Call deposits	1,662,049,438	1,350,345,188
Current deposits		
Other		
TOTAL	3,987,441,860	3,372,711,275

Currency wise analysis of deposit from customers

NOTE 4.20.1

IN NPR

	ASHAD END 2077	ASHAD END 2076
Nepalese rupee	3,987,441,860	3,372,711,275
Indian rupee	-	-
United State dollar	-	-
Great Britain pound	-	-
Euro	-	-
Japenese yen	-	-
Chinese yuan	-	-
Other	-	-
TOTAL	3,987,441,860	3,372,711,275

Borrowing

NOTE 4.21

IN NPR

	ASHAD END 2077	ASHAD END 2076
Domestic Borrowing		
Nepal Government	-	-
Other Institutions	-	-
Other	-	-
Sub total	-	-
Foreign Borrowing		
Foreign Bank and Financial Institutions	-	-
Multilateral Development Banks	-	-
Other Institutions	-	-
Sub total	-	-
TOTAL	-	-

Provisions

NOTE 4.22

IN NPR

	ASHAD END 2077	ASHAD END 2076
Provisions for redundancy	-	-
Provision for restructuring	-	-
Pending legal issues and tax litigation	-	-
Onerous contracts	-	-
Other	-	-
TOTAL	-	-

Provisions

NOTE 4.22.1

IN NPR

	ASHAD END 2077	ASHAD END 2076
Balance at Shrawan 1	-	-
Provisions made during the year	-	-
Provisions used during the year	-	-
Provisions reversed during the year	-	-
Unwind of discount	-	-
TOTAL	-	-

Other liabilities

NOTE 4.23

IN NPR

	ASHAD END 2077	ASHAD END 2076
Liability for employees defined benefit obligations	9,717,284	39,099,771
Liability for long-service leave	2,448,404	3,392,446
Short-term employee benefits	-	-
Bills payable	-	-
Creditors and accruals	15,342,785	10,362,791
Interest payable on deposit	1,780,262	1,216,590
Interest payable on borrowing	-	-
Liabilities on deferred grant income	-	-
Unpaid Dividend	-	-
Liabilities under Finance Lease	-	-
Employee bonus payable	1,384,189	1,384,189
Other	1,099,064	1,791,213
TOTAL	31,771,988	57,247,000

Defined benefit obligations

NOTE 4.23.1

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

IN NPR

	ASHAD END 2077	ASHAD END 2076
Present value of unfunded obligations	-	-
Present value of funded obligations	16,237,946	39,099,771
Total present value of obligations	16,237,946	39,099,771
Fair value of plan assets	-	-
Present value of net obligations	16,237,946	39,099,771
Recognised liability for defined benefit obligations	16,237,946	39,099,771

Plan Assets

NOTE 4.23.2

Plan assets comprise

IN NPR

	ASHAD END 2077	ASHAD END 2076
Equity securities	-	-
Government bonds	-	-
Bank deposit	-	-
Other	-	-
TOTAL	-	-

Movement in The Present Value of Defined Benefit Obligations

NOTE 4.23.3

IN NPR

	ASHAD END 2077	ASHAD END 2076
Defined benefit obligations at Shrawan 1	39,099,771	16,237,728
Actuarial losses	(37,111,164)	3,300,634
Benefits paid by the plan	(435,536)	(2,064,964)
Current service costs and interest	8,164,213	391,148
Defined benefit obligations at Asar end	9,717,284	17,864,546

Movement in The Fair Value of Plan Assets

NOTE 4.23.4

IN NPR

	ASHAD END 2077	ASHAD END 2076
Fair value of plan assets at Shrawan 1	-	-
Contributions paid into the plan	-	-
Benefits paid during the year	-	-
Actuarial (losses) gains	-	-
Expected return on plan assets	-	-
Fair value of plan assets at Asar end	-	-

Amount Recognised in Profit or Loss

NOTE 4.23.5

IN NPR

	ASHAD END 2077	ASHAD END 2076
Current service costs	5,636,883	3,572,450
Interest on obligation	2,527,330	1,869,140
Expected return on plan assets		
TOTAL	8,164,213	5,441,590

Amount Recognised in Other Comprehensive Income

NOTE 4.23.6

IN NPR

	ASHAD END 2077	ASHAD END 2076
Actuarial (gain)/loss	(37,111,164)	11,799,407
TOTAL	(37,111,164)	11,799,407

Actuarial Assumptions

NOTE 4.23.7

IN NPR

	ASHAD END 2077	ASHAD END 2076
Discount rate	9%	7%
Expected return on plan asset		
Future salary increase	5%	12%
Withdrawal rate	12%	6%

Debt Securities Issued

NOTE 4.24

IN NPR

	ASHAD END 2077	ASHAD END 2076	RESTATED ASHAD END 2075	RESTATED ASHAD END 2074
Debt securities issued designated as at fair value through profit or loss	-	-	-	-
Debt securities issued at amortised cost	-	-	-	-
TOTAL	-	-	-	-

Subordinated Liabilities

NOTE 4.25

IN NPR

	ASHAD END 2077	ASHAD END 2076	RESTATED ASHAD END 2075	RESTATED ASHAD END 2074
Redeemable preference shares	-	-	-	-
Irredeemable cumulative preference shares	-	-	-	-
Other	-	-	-	-
TOTAL	-	-	-	-

Share Capital

NOTE 4.26

IN NPR

	ASHAD END 2077	ASHAD END 2076	RESTATED ASHAD END 2075	RESTATED ASHAD END 2074
Ordinary shares	502,830,000	502,830,000	502,830,000	191,051,000
Convertible preference shares (equity component)	-	-	-	-
Irredeemable preference shares (equity component)	-	-	-	-
Perpetual debt (equity component only)	-	-	-	-
TOTAL	502,830,000	502,830,000	502,830,000	191,051,000

Ordinary Shares

NOTE 4.26.1

IN NPR

			RESTATED	RESTATED
	ASHAD END 2077	ASHAD END 2076	ASHAD END 2075	ASHAD END 2074
Authorized capital				
6,000,000 Ordinary share of Rs. 100 each	600,000,000	600,000,000	600,000,000	600,000,000
(2074-75: 6,000,000 Ordinary share of Rs. 100 each)				
(2073-74: 6000,000 Ordinary share of Rs. 100 each)				
Issued capital				
5,028,300 Ordinary share of Rs. 100 each	502,830,000	502,830,000	502,830,000	502,830,000
(2074-75: 5,028,300 Ordinary share of Rs. 100 each)				
(2073-74: 5,028,300 Ordinary share of Rs. 100 each)				
Subscribed and paid up capital				
5,028,300 Ordinary share of Rs. 100 each	502,830,000	502,830,000	502,830,000	151,000,000
(2074-75: 5,028,300 Ordinary share of Rs. 100 each)				
(2073-74: 1,510,000 Ordinary share of Rs. 100 each)				
TOTAL				

Ordinary share ownership

NOTE 4.26.2

IN NPR

					RESTATED	RESTATED		
	ASHAD END 2077	ASHAD END 2076	ASHAD END 2075	ASHAD END 2074				
	Percent	Percent	Percent	Percent	Amount	Amount	Percent	Amount
Domestic ownership	100.00%	823,397,859	100.00%	823,397,859	100.00%	735,363,350	100.00%	520,662,815
Nepal Government	-	-	-	-	-	-	-	-
"A" class licensed institutions	-	-	-	-	-	-	-	-
Other licensed institutions	-	-	-	-	-	-	-	-
Other Institutions	-	-	-	-	-	-	-	-
Public	48.76%	401,488,796	48.76%	401,488,796	50.19%	369,097,870	47.26%	246,049,335
Other	51.24%	421,909,063	51.24%	21,909,063	49.81%	366,265,480	52.74%	274,613,480
Foreign ownership	-	-	-	-	-	-	-	-
TOTAL	100.00%	823,397,859		823,397,859	100.00%	735,363,350	100.00%	520,662,815

