

COMMITTED TO A BIGGER & BETTER TOMORROW

ANNUAL REPORT 2015/16





BIGGER WE PLAN, BETTER WE SERVE

As a trustworthy financial partner for the progress of individuals and institutions, Citizens Bank International Limited believes in having high aspirations that are backed by carefully thought out plans both the short term and the long term. Our planning incorporates designing, producing and delivering the best financial solutions possible.



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BANK'S
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Citizens

**Bank
International Ltd.**

Міжбанківська банківська група

Міжбанківська банківська група

Citizens Bank International Ltd.

OUT

ABOUT THE BANK AND CORPORATE MESSAGE

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OUR PROFILE

Established on April 20, 2007 (2064/01/07) as 20th commercial bank of the nation, "Citizens Bank International Limited", has its corporate office at the heart of the financial sector of the country, Narayanhiti Path, Kathmandu. It is promoted by eminent personalities, business and industrial houses and reputed individual having high social standing and has been managed by a team of experienced bankers and professionals.

The Bank has been headed by 9 Board of Directors and the management team led by Mr. Rajan Singh Bhandari as Chief Executive Officer. The Bank has employed 652 staff including 626 permanent staff and 26 staff on contract basis working under various Departments and Branches across the country.

The Bank's milestone dates are as follows:

Date of Registration under company Act :	October 13, 2006 (Asoj 27, 2063)
Date of Registration under Income Tax Act :	October 15, 2006 (Asoj 29, 2063)
Date of Operating license from NRB :	April 18, 2007 (Baisakh 5, 2064)

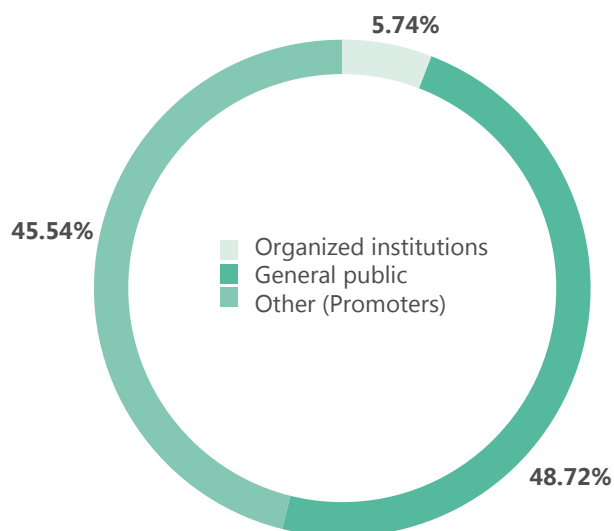
Shareholding Pattern of The Bank is as Follows :

Foreign Ownership	NIL
Local Ownership :	100%
LOCAL OWNERSHIP	
Organized Institutions	5.74%
General Public	48.72%
Others (Promoters)	45.54%
	100 %

OWNERSHIP STRUCTURE



Ownership Structure



Local Ownership

VISION, MISSION & OBJECTIVES

OUR VISION

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

OUR MISSION

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

- Customer Focus

We are committed to meet the financial needs of our customers and exceed their expectations through innovative solutions.

- Service Excellence

We promise to deliver customer centered products and services par excellence.

- Human Resource

We employ bright, honest, helpful and pleasant people. We nurture and empower them to achieve their full potential and to be accountable.

- Corporate Governance

We believe in being accountable, conducting business ethically and maintaining transparency.

- Social Responsibility

We are committed to take social initiatives for the development of the nation.

OBJECTIVES OF THE BANK

Our main objectives are as follows:

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

CORE VALUES AND CODE OF CONDUCT

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

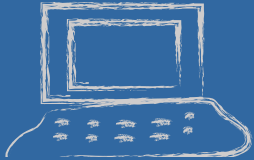
We are committed to meet the financial needs of the customers through innovative solutions, deliver customer centered products and services par excellence. BOD and management believes that high standard of employees and corporate governance sets us apart from rest of the banks and believe in being accountable, conducting business ethically, maintaining transparency and are committed to take social initiatives for the development of the nation.

We operate in accordance with the highest standards in all relationships with customers, stakeholders, environment and the community. We foster climates which encourage innovation and diligence amongst staff and reward them accordingly.

The dedication, enthusiasm, commitment and collaborative spirit of the BOD members,

promoters and management team have already been reflected in the financial results of the Bank.

We know the world is changing and to keep pace with that we customize our services and re-engineer our products to match with changing time and technology. We are always focused towards customers and stakeholders needs and their satisfaction. We exercise duty with utmost care in the interest of our depositors and maintain long term ethical relationship through true and fair dealings. We are knowledge driven, we learn and share learning to meet the objectives and to contribute in the community. We go beyond just making profit and are highly dedicated towards achievement of the long term vision. We are committed to comply with the spirit and all laws and regulations, adhering to the highest standards of corporate governance, transparency, disclosure and ethical conduct.



**BIGGER
PLANNING
FOR BETTER
FUTURE**



BECOMING “PREFERRED PARTNER FOR PROGRESS”

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

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

Outcome Statements of the Bank’s Balanced Score Card

Customer : The Bank is the preferred bank for customers and client.

Colleague : The Bank deploys right people in right place.

: The Bank creates diverse opportunities for career development.

: The colleagues are fully engaged.

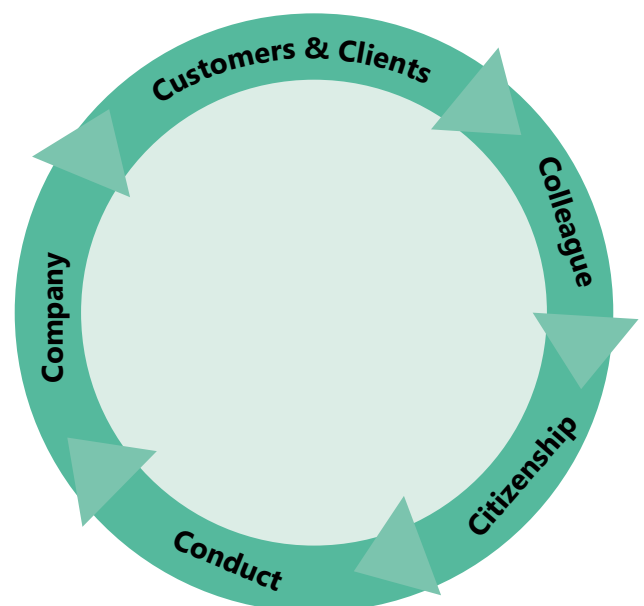
Citizenship : The Bank positively impacts the communities where it operates.