Reconciliation of number of shares outstanding

			RESTATED	RESTATED
	ASHAD END 2077	ASHAD END 2076	ASHAD END 2075	ASHAD END 2074
At the beginning of the year	502,830,000	502,830,000	203,131,000	151,000,000
Add: ordinary shares issued as bonus shares during the year	-	-	-	12,080,000
Add: ordinary shares issued as right shares during the year	-	-	299,699,000	40,051,000
At the end of the year	502,830,000	502,830,000	502,830,000	203,131,000

Detail of shareholding under public and promoters group as on Asadh End, 2076

Shareholder's Group	Holding Percentage
Promoter Group	51%
Public Group	49%

List of Shareholder Holding 0.5% or More Shares as on Asadh End, 2077

Ordinary share ownership	Percentage	Share capital
RAJENDRA BIR RAYA	14.98%	75,340,400
SUNAULO INVESTMENT pvt ltd	14.98%	75,321,100
TARA GURUNG	8.86%	44,560,500
PASHUPATI DAYAL MISHRA	1.63%	8,196,400
MOHD. IRFAN	1.41%	7,080,000
IMARAN RAI	0.50%	2,492,700
KAMALA BK	0.50%	2,492,700
MOHAMMAD KAMRAN RAI	0.50%	2,492,700

Reserves

NOTE 4.27

IN NPR

	ASHAD END 2077	ASHAD END 2076
Statutory general reserve	17,247,599	17,247,599
Exchange equalisation reserve		
Corporate social responsibility reserve	121,334	121,334
Capital redemption reserve		
Regulatory reserve	33,177,433	32,004,056
Investment adjustment reserve		
Capital reserve		
Assets revaluation reserve		
Fair value reserve		-
Dividend equalisation reserve		
Debenture redemption reserve		
Actuarial gain	17,277,656	(8,700,159)
Special reserve		
Other reserve	478,460	478,460
TOTAL	68,302,482	41,151,290

Statutory general reserve

There is a statutory requirement of Bank and Financial Institution Act, 2073 which required to set aside 20% of the net profit after tax to general reserve to build up capital until the balance of the reserve is twice of the paid-up share capital. This is the restricted reserve and cannot be utilised for distribution of profit.

As the company is in loss, during the year, the company has not appropriated to General Reserve

Regulatory Reserve

Regulatory reserve has been created as per the directive issued by Nepal Rastra Bank and is not available for distribution of dividend (cash as well as bonus shares). Detail of movement in Regulatory reserve is as under.

IN NPR

Particulars	ASHAD END 2077	ASHAD END 2076
Opening Balance	(32,004,056)	-
Regulatory adjustment :		
a. Interest receivable (-)/previous accrued interest received (+)	(19,522,703)	(13,654,730)
b. Short loan loss provision in accounts (-)/reversal (+)	-	-
c. Short provision for possible losses on investment (-)/reversal (+)	-	-
d. Short loan loss provision on Non-Banking Assets (-)/reversal (+)	-	-
e. Deferred tax assets recognised (-)/ reversal (+)	9,649,167	(9,649,167)
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognised (-)/reversal (+)	-	-
h. Actuarial loss recognised (-)/reversal (+)	8,700,159	(8,700,159)
i. Other (+/-)	-	-
TOTAL	(33,177,433)	(32,004,056)

Actuarial Gain / (Loss)

Actuarial gain or loss that represents change in actuarial assumptions used to determine the value employee obligations under defined benefit obligations.

During the year, the finance company has transferred Rs. 25,977,815 to this reserve.

Other Reserve

Other reserve includes staff training fund and corporate social responsibility fund. As per NRB directive no amount is transferred in those reserves.

Retained earnings

Retained earnings is accumulated profit which has not been distributed to shareholders and has been ploughed back in the Company's operations and is free for distribution of dividend to the shareholders.

Contingent Liabilities and Commitments

NOTE 4.28

IN NPR

	ASHAD END 2077	ASHAD END 2076
Contingent liabilities	-	-
Undrawn and undisbursed facilities	69,242,969.41	43,809,486.26
Capital commitment	-	-
Lease Commitment	-	-
Litigation	-	-
TOTAL	69,242,969	43,809,486

Contingent Liabilities

NOTE 4.28.1

IN NPR

	ASHAD END 2077	ASHAD END 2076
Acceptance and documentary credit	-	-
Bills for collection	-	-
Forward exchange contracts	-	-
Guarantees	-	-
Underwriting commitment	-	-
Other commitments	-	-
TOTAL	-	-

Undrawn and Undisbursed Facilities

NOTE 4.28.2

IN NPR

	ASHAD END 2077	ASHAD END 2076
Undisbursed amount of loans	-	-
Undrawn limits of overdrafts	69,242,969	43,809,486
Undrawn limits of credit cards	-	-
Undrawn limits of letter of credit	-	-
Undrawn limits of guarantee	-	-
TOTAL	69,242,969	43,809,486

Capital Commitments

NOTE 4.28.3

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

IN NPR

	ASHAD END 2077	ASHAD END 2076
Capital commitments in relation to Property and Equipment		
Approved and contracted for	-	-
Approved but not contracted for	-	-
Sub total	-	-
Capital commitments in relation to Intangible assets		
Approved and contracted for	-	-
Approved but not contracted for	-	-
Sub total	-	-
TOTAL	-	-

Lease Commitments

NOTE 4.28.4

IN NPR

	ASHAD END 2077	ASHAD END 2076
Operating lease commitments		
Future minimum lease payments under non cancellable operating lease, where the finance company is lessee	-	-
Not later than 1 year	-	-
Later than 1 year but not later than 5 years	-	-
Later than 5 years	-	-
Sub total	-	-
Finance lease commitments		
Future minimum lease payments under non cancellable operating lease, where the finance company is lessee	-	-
Not later than 1 year	-	-
Later than 1 year but not later than 5 years	-	-
Later than 5 years	-	-
Sub total	-	-
GRAND TOTAL	-	-

Litigation

NOTE 4.28.5

The bank's litigations are generally related to its ordinary course of business pending on various jurisdictions.

There are no litigations related to Income Tax or VAT.

Interest Income

NOTE 4.29

IN NPR

	ASHAD END 2077	ASHAD END 2076
Cash and cash equivalent	6,991,569	12,845,928
Due from Nepal Rastra Bank		-
Placement with bank and financial institutions		-
Loan and advances to bank and financial institutions		
Loans and advances to customers	373,881,211	296,096,293
Investment securities		-
Loan and advances to staff	8,105,285	6,374,221
Other		-
Total interest income	388,978,065	315,316,442

Interest Expense

NOTE 4.30

IN NPR

	ASHAD END 2077	ASHAD END 2076
Due to bank and financial institutions		-
Due to Nepal Rastra Bank		-
Deposits from customers	317,957,301	232,145,484
Borrowing	-	-
Debt securities issued	-	-
Subordinated liabilities	-	-
Other	-	-
Total interest expense	317,957,301	232,145,484

Fees and Commission Income

NOTE 4.31

IN NPR

	ASHAD END 2077	ASHAD END 2076
Loan administration fees	21,556,208	23,857,030
Service fees	139,818	86,086
Consortium fees	-	-
Commitment fees	-	-
DD/TT/Swift fees	-	-
Credit card/ATM issuance and renewal fees	1,276,804	1,049,111
Prepayment and swap fees	430,258	602,598
Investment banking fees	-	-
Asset management fees	-	-
Brokerage fees	-	-
Remittance fees	2,479,369	3,052,336
Commission on letter of credit	-	-
Commission on guarantee contracts issued	-	-
Commission on share underwriting/issue	-	-
Locker rental	-	-
Other fees and commission income	3,718,670	3,927,017
Total fees and commission income	29,601,127	32,574,178

Fees and Commission Expense

NOTE 4.32

IN NPR

	ASHAD END 2077	ASHAD END 2076
ATM management fees	-	-
VISA/Master card fees	-	-
Guarantee commission	-	-
Brokerage	-	-
DD/TT/Swift fees	-	-
Remittance fees and commission	-	-
Other fees and commission expense	-	-
Total fees and commission expense	-	-

Net Trading Income

NOTE 4.33

IN NPR

	ASHAD END 2077	ASHAD END 2076
Changes in fair value of trading assets	-	-
Gain/loss on disposal of trading assets	-	-
Interest income on trading assets	-	-
Dividend income on trading assets	-	-
Gain/loss foreign exchange transaction	-	-
Other	-	-
Net trading income	-	-

Other Operating Income

NOTE 4.34

IN NPR

	ASHAD END 2077	ASHAD END 2076
Foreign exchange revaluation gain	-	-
Gain/loss on sale of investment securities	-	-
Fair value gain/loss on investment properties	-	-
Dividend on equity instruments	-	-
Gain/loss on sale of property and equipment	164,945	-
Gain/loss on sale of investment property	-	-
Operating lease income	-	-
Gain/loss on sale of gold and silver	-	-
Locker rent	-	-
Other	-	-
TOTAL	164,945	-

Impairment Charge/(Reversal) for Loan and Other Losses

NOTE 4.35

IN NPR

	ASHAD END 2077	ASHAD END 2076
Impairment charge/(reversal) on loan and advances to B/FIs	-	-
Impairment charge/(reversal) on loan and advances to customer	3,677,699	1,935,278
Impairment charge/(reversal) on financial Investment	-	-
Impairment charge/(reversal) on placement with banks and financial institutions	-	-
Impairment charge/(reversal) on property and equipment	-	-
Impairment charge/(reversal) on goodwill and intangible assets	-	-
Impairment charge/(reversal) on investment properties	-	-
TOTAL	3,677,699	1,935,278

Personnel Expense

NOTE 4.36

IN NPR

	ASHAD END 2077	ASHAD END 2076
Salary	41,027,509	33,782,840
Allowances	5,183,745	3,294,800
Gratuity expense	8,164,213	7,088,215
Provident fund	1,469,024	1,249,976
Uniform	686,000	755,245
Training & development expense	531,054	1,143,655
Leave encashment	329,678	3,361,577
Medical	1,159,500	1,062,179
Insurance	-	-
Employees incentive	-	-
Cash-settled share-based payments	-	-
Pension expense	-	-
Finance expense under NFRS	2,938,505	865,689
Other expenses related to staff	98,602	-
Sub total	61,587,831	52,604,176
Employees bonus		1,384,189
GRAND TOTAL	61,587,831	53,988,365

Other Operating Expense

NOTE 4.37

IN NPR

	ASHAD END 2077	ASHAD END 2076
Directors' fee	303,000	393,900
Directors' expense	86,257	28,599
Auditors' remuneration	226,000	485,502
Other audit related expense	697,965	431,404
Professional and legal expense	1,055,753	979,700
Office administration expense	31,671,593	37,024,524
Operating lease expense	6,269,102	5,554,225
Operating expense of investment properties	-	-
Corporate social responsibility expense	121,020	16,000
Onerous lease provisions	-	-
Other	-	-
TOTAL	40,430,690	44,913,854

Office Administrative Expenses

NOTE 4.37.1

IN NPR

	ASHAD END 2077	ASHAD END 2076
Water & Electricity	1,578,999	1,604,858
Repair & Maintenance	2,295,484	2,868,563
a) Building	-	171,294
b) Vehicle	620,283	729,701
c) Computer & Accessories	856,788	791,971
d) Office Equipment & Furniture	818,413	1,175,598
e) Other	-	-
Insurance	3,299,242	2,769,096
Postage, telex, telephone, fax	1,387,536	1,695,695
Printing & Stationary	2,392,708	3,091,688
Newspaper, books and Journals	35,030	79,543
Advertisement	447,503	1,825,486
Donation	22,000	45,000
Security expenses	10,928,708	8,672,000
Deposite & loan guarantee premium	-	-
Travel Allowance and Expenses	1,790,650	4,456,397
Entertainment	791,168	784,828
Annual/Special general meeting Expenses	884,903	742,537
Others	5,817,663	8,388,831
TOTAL	31,671,593	37,024,524

Depreciation & Amortization

NOTE 4.38

IN NPR

	ASHAD END 2077	ASHAD END 2076
Depreciation on property and equipment	7,525,508	4,948,574
Depreciation on investment property	-	-
Amortization of intangible assets	221,861	-
TOTAL	7,747,369	4,948,574

Non Operating Income

NOTE 4.39

IN NPR

	ASHAD END 2077	ASHAD END 2076
Recovery of loan written off	-	-
Other income	-	3,162,226
TOTAL	-	3,162,226

Non Operating Expense

NOTE 4.40

IN NPR

	ASHAD END 2077	ASHAD END 2076
Loan written off	-	-
Redundancy provision	-	-
Expense of restructuring	-	-
Other expense	-	663,631
TOTAL	-	663,631

Income Tax Expense

NOTE 4.41

IN NPR

	ASHAD END 2077	ASHAD END 2076
Current tax expense		
Current year	(2,407,954)	-
Adjustment for previous years	-	-
Deferred tax expense		
Origination and reversal of temporary differences	(1,442,097)	324,216
Changes in tax rate		
Recognition of previously unrecognised tax losses		
Total income tax expense	(3,850,051)	324,216

Reconciliation of Tax Expense and Accounting Profit

NOTE 4.41.1

IN NPR

	ASHAD END 2077	ASHAD END 2076
Profit before tax	(12,656,754)	12,457,660
Tax amount at tax rate of 30%	(3,797,026)	3,737,298
Add: Tax effect of expense that are not deductible for tax purpose	6,600	13,500
Less: Tax effect on exempt income	-	-
Add/Less: Tax effect on other items		-
Less: Loss of Previous Year Carried Forward	(59,625.00)	(3,426,582)
Total income tax expense	(3,850,051)	324,216
Effective tax rate		

KARNALI DEVELOPMENT BANK LTD. Capital Management

NOTE 5.2

Qualitative Disclosures

The Bank manages its capital to meet regulatory norms and current and future business needs considering the risks in its business. The board of directors on the frequent interval monitor the capital adequacy position and the risk weighted assets and take a necessary step as appropriate.

The Bank capital comprise of the fully paid equity shares, statutory reserves and other reserves. Up to the reporting period the Bank has not raised the capital through the hybrid capital instrument.