Conduct : The Bank’s products and services are designed and distributed to meet client’s need.

: The Bank acts with integrity in everything.

Company : The Bank creates sustainable returns above the cost of equity.

: The Bank understands and effectively manages the risk, and continuously improves control.



STRATEGIC TARGETS FOR THE BANK'S BALANCED SCORE CARD

Outcomes	Commitment	Actual 2016	Target 2018
Customers & Client	The Bank's Customer vs Commercial Bank's Customers	2.90%	10%
Colleague	- Staff training cost/ total staff expenses	1.58%	3%
	- Staff turnover rate	8.5%	7%
Citizenship	Products, Services and CSR initiatives to cater needs of various societies	Adhoc	Research based
Conduct	People's perception toward CBIL	Assumption Based	Survey based
Company	- Return on Total Assets	2.24%	2%
	- Dividend Distribution	25.78%	25%

Delivering Our Strategic Targets

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

Customers & Clients

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

Colleague

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

Citizenship

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

Conduct

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

Company

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

PRODUCTS AND SERVICES

DEPOSIT SCHEMES

SHAREDHANI
BACHAT KHATA

SENIOR CITIZENS
SAVINGS

MATRIBHUMI
BACHAT

MAHILA BACHAT
KHATA

MUNA BACHAT
KHATA

RECURRING
DEPOSIT

RASTRASEWAK
SAVING

BIDHYARTHI
BACHAT

SPECIAL
SAVINGS



PRIVILEGE CALL
ACCOUNT

CALL DEPOSIT
(FCY)

SAVING
ACCOUNT (FCY)

SAVING (NPR)

MOFASHAL
BACHAT KHATA

CURRENT
ACCOUNT

FIXED DEPOSIT
FOR INDIVIDUAL
(NPR)/
CITIZENS FIXED
DEPOSIT FOR
INSTITUTIONAL
(NPR)

CALL
DEPOSIT
(NPR)

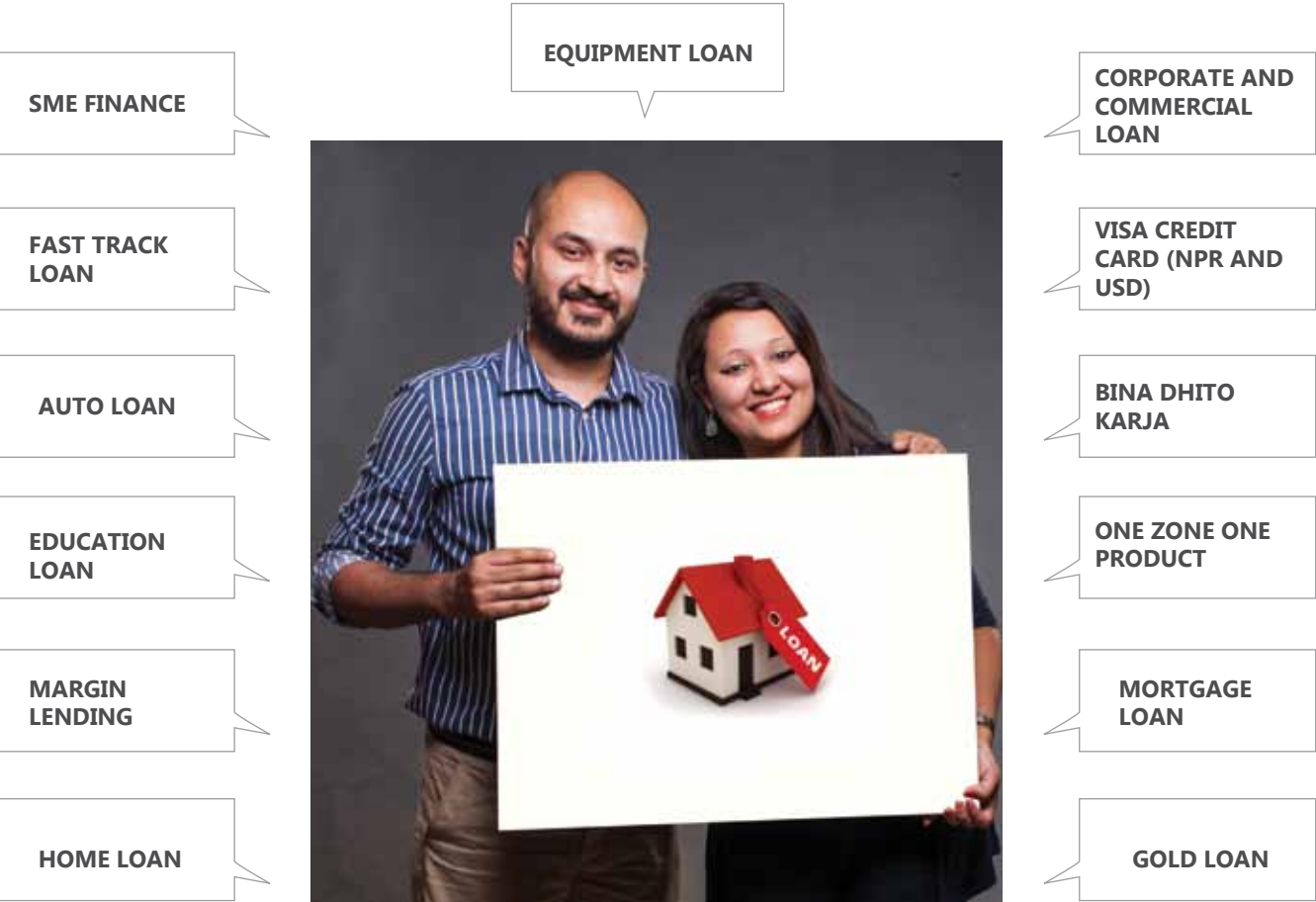
DASHAIN TIHAR
MUDDATTI
NICHHEP YOJANA

SUPER SAVINGS
ACCOUNT
(CSSA)





LOAN SCHEMES



OTHER SERVICES







CHAIRMAN'S MESSAGE

The Bank has achieved the growth of 38.92% in loans and advances and 33.45 % in Deposit. Similarly, the Bank has been able to achieve Net Profit of NPR 1,080.37 million in Fiscal Year 2015/16 which is 49.99 % growth.