1. 1 RISK WEIGHTED EXPOSURES		Current Period	Previous Period
a	Risk Weighted Exposure for Credit Risk	3,017,009,897	2,941,062,900
b	Risk Weighted Exposure for Operational Risk	392,598,000	392,598,000
c	Risk Weighted Exposure for Market Risk	-	-
Total Risk Weighted Exposures (Before adjustments of Pillar II)		3,409,607,897	3,333,660,900
Adjustments 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 equivalent to reciprocal of capital charge of 2-5% of gross income		
SRP 6.4a (9)	If overall risk management policies and procedures are not satisfactory. Add% of RWE		
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)		3,409,607,897	3,333,660,900
1.2 CAPITAL		Current Period	Previous Period
(A) Core Capital (Tier 1)		493,915,848	506,303,882
a	Paid up Equity Share Capital	502,830,000	502,830,000
b	Irredeemable Non-cumulative preference shares	-	-
c	Share Premium	458,926	458,926
d	Proposed Bonus Equity Shares	-	-
e	Statutory General Reserves	17,247,599	17,247,599
f	Retained Earnings	(26,620,677)	(14,232,643)
g	Un-audited current year cumulative profit/(loss)		
h	Capital Redemption Reserve		
i	Capital Adjustment Reserve		
j	Dividend Equalization Reserves		
k	Other Free Reserve		
l	Less: Goodwill		
m	Less: Deferred Tax Assets		
n	Less: Fictitious Assets		

o	Less: Investment in equity in licensed Financial Institutions		
p	Less: Investment in equity of institutions with financial interests		
q	Less: Investment in equity of institutions in excess of limits		
r	Less: Investments arising out of underwriting commitments		
s	Less: Reciprocal crossholdings		
t	Less: Purchase of land & building in excess of limit and unutilized		
u	Less: Other Deductions		
Adjustments 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		
(B) Supplementary Capital (Tier 2)		24,164,022	21,011,549
a	Cumulative and/or Redeemable Preference Share		
b	Subordinated Term Debt		
c	Hybrid Capital Instruments		
d	General loan loss provision	24,164,022	21,011,549
e	Exchange Equalization Reserve		
f	Investment Adjustment Reserve		
g	Asset Revaluation Reserve		
h	Other Reserves		
Total Capital Fund (Tier I and Tier II)		518,079,870	527,315,431
1.3 CAPITAL ADEQUACY RATIOS		Current Period	Previous Period
Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)		14.49	15.19
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)		15.19	15.82

Note 5 – Disclosure and additional information

Note 5.1 – Risk Management

Board Level Risk Committee

The Board is the one who set policy, strategy and objectives, and oversee the executive function. It sets risk appetite and ensures that it is reflected in business strategy and cascaded throughout the organization.

The Company has a Risk Management Committee (RMC) comprising of 2 members of the board and 3 members from the management. RMC assists the board in setting risk strategy policies, including risk tolerance and appetite levels, as stipulated by Nepal Rastra Bank for effective risk management. It frames risk management policies for credit risk, market risk and operational risk including risk integration, implementation of best risk management practices and setting up various risk limits. The Committee receives reports from management and after discussion and deliberations reaches in a conclusion that existing action taken by the management are appropriate or elevate the situations to the Board where further action is required with its recommendation.

Risk Governance

The risk management framework consists of board set of risk appetite, clear organization setup, well defined roles, well developed tools and processes and well defined policy on each risk areas.

Risk management framework is supervised by Risk Management Committee (RMC), and supported by functional committee, namely, Asset and Liability Management Committee (ALCO). The finance company has separate risk management department for managing, mitigating and controlling different risks which acts as second line of defense whereas all business functions lies as first line of defense and internal audit function and audit committee as third line of defense. Further, the financial institution has different policies which directs/supplements the risk management framework. The finance company has Board approved operational instructions, book of instructions and clear role definition for each unit which makes the process simple and robust. The finance company has also set tolerance limits on different parameters above the regulatory requirement maintaining extra caution level in managing these risks.

Credit Risk

Credit risk is defined as the potential that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms. For measurement of credit risk, the company has adopted Simplified Standardized Approach (SSA) and for management of credit risk, has formulated various policies, procedure and internal guideline that is approved by the Board. The financial institution has a clear guiding document related to loaning power approved by the Board.

The credit risk department reviews all types of loan. Assessment ground for sanctioning of new loan, renewal of loan or enhancement of existing loan is defined in Credit Policy Guidelines and individual loan product paper. A separate vertical credit administration department in head office and branches are administrating loan related documents, examining loan repayment, record keeping of loan files and related security documents.

All revolving loans are reviewed/renewed annually. For overdraft loan facilities, stock verification is done quarterly. Credit administration department performs the recovery of loan.

Operational Risk

Operational risk is a risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risks. For management of operational risk, the company has policies in place, three line of defense in practice, risk identification, defined assessment and monitoring tools, risk control and mitigation tools. Formal channel is defined whereby various

policies, procedure and internal guidelines are approved by Board in recommendation of Risk Management Committee (RMC).

The company has effective internal control system and information system for managing operational risk.

Risk events of the financial institution are compiled, and related function is instructed to take corrective measures wherever necessary. Such risk events are presented in RMC.

Market Risk

Market risk refers to the risk resulting from movements in market prices, in particular, changes in liquidity, interest rates, and equity prices. For measurement of market risk, the company has adopted net open position approach and for management of the market risk guidance, policies such as assets and liabilities management policy, investment policy and procedure are in place.

The company assesses interest rate risk, and equity price risk at a regular interval as per NRB guidelines and the internal policy in managing market risk and reporting to RMC and the Board.

Liquidity Risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial instruments as they fall due.

The company has been maintaining cash reserve ratio, statutory liquidity ratio, net liquidity ratio and credit to core capital and deposit ratios within the limit as prescribed by NRB and are being monitored on continuous basis. Further, maturity wise structural liquidity table are being prepared as per the regulatory guidelines on monthly basis and reported to the Board on quarterly basis.

Internal Control

Internal control system i.e. internal audit and compliance department has been reinforcing on the effective implementation of laid down policies and procedure. Regular financial activities are being closely monitored through internal control mechanism. The company has an appropriate control structure with well-defined control activities at every business level. Duties of officials and staff members are well defined at all level to avoid conflicting responsibilities. Members of the Board of Directors and management employees are required to pledge an oath for the Code of Ethics as per Staff Service Regulations. These laid down system are being monitored and reviewed periodically to identify the areas of potential conflicts of interest to minimize operational risk. Information system of the financial institution is upgraded continuously to cover activities of the company. Internal audit independently evaluates the adequacy and compliance of established guidelines for internal control system.

Note 5.2 – Capital Management

1. Qualitative disclosures

The development bank manages its capital with the following management objectives and approaches:

- To maintain the minimum paid up capital as required by its regulator, Nepal Rastra Bank.
- To maintain required level of stability for providing a degree of security to the deposit holders.
- To allocate capital efficiently that supports the development of the company's business so that it can continue to provide returns to the shareholders.
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders.

Capital management of the company is also subject to regulatory requirements of the Nepal Rastra Bank which has prescribed the maintenance of capital adequacy norms which are based on Internal

Capital Adequacy Assessment Process (ICAAP). This acts as a guideline for reporting the ongoing assessment of the company's risks as to how it intends to mitigate those risks and how much current and future capital is necessary having considered other mitigating factors.

2. Capital Management

The Bank manages its capital to meet regulatory norms and current and future business needs considering the risks in its business. The board of directors on the frequent interval monitor the capital adequacy position and the risk weighted assets and take a necessary step as appropriate. The Bank capital comprise of the fully paid equity shares, statutory reserves, and other reserves. Up to the reporting period the Bank has not raised the capital through the hybrid capital instrument.

i. Capital structure and capital adequacy

Capital Adequacy Table As on Ashadh End 2077

1. 1 RISK WEIGHTED EXPOSURES		Current Period	Previous Period
A	Risk Weighted Exposure for Credit Risk	3,017,009,897	2,941,062,900
B	Risk Weighted Exposure for Operational Risk	392,598,000	392,598,000
C	Risk Weighted Exposure for Market Risk	-	-
Total Risk Weighted Exposures (Before adjustments of Pillar II)		3,409,607,897	3,333,660,900
Adjustments 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 equivalent to reciprocal of capital charge of 2-5% of gross income		
SRP 6.4a (9)	If overall risk management policies and procedures are not satisfactory. Add% of RWE		
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)		3,409,607,897	3,333,660,900

1.2 CAPITAL		Current Period	Previous Period
(A) Core Capital (Tier 1)		493,915,848	506,303,882
A	Paid up Equity Share Capital	502,830,000	502,830,000
B	Irredeemable Non-cumulative preference shares	-	-
C	Share Premium	458,926	458,926
D	Proposed Bonus Equity Shares	-	-
E	Statutory General Reserves	17,247,599	17,247,599
F	Retained Earnings	(26,620,677)	(14,232,643)
G	Un-audited current year cumulative profit/(loss)		
H	Capital Redemption Reserve		
I	Capital Adjustment Reserve		
J	Dividend Equalization Reserves		
K	Other Free Reserve		
L	Less: Goodwill		
M	Less: Deferred Tax Assets		

N	Less: Fictitious Assets		
O	Less: Investment in equity in licensed Financial Institutions		
P	Less: Investment in equity of institutions with financial interests		
Q	Less: Investment in equity of institutions in excess of limits		
R	Less: Investments arising out of underwriting commitments		
S	Less: Reciprocal crossholdings		
T	Less: Purchase of land & building in excess of limit and unutilized		
U	Less: Other Deductions		
Adjustments 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	-	-

(B) Supplementary Capital (Tier 2)		24,164,022	21,011,549
A	Cumulative and/or Redeemable Preference Share		
B	Subordinated Term Debt		
C	Hybrid Capital Instruments		
D	General loan loss provision	24,164,022	21,011,549
E	Exchange Equalization Reserve		
F	Investment Adjustment Reserve		
G	Asset Revaluation Reserve		
H	Other Reserves		
Total Capital Fund (Tier I and Tier II)		518,079,870	527,315,431

1.3 CAPITAL ADEQUACY RATIOS	Current Period	Previous Period
Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	14.49	15.19
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	15.19	15.82

ii. Risk Exposures

Karnali Development Bank Limited Risk Weighted Exposure for Credit Risk At the month end of Ashadh, 2077

A. Balance Sheet Exposures	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures
	a	b	c	d=a-b-c	e	f=d*e
Cash Balance	182,609,216			182,609,216	0%	-
Balance With Nepal Rastra Bank	146,528,295			146,528,295	0%	-
Gold				-	0%	-
Investment in Nepalese Government Securities				-	0%	-
All Claims on Government of Nepal				-	0%	-
Investment in Nepal Rastra Bank securities				-	0%	-
All claims on Nepal Rastra Bank				-	0%	-
Claims on Foreign Government and Central Bank (ECA 0-1)				-	0%	-
Claims on Foreign Government and Central Bank (ECA -2)			-	-	20%	-
Claims on Foreign Government and Central Bank (ECA -3)			-	-	50%	-
Claims on Foreign Government and Central Bank (ECA-4-6)			-	-	100%	-
Claims on Foreign Government and Central Bank (ECA -7)			-	-	150%	-
Claims On BIS, IMF, ECB, EC and MDB's recognized by the framework				-	0%	-
Claims on Other Multilateral Development Banks			-	-	100%	-
Claims on Domestic Public Sector Entities			-	-	100%	-
Claims on Public Sector Entity (ECA 0-1)			-	-	20%	-
Claims on Public Sector Entity (ECA 2)			-	-	50%	-
Claims on Public Sector Entity (ECA 3-6)			-	-	100%	-
Claims on Public Sector Entity (ECA 7)			-	-	150%	-
Claims on domestic banks that meet capital adequacy requirements	1,553,659,089		-	1,553,659,089	20%	310,731,818
Claims on domestic banks that do not meet capital adequacy requirements			-	-	100%	-
Claims on foreign bank (ECA Rating 0-1)			-	-	20%	-
Claims on foreign bank (ECA Rating 2)			-	-	50%	-

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			-	-	20%	-
Claims on Domestic Corporates			-	-	100%	-
Claims on Foreign Corporates (ECA 0-1)			-	-	20%	-
Claims on Foreign Corporates (ECA 2)			-	-	50%	-
Claims on Foreign Corporates (ECA 3-6)			-	-	100%	-
Claims on Foreign Corporates (ECA 7)			-	-	150%	-
Regulatory Retail Portfolio (Not Overdue)			-	-	75%	-
Claims fulfilling all criterion of regularity retail except granularity			-	-	100%	-
Claims secured by residential properties			-	-	60%	-
Claims not fully secured by residential properties			-	-	150%	-
Claims secured by residential properties (Overdue)	2,520,365,730		-	2,520,365,730	100%	2,520,365,730
Claims secured by Commercial real estate			-	-	100%	-
Past due claims (except for claims secured by residential properties)			-	-	150%	-
High Risk claims			-	-	150%	-
Lending Against Securities (Bonds & Shares)			-	-	100%	-
Investments in equity and other capital instruments of institutions listed in stock exchange			-	-	100%	-
Investments in equity and other capital instruments of institutions not listed in the stock exchange			-	-	150%	-
Staff loan secured by residential property				-	50%	-
Interest Receivable/claim on government securities				-	0%	-
Cash in transit and other cash items in the process of collection				-	20%	-
Other Assets (as per attachment)	151,290,864	-	-	151,290,864	100%	151,290,864
TOTAL (A)	4,554,453,194	-	-	4,554,453,194		2,982,388,412

B. Off Balance Sheet Exposures	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures
Revocable Commitments				-	0%	-
Bills Under Collection				-	0%	-
Forward Exchange Contract Liabilities			-	-	10%	-
LC Commitments With Original Maturity Upto 6 months domestic counterparty			-	-	20%	-
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			-	-	50%	-
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			-	-	50%	-
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			-	-	100%	-
Financial Guarantee			-	-	100%	-
Acceptances and Endorsements			-	-	100%	-
Unpaid portion of Partly paid shares and Securities			-	-	100%	-
Irrevocable Credit commitments (short term)			-	-	20%	-

Irrevocable Credit commitments (long term)	69,242,969		-	69,242,969	50%	34,621,485
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%	-
Unpaid Guarantee Claims			-	-	200%	-
TOTAL (B)	69,242,969	-	-	69,242,969		34,621,485
Total RWE for credit Risk Before Adjustment (A) +(B)	4,623,696,163	-	-	4,623,696,163		3,017,009,897
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	4,623,696,163	-	-	4,623,696,163		3,017,009,897

Disclosure Pursuant to Capital Adequacy Framework, 2007 (Updated 2008)

1. Capital Adequacy Ratios – as per 5.2

2. Information about the subordinated debt

The Bank does not have subordinate debt.

3. Deduction from Capital

None

4. Total Qualifying Capital

Particulars	Amount
Total Core Capital (Tier I)	493,915,848
Total Supplementary Capital (Tier II)	24,164,022
Total Capital Fund (Tier I+Tier II)	518,079,870

5. Capital Adequacy Ratio

Particulars	Percentage
Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	14.49
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	15.19

6. Summary of the Bank's internal approach to assess the adequacy of capital to support current and future activities

The Bank considers the capital adequacy requirement pursuant to the provision set by NRB. The Tier 1 Capital ratio of the Bank as at Ashad 2077 is 14.49% and the total capital ratio is 15.19%. The Bank in its strategic planning cautiously considers the capital adequacy and projects capital adequacy required for the organization's growth.

7. Summary of the terms and conditions and main features of all capital instruments specially in case of subordinated term debts including hybrid capital instruments

There are no subordinated term debts and hybrid capital instruments of the financial institution.