Dear Shareholders,

Growing bigger and serving better for 9 years in the banking industry, Citizens Bank International Limited has been able to create a good brand name in the industry known for its service excellence, customer relations, outstanding corporate governance and fair return to shareholders. I am highly honored to present Tenth Annual Report of this Bank for the Fiscal Year 2015/16 (2072/73).

This report reflects detail on the performance of the Bank for the Fiscal Year 2015/16 as well as achievements made by the Bank during the period of 9 years since its inception. The results reflected are very encouraging.

The Bank has made foray into the Merchant Banking industry through acquisition of 67% stake in CBIL Capital Limited making it a subsidiary of the Bank.

The Bank has well acquired and blended two "C" class financial institutions namely Nepal Housing and Merchant Finance Ltd. and Peoples Finance Ltd. in its corporate culture resulting in synergy as reflected by excellent management of Non-Performing Assets and Non-Banking Assets. This is not just an errand for the sake of profitability but an endeavor to impact economy positively by taking over financially troubled institutions in line with central

bank's policy to promote mergers and acquisitions and create more robust and stable banking sector.

The Bank has achieved the growth of 38.92 % in loans and advances and 33.45 % in Deposit. Similarly, the Bank has been able to achieve Net Profit of NPR 1,080.37 million in Fiscal Year 2015/16 which is 49.99 % growth compared to previous fiscal year. The Balance Sheet size is now NPR 55,062.01 million with an increment of 32.84 %.

The Bank had issued 55 % Right Share as per the Capital Plan so that share capital of NPR 8 billion could be achieved by mid-July 2017 to meet regulatory requirement of minimum share capital.

Having covered a noticeable corporate journey of a decade with a distinguished corporate culture that encourages good corporate governance, corporate social responsibility, corporate values and understandings the expectations of shareholders and stakeholders, the Bank thrive to achieve bigger and better heights of success in the years to come.

The major future programs are as such:

1. Speeding up construction works of own corporate building to complete it by Fiscal Year 2016/17 as planned.

2. Issuance of Bonus and Right Share as per Capital Plan of the Bank to meet the regulatory requirement of minimum paid capital of NPR 8 billion for A Class Bank by mid-July 2017.
3. Issuance of EMV compatible chip cards replacing magnetic strip cards to make ATM transactions more secure.
4. Migration of Core Banking Software from Pumori Plus IV to international standard Core Banking Software "Finacle" so that excellent service could be delivered to customers.
5. Expansion of Remittance service of the Bank to Malaysia, Japan, Qatar and Saudi Arabia.
6. Improvement of Asset Quality with selective focus on Agriculture, SMEs and productive sector.
7. Further enhancement of Internal Control System and Corporate Governance.
8. Continuity of Corporate Social Responsibility and Inter bank Sports Competition during Bank's Anniversary.

The Bank has the necessary financial resources to achieve the future aspirations backed by the brand

strength that have been creating; result oriented vibrant management team, sophisticated technology to suit the new age of business and effective risk management practices.

On behalf of Board of Directors of the Bank, I would like to thank all the shareholders, customers, Nepal Government and Nepal Rastra Bank and other regulators for their continued confidence in our strategy and direction that we have been following. Also, I am very much thankful to the contributions of Chief Executive Officer, all the officers, employees and well-wishers. I also thank the media for disseminating the activities of the Bank, positively to the public.

DR. SHANKAR PRASAD SHARMA

Chairman
Board of Directors

Bigger the Challenges
Bigger the Opportunity
for Growth





BOARD OF DIRECTORS



FROM LEFT TO RIGHT

Mr. Manohar Das Mool
Director

Mr. Bal Krishna Prasai
Director

Mr. Pavitra Kumar Karki
Director

Mr. Prakash Chandra Mainali
Public Director

Dr. Shankar Prasad Sharma
Chairman

Dr. Chanda Karki
Director

Mr. Chandra Tandan
Director

Mr. Avanindra Kumar Shrestha
Professional Director

Mr. Rajan Singh Bhandari
CEO

Mr. Bijay Dhoj Karki
Public Director

DIRECTORS' PROFILE



Dr. Shankar Prasad Sharma (Chairman)

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



Mr. Bal Krishna Prasai (Director)

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

Membership of Board Level Sub-Committees

Human Resource and Compensation Sub-Committee Co-ordinator



Mr. Manohar Das Mool (Director)

Mr. Manohar Das Mool is one of the leading businessmen of the country with excellent track record since 1980. His main business is paper business and is also associated with various organizations such as Paper Merchants Association of Nepal, Nepal Stationery Manufacturer's Association, Rotary Club of Kantipur, All Nepal Lawn Tennis Association etc. Mr. Mool has acquired numerous entrepreneurship trainings in different countries. He has an excellent academic track record.

Membership of Board Level Sub-Committees

Risk Management Sub-Committee Co-ordinator
Building Construction Sub-Committee Co-ordinator

**Mr. Prakash Chandra Mainali (Public Director)**

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

Membership of Board Level Sub-Committees

Risk Management Sub-Committee
Building Construction Sub-Committee

Member
Member

**Mr. Pavitra Kumar Karki (Director)**

Mr. Pravitra Kumar Karki is an enthusiastic professional who has been working in various positions in the Travel & Tours Trade. Mr. Karki has been in this industry for more than 26 years and has served in various positions for Nepal.

Membership of Board Level Sub-Committees

Merger and Acquisition Sub-Committee
Building Construction Sub-Committee
Human Resource and Compensation Sub-Committee

Co-ordinator
Member
Member

**Mr. Bijay Dhoj Karki (Public Director)**

Mr. Bijaya Dhoj Karki successfully served for 36 years in the Nepal Army and then retired in the post of Brigadier General. During the service period Mr. Karki visited all 75 districts of the country. He also served under the UN Mission in former Yugoslavia, Haiti, Lebanon, Congo etc. Mr. Karki also attended the Crisis Management Training in Israel. Mr. Karki is an Honorary Member of the Barphedi Society.

Membership of Board Level Sub-Committees

Audit Sub-Committee
Merger and Acquisition Sub-Committee

Member
Member



Dr. Chanda Karki (Director)

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

Membership of Board Level Sub-Committees

Merger and Acquisition Sub-Committee
Audit Sub-Committee

Member
Member



Mr. Chandra Tandon (Director)

Mr. Chandra Tandon is a skilled professional who has been involved in remittance business. He has excellent business development skills with hands on knowledge of directing the activities of financial, banking and remittance sector. Academically, an MBA in Finance with specialization in Capital Structure and Investment, he is currently leading one of the country's largest remittance company. He is also the Director of Nepal Electricity Authority. He also has experience of working as Director of finance companies in the past. He has travelled extensively across the globe and has presented paper on related fields. His expert opinions on remittance are widely accepted in the industry and his articles are often published in different newspapers.

Membership of Board Level Sub-Committees

Audit Sub-Committee
Risk Management Sub-Committee

Co-ordinator
Member



Mr. Avanindra Kumar Shrestha (Professional Director)

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

MOVEMENT IN BOARD OF DIRECTORS FOR FY 2015/16 (2072/73)

Name of the directors	Directors Since	Designation	Occupation	Remarks
Dr. Shankar Prasad Sharma	15.10.2015	Chairman	Ex-ambassador to the United States of America from 2009 to 2013	Founder Chairman of the Bank, elected as Chairman from 15.10.2015
Mr. Bal Krishna Prasai	15.10.2015	Director	Business	Served as Professional Director, Re appointed as director from 9th AGM on 15.10.2015
Mr. Manohar Das Mool	02.10.2012	Director	Business	
Mr. Prakash Chandra Mainali	08.10.2013	Public Director	Business	
Mr. Pavitra Kumar Karki	15.10.2015	Director	Business	Re appointed as director from 9th AGM on 15.10.2015
Mr. Bijaya Dhoj Karki	08.10.2013	Public Director	Ex-Brigadier General	
Dr. Chanda Karki	15.10.2015	Director	Doctor	Appointed as director from 9th AGM on 15.10.2015
Mr. Chandra Tandon	15.10.2015	Director	Business	Appointed as director from 9th AGM on 15.10.2015
Mr. Abhinash Pant	16.11.2010	Director	Business	Successful Completion of the tenure as Director as on 15.10.2015
Mr. Arjun Lal Rajbanshi	16.10.2011	Director	Service	Successful Completion of the tenure as Director as on 15.10.2015

CEO'S STATEMENT

The year ahead is full of challenges of which the major challenge is to maintain profitability relative to increased share capital. We plan to maintain Earnings Per Share despite increase in share capital through retailing, sustainable growth and service excellence.

FY 2015/16 (2072/73) has been the milestone year for the Bank. In this year, the Bank completed its 9th year of operations and marked an entry to Net Profit of NPR 1 Billion. Balance Sheet size of the Bank is now NPR 55 Billion with Loans and advances portfolio of NPR 39.64 Billion and deposit mobilization of NPR 47.39 Billion. I would like to express my sincere gratitude to our valued customers for their continuous support and belief, shareholders for investing on us, Board of Directors for proper support, guidance and continuous encouragement in policy formulation of the Bank, regulators for guiding us and lastly the staff for their profound contribution made for the Bank.

Creating a history of course is a matter of satisfaction but maintaining consistency in growth and quality of assets and liabilities, meeting expectations of our stakeholders with full compliance is equally a challenging task. However, we accept this challenge and plan to move ahead with a robust system that is less affected by external turmoil.

In line with Central Bank's Policy for creating a safer and more stable banking sector, we are acquiring one more 'C' class financial institution and further increasing the capital through Right issue and capitalization of distributable profit. Similarly, in order to become "Preferred Partner for Progress", we also plan to provide subsidized credit through Refinancing Facility of central bank and impact positively crippled economic system disrupted by the Earthquake and trade disruption.

As an acknowledgement to Central Bank's direction to implement BASEL III, we plan

to focus on assets and liabilities quality in order to manage risk at low level and focus on low risk business model by extending credit to mid-market segments/ SME loans, home loan and non-interest bearing business like remittance, trade finance, letter of credit, guarantees, card business and other services. Similarly, we plan to extend credit to energy, agricultural and productive sector on selective basis. In order to minimize concentration risk on deposit, we plan to focus on mobilization of individual deposit from our branch network and branchless banking services dispersed throughout the country from urban cities to rural areas.

The year ahead is full of challenges of which the major challenge is to maintain profitability relative to increased share capital. We plan to maintain Earnings Per Share despite increase in share capital through retailing, sustainable growth and service excellence.

We will continue to stride towards our corporate vision of being the leading bank known for its service excellence in the region by providing service par excellence by inculcating five corporate values of the Bank- Customer focused, service excellence, corporate governance, social responsibility and colleague.

Thank you for your continued support.