8. Risk exposure - As per form 2 capital adequacy table.

9. Amount of Non-Performing Assets (Gross and Net Amount)

Amount in NPR

Particulars	ASHAD 2077		ASAHD 2076	
	Gross NPA	Net NPA	Gross NPA	Net NPA
Restructure/Rescheduled loan	-	-	-	-
Sub-standard loan	-	-	10,434,209	7,825,657
Doubtful loan	13,000,651	6,500,326	6,977,227	3,488,614
Loss Loan	8,050,258	-	7,928,193	-
Total	21,050,910	6,500,326	25,339,629	11,314,271

Ratio of non-performing assets as per regulatory classification

Particulars	%	%
Gross NPA to gross loans and advance	0.84%	1.18%
Net NPA to Net Loan and Advance	0.26%	0.53%

Details of loan loss provision

Amount in NPR

Particulars	ASHAD END 2077	ASHAD END 2076
Pass Loan	24,164,022	20,544,318
Watchlist	-	467,231
Rescheduled / Restructured	-	-
Sub-Standard	-	2,608,552
Doubtful	6,500,326	3,488,613
Loss	8,050,258	7,928,193
Additional	-	-
Total	38,714,606	33,101,629

10. Compliance with external requirement

The regional development bank of 3 district is required to maintain a paid-up capital of Rs. 500,000,000 as per Monetary Policy 2015/16. The paid-up share capital is Rs. 502,830,000 as on Ashad 31, 2077 which is as per the NRB requirement.

Note 5.3 – Classification of financial assets and financial liabilities

1. The following presents the classification of financial assets and liabilities.

Amount in NPR

Particulars	Note	ASHAD END 2077		ASAHD END 2076	
		Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets					
Measured at amortized cost					
Cash and cash equivalent	4.1	1,736,268,305	1,736,268,305	1,522,744,120	1,522,744,120
Due from Nepal Rastra Bank	4.2	146,528,295	146,528,295	136,799,683	136,799,683
Other Trading Assets - Gov- ernment Bonds	4.5	-	-	-	-
Loans and advances to BFIs	4.6	-	-	-	-
Loans and advances to cus- tomers	4.7	2,481,651,124	2,481,651,124	2,118,991,279	2,118,991,279
Government bonds	4.8	-	-	-	-
Account receivable	4.16	27,697,864	27,697,864	26,190,576	26,190,576
Sub-total		4,392,145,588	4,392,145,588	3,804,725,658	3,804,725,658
Measured at fair value through profit and loss (FVT- PL)					
Investment in equity instru- ments	4.5	-	-	-	-
Investment in units of mutual fund	4.5	-	-	-	-
Sub-total		-	-	-	-
Measured at fair value through other comprehensive income (FVTOCI)					
Investment in equity instru- ments	4.8	-	-	-	-
Sub-total		-	-	-	-
Total financial assets					
Financial liabilities					
Measured at amortised cost					
Due to BFIs	4.17				
Due to Nepal Rastra Bank	4.18	-	-	-	-
Deposits from customers	4.20	-	-	-	-
Bills payable	4.23	3,987,441,860	3,987,441,860	3,372,711,275	3,372,711,275
Creditors and accruals	4.23	-	-	-	-
Interest payable on deposits	4.23	15,342,785	15,342,785	10,362,791	10,362,791
Interest payable on borrow- ings	4.23	1,780,262	1,780,262	1,216,590	1,216,590
Unpaid dividend	4.23	-	-	-	-
Total financial liabilities		4,004,564,906	4,004,564,906	3,384,290,656	3,384,290,656
		-	-	-	-

2. The following presents the fair value hierarchy of financial assets and liabilities measured at fair value on a recurring basis

Amount in NPR

Particulars	Fair value hierarchy (level)	ASHAD END 2077	ASHAD END 2076
Financial assets			
Measured at fair value through profit or loss			
Equity securities – quoted	1	-	-
Units of mutual fund – quoted	1	-	-
Sub-total		-	-
Measured at fair value through other comprehensive income			
Equity securities – quoted	1	-	-
Equity securities – unquoted	3	-	-
Sub-total		-	-
Measured at amortised cost			
Due from Nepal Rastra Bank	3	146,528,295	136,799,683
Government bonds	3	-	-
Loan and advances to BFIs	3	-	-
Loans and advances to customers	3	2,481,651,124	2,118,991,279
Sub-total		2,628,179,419	2,255,790,962
Total financial assets		2,628,179,419	2,255,790,962
Financial liabilities			
Measured at amortised cost			
Due to Nepal Rastra Bank	3	-	-
Deposits from customers	3	3,987,441,860	3,372,711,275
Total financial liabilities		3,987,441,860	3,372,711,275

The carrying amounts of cash and cash equivalents, account receivable, due to bank and financial institutions, bills payables, creditors and accruals, interest payable on deposits and borrowings and unpaid dividend are same as their fair values, due to their short-term nature.

Note 5.4 – Operating segment information

1. General information

The development bank has identified segments on the basis of each geographical presence in seven provinces. The development bank has presence in Province 5 only.

2. Information about profit or loss, assets and liabilities

For the financial year 2076-77

Amount in NPR

	Province 5	TOTAL
a. Revenues from external customers	418,744,137	418,744,137
b. Intersegment revenue/(expenses)	-	-
c. Gross Revenue	418,744,137	418,744,137
d. Interest Revenue	388,978,065	388,978,065
e. Interest Expenses	317,957,301	317,957,301
f. Net interest Revenue	71,020,763	71,020,763
g. Other Income	-	-
h. Other Expenses	102,018,521	102,018,521
i. Depreciation & Amortization	7,747,369	7,747,369
j. Segment Profit /(Loss)	(12,656,754)	(12,656,754)
k. Entity's interest in the profit or loss of associates accounted for using equity method	-	-
l. Other material non-cash items	-	-
m. Impairment of assets	3,677,699	3,677,699
n. Segment assets	4,564,226,662	4,564,226,662
o. Segment liabilities	4,019,255,933	4,019,255,933

For the financial year 2075-76

Amount in NPR

Particulars	Province 5	Total
a. Revenues from external customers	347,890,620	347,890,620
b. Intersegment revenue/ (expenses)	-	-
c. Gross Revenue	347,890,620	347,890,620
d. Interest Revenue	315,316,442	315,316,442
e. Interest Expenses	232,145,484	232,145,484
f. Net interest Revenue	83,170,958	83,170,958
g. Other Income	3,162,226	3,162,226
h. Other Expenses	99,565,850	99,565,850
i. Depreciation & Amortization	4,948,574	4,948,574
j. Segment Profit /(Loss)	9,959,065	9,959,065
k. Entity's interest in the profit or loss of associates accounted for using equity method	-	-
l. Other material non-cash items	-	-
m. Impairment of assets	1,935,278	1,935,278
n. Segment assets	3,960,165,846	3,960,165,846
o. Segment liabilities	3,429,958,275	3,429,958,275

3. Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

i. Revenue

Amount in NPR

Particulars	Current year	Previous year
Total revenues for reportable segments	418,744,137	347,890,620
Other revenues	-	-
Elimination of intersegment revenues	-	-
Entity's revenues	418,744,137	347,890,620

ii. Profit or Loss

Amount in NPR

Particulars	Current year	Previous year
Total profit or loss for reportable segments	(12,656,754)	9,959,065
Other profit or loss	-	2,498,595
Elimination of inter segment profits		
Unallocated amounts		
Profit before tax	(12,656,754)	12,457,660

iii. Assets

Amount in NPR

Particulars	Current year	Previous year
Total assets for reportable segments	4,564,226,662	3,960,165,846
Other assets		
Unallocated assets		
Entity's assets	4,564,226,662	3,960,165,846

iv. Liabilities

Amount in NPR

Particulars	Current year	Previous year
Total liabilities for reportable segments	4,019,255,933	3,429,958,275
Other liabilities		
Unallocated liabilities		
Entity's liabilities	4,019,255,933	3,429,958,275

4. Information about geographical areas

The development bank has revenue from following geographical areas:

Amount in NPR

Particulars	Current year	Previous year
Domestic		
Province 5	418,744,137	347,890,620
Foreign	-	
Total	418,744,137	347,890,620

5. Information about major customers

The revenue from a single customer does not exceed 10% or more of the total revenue of the company.

Note 5.5 – Share option and share based payment

The bank does not have arrangements of share-based payment and share option as on reporting date.

Note 5.6 – Contingent Liabilities and commitments

The details of contingent liabilities and commitments has been presented in notes 4.28 of the financial statement.

Note 5.7 – Related party disclosures

The Company does not have any holding, subsidiary company and associate companies.

i. Key management personnel

Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the company. Key management personnel include the board of directors and chief executive officer of the finance company as follows:

Name of key management personnel	Designation Current year	Designation Previous year
Pashupati Dayal Mishra		Chairman
Rajendra Bir Raya	Chairman	Chairman
Dr. Usha Rana Shah		Director
Usha Kumari Bhandari	Director	Director
Tank Bahadur Basnet	Director	Director
Yubraj Adhikari	Director	Director
Dr. Om Prakash Mishra	Director	Director
Om Prakash Ajad	Director	Director
Dinesh Kumar Rawat	Chief Executive Officer	Chief Executive Officer

The related party transactions are made at terms equivalent to those that prevail in an arm's length transactions. The following table provides the total amount of transaction that has been entered into with related parties for during the reporting period.

Amount in NPR

Particulars	Current year	Previous year
With directors		
Director's sitting fees	203,000.00	298,000.00
Other Expenses	86,257.00	28,598.85
Interest paid on deposits	8,335.15	153,202.10
With chief executive officer		
Remuneration and benefits paid	1,898,451.00	1,796,096.00
Interest paid on deposits	640.97	4,454.89
Balance of deposits		
Payable to directors	175,715.06	1,399,329.83
Payable to chief executive officer	640.97	33,842.60

Note 5.8 – Merger and acquisitions

During the reporting period, the company has not gone into merger and acquisition nor is pursuing any merger and acquisition.

Note 5.9 – Additional disclosures on non-consolidated entities

The company does not have any subsidiary company and therefore consolidated financial statement as per NFRS is not required to be prepared.

Note 5.10 – Events after reporting date

The events after the reporting date are all those events, whether favorable or unfavorable, which occurs between the reporting date and the date approval of the financial statements by the board of directors. During this period, there are no such events that require adjustment or additional disclosure in the financial statement.

6. Disclosure as prescribed by NRB AGM Clearance Guideline, 2077

NRB had directed Bank and Financial Institutions to provide 10% discount for interest paid during the month of Chaitra 2076 and rebate by 2% during last quarter of FY 2076-77 due to which Rs. 3,718,612.08/- was refunded customer. Further repayment period was extended as per the circular.

Table 1	As of Ashad end 2077	
Particulars	No of Customer	Amount (NRs)
Accrued Interest received after Asadh end 2077 till 31 Ashoj 2077		
Additional 0.3% Loan Loss Provision created on Pass Loan Portfolio	NA	
Extension of moratorium period of loan provided to industry or project under construction.	-	-
Restructured and reschedule loan with 5% Loan loss provision		
Enhancement of Working Capital loan by 20% to COVID affected borrowers	279	81450500
Enhancement of Term Loan by 10% to COVID affected borrowers	-	-
Expiry Date of Additional 20% Working Capital Loan (COVID Loan) extended for upto 1 year with 5% provisioning	-	-
Expiry Date of Additional 10% Term Loan (COVID Loan) extended for upto 1 year with 5% provisioning	-	-
Time Extension provide for repayment of principal and Interest for upto two years per clause 41 of NRB Directives	-	-
Table 2		
Particulars	No of Customer	Amount (NRs)
Refinance Loan		
Business Continuity Loan		
Table 3		
Particulars	No of Customer	Amount (NRs)
Subsidized Loan		

Karnali Bikash Bank Ltd
Statement of Principal Indicators Institution wise

FINANCIAL YEARS	Unit	2076/77	2075/76	2074/75	2073/74	2072/73
Indicators		Amount	Amount	Amount	Amount	Amount
Adequacy of Capital Fund on Risk Weighted Assets						
Core Capital	NPR	493,915,848.00	517,318,636	518,855,107.89	227,965,210.92	156,583,580.00
Total Capital Fund	NPR	518,079,870.00	538,330,185	529,973,154.89	237,947,232.92	164,770,691.00
Risk Weighted Exposure	NPR	3,409,607,896.51	2,763,186,769	1,873,045,795.02	1,526,872,040.37	1,289,043,630.00
Earning Per Share (Average share outstanding)	NPR	(2.23)	2.41	(1.96)	5.58	11.15
Market Value Per Share	NPR	100.00	114.00	106.00	317.00	303.00
Book Net Worth Per Share	NPR	108.38	105.81	103.17	150.97	141.65
Net Profit Per Staff	NPR	(84,960.00)	94,792.53	(92,134.76)	69,061.32	1,665,238.86
Per Employee Staff Cost	NPR	466,574.00	421,784.10	367,372.98	343,769.78	708,849.20
Number of Promotor Equity Shares	Nos.	2,344,725.00	2,344,725.00	2,344,725.00	77,010,000.00	56,610,000.00
Number of Public Equity Shares	Nos.	2,683,575.00	2,683,575.00	2,683,575.00	73,990,000.00	54,390,000.00
Number of Permanent Staffs	Nos.	132.00	128	107.00	122.00	83.00
Number of Branches	Nos.	17.00	17	15.00	13.00	11.00
Number of Extension Counters	Nos.	-	0.00	-	-	-
Number of ATM Machines	Nos.	5.00	5.00	5.00	5.00	5.00
Price Earning Ratio	Times	(44.84)	47.30	(1.96)	5.58	11.15
Dividend (including bonus) on Share Capital	Percent					
Cash Dividend on Share Capital	Percent					
Net Profit / Gross Income	Percent	(0.03)	3.85	(4.14)	4.48	7.93
Net Profit / Loans and Advances	Percent	(0.00)	0.57	17.71	15.71	16.25
Return on Total Assets	Percent	(0.00)	0.31	(0.32)	0.37	0.62
Return on Equity	Percent	(0.02)	2.28	-1.68	5.48	11.59
Interest Income / Loans and Advances	Percent	15.67	14.88	17.71	15.71	16.25
Exchange Gain / Total Income	Percent	-	0.00	-	-	-
Interest Expenses / Total Deposits and Borrowings	Percent	7.97	6.88	6.61	4.99	4.87
Total Operating Expenses / Total Assets	Percent	2.40	2.62	2.49	3.17	6.87
Staff Expenses / Total Operating Expenses	Percent	56.11	51.99	48.19	41.19	16.49
Staff Bonus / Total Staff Expenses	Percent	-	2.56	-	4.26	7.99
Total Credit / Deposits	Percent	62.51	62.83	48.77	53.21	47.05
Non-Performing Loans / Total Loans	Percent	0.84	1.18	3.48		3.11
Base Rate	Percent	12.22	10.52	15.13	NA	NA
Weighted Average Interest Rate Spread	Percent	7.70	6.43	7.04	10.98	10.69
Institutional Deposit/Total Deposit	Percent					
CRR	Percent	3.67	6.01	6.07		



कर्णाली डेभलपमेन्ट बैंक लि.
Karnali Development Bank Ltd.
सम्पत्तिको आधार



नेपाल राष्ट्र बैंक विकास बैंक सुपरिवेक्षण विभाग



केन्द्रीय कार्यालय
बालुवाटार, काठमाडौं
फोन नं.: ०१-४४१९८०४
Site: www.nrb.org.np
Email: nrb@nrb.org.np
पोष्ट बक्स: ७३