Rajan Singh Bhandari
Chief Executive Officer





MANAGEMENT TEAM

FROM LEFT STANDING

Mr. Sanjeeb Kumar Shrestha
Chief information Technology Officer

Mr. Sumit Babu Khatri
Chief Credit Officer

Mr. Paras Kumar Kafle
Chief Operating Officer

Mr. Rajendra Lal Shrestha
Chief Risk and Recovery Officer

Ms. Umang Sharma
Chief Administrative Officer

Mr. Pramesh Raj Kayastha
Chief Finance Officer



**FROM LEFT
FRONT ROW**

Mr. Ramdhan Shrestha
Assistant Chief Executive Officer

Mr. Ganesh Raj Pokharel
Deputy Chief Executive Officer

Mr. Rajan Singh Bhandari
Chief Executive Officer

Mr. Bodh Raj Devkota
Assistant Chief Executive Officer

MANAGEMENT'S PROFILE



Mr. Rajan Singh Bhandari (Chief Executive Officer)

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

Positions held during the Year

Assets Liabilities Management Committee	Chairman
Executive Committee	Chairman
IT Steering Committee	Chairman
Human Resource and Compensation Committee	Member
Merger and Acquisition Sub-Committee	Member
Budget Sub-Committee	Member



Mr. Ganesh Raj Pokharel (Deputy Chief Executive Officer)

Mr. Ganesh Raj Pokharel is a well-known individual in the management field. He is very competent as he has a wide range of knowledge and educational qualification that includes MBA (Marketing), B.L. (Banking) and EMBA (Finance). He started his professional career with Management Association of Nepal (July 1995 to January 2007) and also held the responsibility of Executive Director for six years during his tenure. He has also served as a Principal of Management Development Campus for EMBA program. He has been actively involved and serving in this organization, Citizens Bank International Limited since its inception. He also has a vast experience in organizing training programs, talk programs, various researches and consultancy works.

Positions held during the Year

Company Secretary	
Operational Risk Management Committee	Chairman
CBIL Capital Ltd.	Chairman
Executive Committee	Member
Merger and Acquisition Sub-Committee	Member Secretary
Assets Liabilities Management Committee	Member
Recruitment Committee	Co-ordinator
IT Steering Committee	Member



Mr. Bodh Raj Devkota (Assistant Chief Executive Officer)

Mr. Bodh Raj Devkota, holds M. Phil. Degree in Management (Finance) from Kathmandu University and MBA Degree (Finance) From Tribhuvan University. He started his career from Nepal Bank Limited as a Deputy Manager and has over 20 years of experience in banking sector. He has been serving in Citizens Bank International Ltd. since its inception.

Positions held during the Year

Purchase Committee	Chairman
CBIL Capital Ltd.	Director
Executive Committee	Member
Building Construction Sub-Committee	Member Secretary
Assets Liabilities Management Committee	Member
Recruitment Committee	Member
IT Steering Committee	Member



Mr. Ramdhan Shrestha (Assistant Chief Executive Officer)

Mr. Ramdhan Shrestha was associated with Nepal Rastra Bank where he served for 40 years. He has been actively involved and serving in the organization since its inception. His area of expertise is in supervision of financial institutions, personnel administration, finance, treasury, business, risk management, recovery, operations etc.

Positions held during the Year

Executive Committee	Member
Operational Risk Management Committee	Member
Assets Liabilities Management Committee	Member
Recruitment Committee	Member
CBIL Capital Ltd.	Director



Mr. Samir Prasad Dahal, Chief Executive Officer, CBIL Capital Limited

Mr. Samir Prasad Dahal, FCA is a Senior Manager in the Bank and has been deputed as CEO of CBIL Capital Limited (subsidiary company of the Bank). He is also the Company Secretary to the company. Apart from being a qualified Chartered Accountant (FCA) having accomplished his program in the year 2002 from the Institute of Chartered Accountants of India, Mumbai Chapter, he is also a certified treasury and forex manager having achieved his certification from Association of Certified Treasury Managers (ACTM). Besides, he has also received the esteemed IFRS certification. He has endeavored entrepreneurial venture through SP Dahal & Associates. During his 14 years of professional career, he has worked for Himalayan Bank for almost 8 years as Deputy Manager after which he had been working for Citizens Bank International as Chief Finance Officer (CFO). He has expertise in various business arenas specializing in corporate finance and business development. Among many of the training and conferences attended by him few of them include merger conference, information system audit, renewable energy technology financing, auditors and bankers at various national and international locations.



Mr. Rajendra Lal Shrestha – Chief Risk and Recovery Officer

Mr. Rajendra Lal Shrestha, an MBA from SIBM, Pune has 17 years of Banking Experience. He has been actively involved and serving in the organization since its inception in the field of trade finance, credit and branch Operation, risk and recovery

Positions held during the Year

Executive Committee	Member
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Mr. Paras Kumar Kafle- Chief Operating Officer

Mr. Paras Kumar Kafle, an MBS from Tribhuvan University has over 16 years of Experience in Banking Sector. He has been actively involved and serving in the organization since its inception. His areas of experience and expertise include Trade Finance, Credit Operations, Branch Management, Bank Operations and Relationship Management both in Corporate Credit and SME Loans.

Positions held during the Year

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



Ms. Umang Sharma- Chief Administrative Officer

Ms. Umang Sharma, an MBA from Kathmandu University has 15 years of Banking Experience. She has been actively involved and serving in the organization since its inception. She has experience of working in credit department particularly in the field of Consumer Banking, SME Banking and also has experience of working in Business Development Unit. She has been leading in the HR department and General Service Department of the bank since last 3 years.

Positions held during the Year

Executive Committee	Member Secretary
Human Resource and Compensation Sub-Committee	Member Secretary
Recruitment Committee	Member Secretary
IT Steering Committee	Member
Purchase Committee	Permanent Invitee



Mr. Sumit Babu Khatri- Chief Credit Officer

Mr. Sumit Babu Khatri, an MBA has 17 years of banking experience. He has been actively involved and serving in the organization since its inception. He has over 15 years of experience in credit and marketing department looking after corporate & commercial loans, consumer loans and infrastructure & project financing in various capacities.

Positions held during the Year

Executive Committee	Member
Assets Liabilities Management Committee	Member



Mr. Sanjeeb Kumar Shrestha – Chief Information Technology Officer

Mr. Sanjeeb Kumar Shrestha, Master in Computer Engineering from Ukraine has over 18 years of Banking Experience in the field of Information Technology. He has been actively involved and serving in the organization since its inception. He has been working in IT Department and also has experience in the field of Branchless Banking, Card and Remittance.

Positions held during the Year

Executive Committee	Member
IT Steering Committee	Member



Mr. Pramesh Raj Kayastha- Chief Finance Officer

Mr. Pramesh Raj Kayastha holds Chartered Accountancy degree from Institute of Chartered Accountancy of India and BBS from Tribhuvan University. Prior to joining Citizens Bank International Limited, he was associated with Prime Commercial Bank Limited as Finance Head for over 3 years. He had joined Citizens Bank International Limited on July 7, 2013 (2070/03/23) as Executive Finance Officer.