पत्रसंख्या: वि.वै.सु.वि./गैरस्थलगत/कर्णाली/०७८/७९
च.नं. १८८

कर्णाली डेभलपमेन्ट बैंक लिमिटेड,
नेपालगञ्ज, बाँके ।

मिति: २०७८/१०/१७

विषय: वार्षिक वित्तीय विवरण प्रकाशन सम्बन्धमा ।

महाशय,

त्यस संस्थाले पेश गरेको आर्थिक वर्ष २०७६/७७ को लेखापरीक्षण भएको वित्तीय अवस्थाको विवरण, नाफा वा नोक्सानको विवरण, विस्तृत आयको विवरण (Statement of Comprehensive Income), नगद प्रवाह विवरण, इभिएटीमा भएको परिवर्तनको विवरण, सोसंग सम्बन्धित अनुसूचीहरु, लेखापरीक्षकको प्रतिवेदन, लङ्गफर्म अडिट रिपोर्ट समेतको आधारमा गैर स्थलगत सुपरिवेक्षण गर्दा देखिएका कैफियतहरुका सम्बन्धमा देहाय बमोजिमका निर्देशनहरु शेरधनीहरुको जानकारीका लागि वार्षिक प्रतिवेदनको छुट्टै पानामा प्रकाशित गर्ने गरी आ.व. २०७६/७७ को लेखापरीक्षण भएको वार्षिक वित्तीय विवरण प्रकाशन गर्न सहमति प्रदान गरिएको ब्यहोरा निर्णयानुसार अनुरोध गर्दछु ।

- (१) संस्थाले यस बैंकबाट जारी एकीकृत निर्देशन बमोजिम गर्नुपर्ने कर्जा वर्गीकरण तथा नोक्सानी व्यवस्था सम्बन्धी विवरणलाई कोर बैकिङ प्रणालीमा आवद्ध नगरी म्यानुअल रुपमा नै तयार गर्ने गरेको सन्दर्भमा संस्थाले हाल कायम गरेको कर्जा नोक्सानी व्यवस्था समेत यकिन हुन नसकी संस्थाको वास्तविक वित्तीय अवस्था समेत चित्रण हुने अवस्था नदेखिएको हुँदा एकीकृत निर्देशन २/२०७८ को पूर्ण पालना हुने गरी कर्जा वर्गीकरण तथा कर्जा नोक्सानी व्यवस्था गरी सो विवरणलाई संस्थाको कोर बैकिङ प्रणालीमा अद्यावधिक गर्ने व्यवस्था मिलाउनुहुन ।
- (२) संस्थाले Software खरीद गर्नका लागि प्रदान गरेको रकम रु.५४,२८,८३२/- लामो समय देखि हिसाब मिलान नभई Accounts Receivable मा लेखाइनु गरिएकाले सोको हिसाब मिलान यथाशीघ्र गरी जानकारी दिनुहुन । साथै, संस्थाको लिनुपर्ने हिसाब (Receivables) तथा दिनुपर्ने हिसाब (Payables) को हिसाब मिलान यथाशीघ्र गरी जानकारी दिनुहुन ।
- (३) संस्थागत सुशासन, आन्तरिक नियन्त्रण प्रणाली र जोखिम व्यवस्थापन सम्बन्धमा एकीकृत निर्देशन, २०७८ बमोजिमका व्यवस्थाहरु प्रभावकारी रुपमा कार्यान्वयन गर्नुहुन ।
- (४) कर्जा प्रवाह पश्चात अनिवार्य रुपमा कर्जा सदुपयोगिताको सुनिश्चितता गरी प्रवाहित कर्जाको नियमित रुपमा अनुगमन गर्ने कार्यलाई प्रभावकारी रुपमा कार्यान्वयन गर्नुहुन ।
- (५) यस बैंकबाट जारी एकीकृत निर्देशन नं १९/०७८ बमोजिम सम्पत्ति शुद्धीकरण तथा आतंकवादी कार्यमा वित्तीय लगानी निवारण सम्बन्धी व्यवस्थाको पूर्णरुपमा पालना गर्नुहुन ।
- (६) ग्राहक पहिचान (KYC), अनुपालना तथा कर्जा व्यवस्थापन लगायतका विषयमा आन्तरिक लेखापरीक्षक, बाह्य लेखापरीक्षक तथा यस बैंकबाट औल्याएका कैफियतहरुको सुधार गर्न समय सीमा सहितको कार्ययोजना बनाइ प्रभावकारी रुपले कार्यान्वयन गर्ने तथा पुनः नदोहोरिने व्यवस्था गर्नुहुन ।

[Signature]

क्रमशः



कर्णाली डेभलपमेन्ट बैंक लि.
Karnali Development Bank Ltd.
समुद्रिको आधार



नेपाल राष्ट्र बैंक
विकास बैंक सुपरिवेक्षण विभाग



केन्द्रीय कार्यालय
बालुवाटार, काठमाडौं
फोन नं.: ०१-४४९९८०४
Site: www.nrb.org.np
Email: nrbdbd@nrb.org.np
पोष्ट बक्स: ७३

- (७) श्रम ऐन, २०७४ ले तोकेका प्रावधान बमोजिमका कर्मचारीको उपदान, स्वास्थ्य बीमा लगायतका व्यवस्थाहरु संस्थाको कर्मचारी सेवा विनियमावलीमा समावेश गरी कार्यान्वयन गर्ने व्यवस्था मिलाउनुहुन ।
- (८) प्रचलित कानूनले तोके बमोजिम संस्थाको वार्षिक साधारण सभा समयमा सम्पन्न हुने व्यवस्था मिलाउनु हुन ।
- (९) संस्थाले विभिन्न बैंक वित्तीय संस्थाहरुमा खोलेको खाताहरुमा रहेको मौज्दात र संस्थाको वित्तीय विवरणमा लेखा भएको रकमको समयमै बैंक हिसाब मिलान (Bank Reconciliation Statement) समेत गर्ने नगरेको पाइएकोले बैंक तथा वित्तीय संस्थाहरुमा रहेको खाताको नियमित रुपमा हिसाब मिलान गर्नुहुन ।

भवदीय,

[Signature]
१०/१६
(बद्री नेपाल)
उप-निर्देशक

बोधार्थ:

श्री नेपाल राष्ट्र बैंक, बैंक तथा वित्तीय संस्था नियमन विभाग ।
श्री नेपाल राष्ट्र बैंक, विकास बैंक सुपरिवेक्षण विभाग, कार्यान्वयन इकाई ।



मिति २०७८/१०/१८ गते बसेको संचालक समिति बाट सो निर्देशन सम्बन्धमा भएको निर्णय

- (१) तर्हाँको निर्देशन बमोजिम प्रविधिमा स्तर उन्नति गरी २०७९ असार मसान्त सम्म अद्यावधिक गरिने व्यहोरा अनुरोध छ ।
- (२) तर्हाँको निर्देशन बमोजिम आगामी आ.व. देखि कमिक रुपमा हिसाब मिलान गरिने व्यहोरा अनुरोध छ ।
- (३) तर्हाँको निर्देशन को पुर्ण पालना गरिने व्यहोरा अनुरोध छ ।
- (४) तर्हाँको निर्देशन को पुर्ण पालना गरिने व्यहोरा अनुरोध छ ।
- (५) जारी एकीकृत निर्देशन नं. १९/०७८ बमोजिम सम्पति शुद्धीकरण तथा आतंकवादी कार्यमा वित्तीय लगानी निवारण सम्बन्धी व्यवस्थाको पुर्ण पालना गरिने व्यहोरा अनुरोध छ ।
- (६) तर्हाँको निर्देशनको पुर्ण पालना गरिने व्यहोरा अनुरोध छ ।
- (७) तर्हाँको निर्देशनको पुर्ण पालना गरिने व्यहोरा अनुरोध छ ।
- (८) तर्हाँको निर्देशनको पुर्ण पालना गरिने व्यहोरा अनुरोध छ ।
- (९) तर्हाँको निर्देशन बमोजिम गरिने व्यहोरा अनुरोध छ ।



कर्णाली डेवलपमेन्ट बैंक लि.
Karnali Development Bank Ltd.
समृद्धिको प्रायार