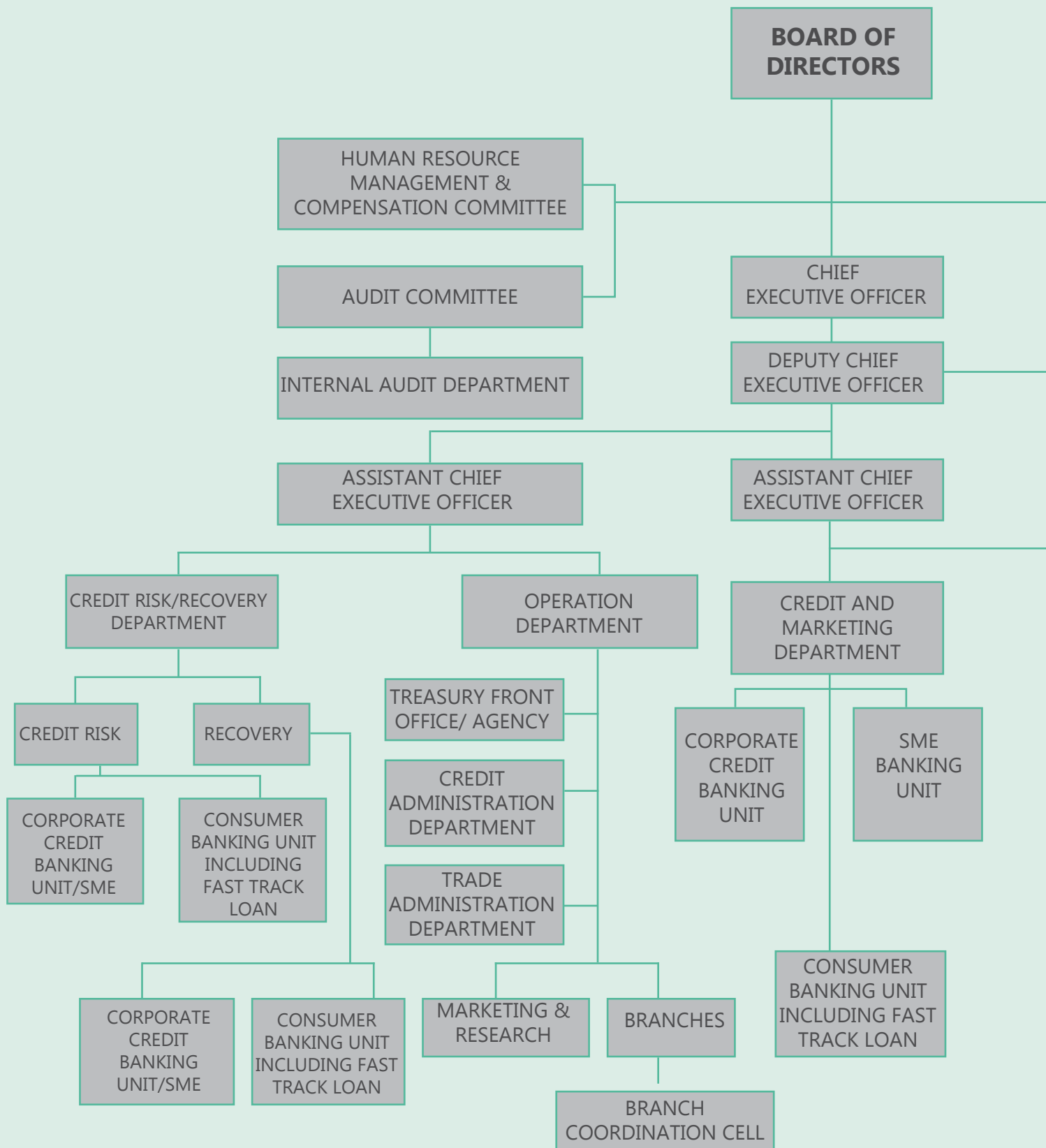
Positions held during the Year

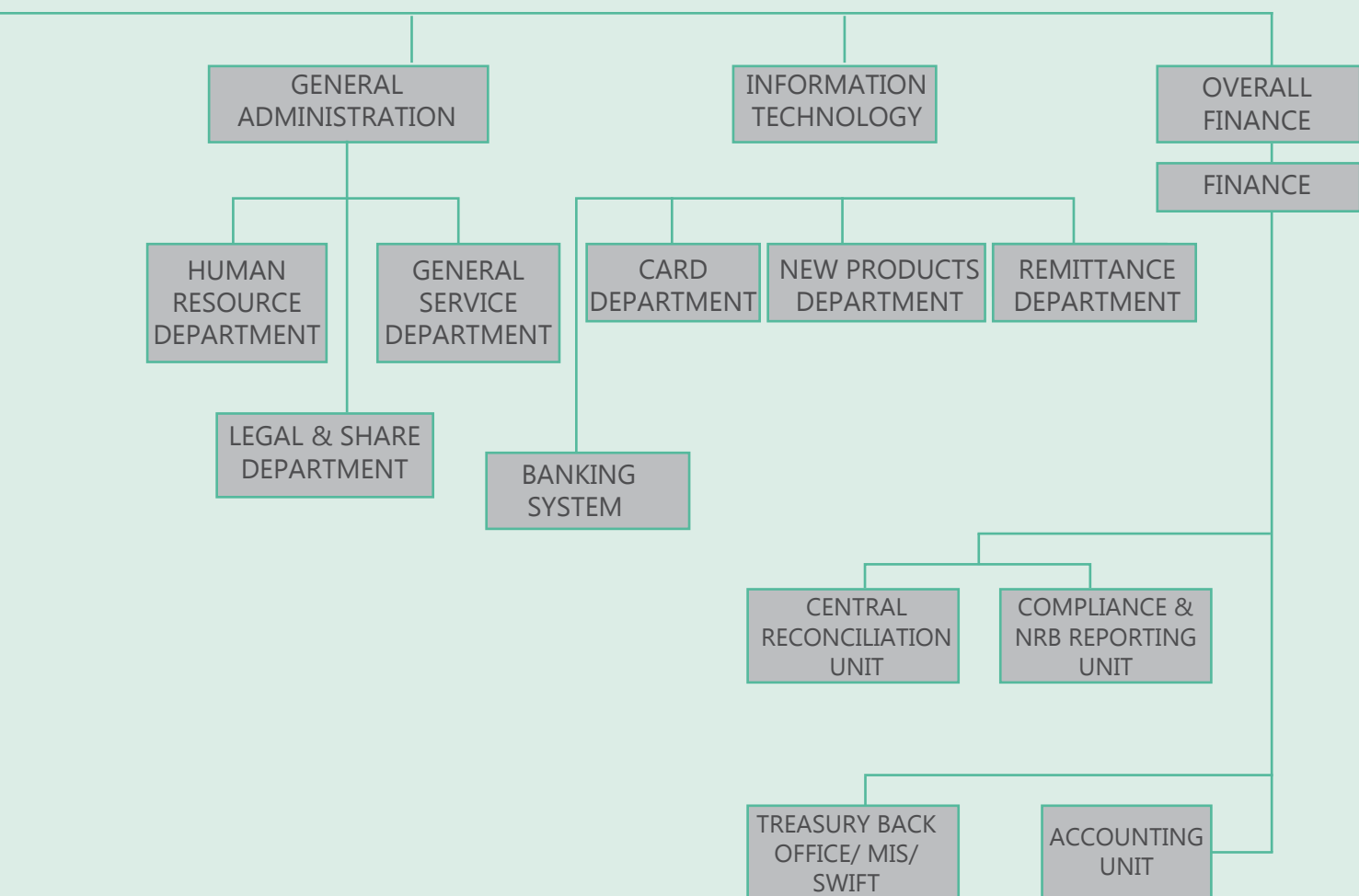
Budget Sub-Committee	Member Secretary
Executive Committee	Member
Human Resource and Compensation Sub-Committee	Member
Assets Liabilities Management Committee	Member
Purchase Committee	Member

HEAD OF DEPARTMENTS

S.N	NAME	POSITION	DEPARTMENT
1	Ravi Kumar Rauniyar	Regional Manager	Central Region
2	Suman Mulepati	Head	Consumer Banking Unit
3	Amit Khanal	Head	Credit Risk Department CCBU/SME
4	Narayan Raj Adhikari	Head	Credit Risk Department (Consumer Banking Unit) including fast track loan
5	Manisha Karn	Head	Recovery Department
6	Pradip Sedai	Regional Manager	Eastern Region
7	Roshan Malla	Relationship Manager	Relationship Manager CCBU/SME
8	Tulasi Raj Rijal	Relationship Manager	Relationship Manager CCBU/SME
9	Anit Sapkota	Head	Internal Audit Department
10	Suresh Prasad Thapaliya	Head	Trade Administration Department
11	Suyesh Kumar Poudel	Head	Card Department
12	Angish Shrestha	Head	Treasury Department
13	Akanksha Basnet	Executive Finance Officer	Finance Department
14	Hari Babu Thapa	Head	Credit Administration Department
15	Ramesh Prasad Ghimire	Head	Compliance and NRB Reporting Unit
16	Krishna Pandey	Head	Risk Management Department
17	Raju Manandhar	Incharge	Operations Department
18	Kedar Adhikari	Head	Legal and Share Department
19	Niraj Raj Shrestha	Head	Credit Card
20	Dikendra Ram Kashajoo	Head	General Service Department
21	Saurav Shrestha	Incharge	Information Technology Department
22	Sujan Jhamkanta Adhikari	Incharge	Remittance Department
23	Swechchha Dangol	Incharge	New Product Development and Transaction Banking

ORGANOGRAM





TRANSPARENCY
PARTICIPATORY ETHICS RESPONSIBILITY
ACCOUNTABILITY



CORPORATE GOVERNANCE, RISK, CSR & RESPONSIBILITIES TOWARDS EMPLOYEES

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Business Ethics and Anti-Corruption Measures	67
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Bank's Contribution and Responsibilities to Employees	80

CORPORATE GOVERNANCE

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

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

BOARD OF DIRECTORS

During the year 2015/16 (2072/73), 29 Board Meetings were held out of which 7 meetings were through resolution by circulation. The details of the meetings held in every month, attendance of the directors and sitting fees are as under:

The composition of the BOD from 17.07.2015 to 12.10.2015 is as follows:

Names	Coordinator/Member
Bal Krishna Prasai	Chairman
Manohar Das Mool	Director
Prakash Chandra Mainali	Director
Abinash Pant	Director
Pavitra Kumar Karki	Director
Arjun Lal Rajbanshi	Director
Bijaya Dhoj Karki	Director

The composition of the BOD from 15.10.2015 is as follows:

Names	Coordinator/Member
Dr. Shankar Prasad Sharma	Chairman
Bal Krishna Prasai	Director
Prakash Chandra Mainali	Director
Pavitra Kumar Karki	Director
Manohar Das Mool	Director
Bijaya Dhoj Karki	Director
Dr. Chanda Karki	Director
Chandra Tandan	Director

Details of meetings of Board of Directors during the FY 2015/16

Total number of meetings held	22
Total number of resolution by circulation	7

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

NAME OF THE DIRECTOR	NO. OF MEETINGS ATTENDED	SITTING FEES PER PERSON PER MEETING (NPR)	
		Before January 1, 2016	After January 1, 2016
Dr. Shankar Prasad Sharma#	14/14	10,000	13,000
Bal Krishna Prasai**	22/22	8,000	11,000
Prakash Chandra Mainali	22/22	8,000	11,000
Pavitra Kumar Karki	18/22	8,000	11,000
Manohar Das Mool	20/22	8,000	11,000
Bijaya Dhoj Karki	22/22	8,000	11,000
Dr. Chanda Karki	12/14	8,000	11,000
Chandra Tandan	12/14	8,000	11,000
Abinash Pant	8/8	8,000	11,000
Arjun Lal Rajbanshi	8/8	8,000	11,000

#Dr. Shankar P Sharma attended Meeting No. 189 as a Chairman on 15th October, 2015.

** Mr. Bal Krishna Prasai was the chairman till 12th October, 2015

Allowance for Chairman and Board Directors was increased to NPR 13,000 & NPR 11,000 from Meeting No 195 on 11th Jan, 2016 ; Previously it was NPR 10,000 & NPR 8000 respectively.

The major agendas of the board meeting during FY 2015/16 are summarized as follows :

- Review of loan authority limit of CEO
- Review and change in Bank's Loan Policy
- Resignation of Director
- Appointment of Chairman
- Review of the Bank's Capital Plan
- Review of the Monetary Policy issued by NRB as on FY 2015/16
- Regarding the Amendment in Employee Bye-Laws 2064 Annexure 11 and 13
- Regarding the Bid of Bank's Core Banking System
- Approval of financial statements for the year 2015/16 & seeking approval from NRB for the distribution of proposed dividend
- Regarding the reply for Preliminary Report of Auditor of FY 2015/16
- Annual Audit Committee Execution Report of FY 2015/16
- Certification of report as per Section 78 of Company Act 2063 to be sent to Office of Company Registrar
- Regarding election of Director
- Discussion and decision of the agendas for 9th AGM.
- Amendment in annexure 12 of Employee Bye-Laws 2064
- Regarding grade of employees
- Sale of Non-Banking Assets
- Regarding 4th Special General Meeting
- Amendment in Memorandum of Association and Article of Association.
- Regarding the Bank's amended Capital Plan
- Regarding meeting allowance of Board of Director.
- Acceptance of bid for the sale of Non-banking Assets of the Bank
- Amendment in Annexure 2 clause 5 and 6 of Employee Bye-Laws 2064
- Regarding Branchless Banking operation
- Investment in Subsidiary Company for Merchant Banking
- Regarding discussion on Onsite inspection Report 2072 of NRB
- Work execution of Office Building and Merger and Acquisition Committee
- Regarding Internal decoration of Bank's corporate office
- Approval of Contingency Management Framework

- To approve the Public holiday of 2073
- Discussion related to Budget of FY 2016/17
- Citizens Branchless Banking Service operation
- Amendment in AML/CFT Policy
- Increment of staff salary
- Promotion of Deputy CEO
- Interaction between BOD and Nepal Rastra Bank Inspection Team
- Joint Transaction start with Premier Finance Limited

Following are the major decisions taken in the board meeting during FY 2015/16 :

- As per recommendation of Human Resource Compensation Sub-Committee, enhancement of staff facilities and amendment in Annexure -11 (Home Loan Facility), Annexure-12 (Citizens Staff Welfare fund) and Annexure-13 (Advance Salary) of the Employee Bye-laws of the Bank.
- Closing of the BLB at 152 Locations of Surkhet, Banke and Baglung as the contract signed with Nepal Government Ministry of Federal Affairs and Local Development has expired
- Approval of the Capital Plan 2072 was done after discussing with major promoters and was decided to send it to NRB, Regulation and Supervision department
- As per the recommendation of Human Resource & Compensation Sub-Committee, grade defined as 5% of the Basic Salary
- Certification of the Financial Statement of FY 2014/15, seeking approval of NRB for the publication of audited financial statements of FY 2014/15 and distribution of Bonus shares and cash dividend from distributable profits
- Conduction of 4th SGM for obtaining the approval from the Shareholder for acquisition of the Premier Finance Limited and amendment of MOA and AOA of the Bank thereafter
- New Capital Plan was formed as per the directions provided from NRB for making the Capital Plan after including the capital of Premier Finance Limited
- As per the clause no 8(6) of MOA of the Bank, Clause no 12(3) of BAFIA and Clause no 86(4) new Chairman of the Bank was nominated as Dr. Shankar Prasad Sharma

- As per NRB Directive No 6/072, Audit Sub-Committee, Risk Management Sub-Committee and Human Resource and Compensation Sub-Committee was reformed. And as per NRB directive no 6/072 clause no 5(kha) Building Construction Sub-Committee and Merger and Acquisition Sub-Committee was reformed after election of new BOD from 9th AGM
- Decision regarding Sale Of Non Banking Assets
- Fixation of BOD meeting fees to NPR 11,000 to the members other than Chairman as approved by Nepal Rastra Bank.
- As per the recommendation of Human Resource Compensation Sub-Committee, it was decided to provide credit card facility to the existing employees of the Bank and addition of Annexure-14 in the Employee Bye-Laws
- Decisions for seeking approval to NRB for opening new BLB at Laukahi of Sunsari district, and shifting the BLB of Nuwakot and Dhading district
- As the Lowest bid has been obtained for purchasing the Finacle Solution Software from CAS Trading House Pvt. Ltd., authority has been delegated to the Sub-committee under Mr. Manohar Das Mool to sign the contract for purchasing Finacle
- As per the recommendation of Merger and Acquisition Committee of the Bank and approval obtained from NRB for making CBIL Capital Ltd. as the Subsidiary. The Bank has decided to invest NPR 67 million in the equity of CBIL Capital Limited and nomination of DCEO and ACEOs of the Bank as BOD members of the subsidiary.
- Fixation of date for Commencement of the Joint Transactions with Premier Finance Limited as July 19,2016 and final application for acquisition submission to NRB.
- As per the Recommendation of the Audit Sub-Committee, Bank Response to the Report of the Onsite Inspection team of NRB was provided and instructed the management to implement report provided by NRB.
- As per the Recommendation of the Audit Sub-Committee, the Bank decided to answer on the comments made by the Onsite Inspection team of NRB and implementation of the comments made by NRB

- Dissolution of Building Construction Sub-Committee and Merger and Acquisition Sub-Committee as the objectives of those committee had been achieved
- As per the recommendation of the Building Construction Sub-Committee dated 2016.03.24 , it has been decided to grant the interior designing of the new office building to Home Maker Pvt. Ltd.
- As per the Circular issued from NRB Regulation Department to BFIs for preparing Contingency Management Framework, BOD has approved the Contingency Management Framework presented by the management of the Bank
- As per the Final Approval obtained from NRB for acquisition of Premier Finance Limited, it was decided to commence the Joint Transaction from July 17,2016
- And many more.

Other Board Level Sub-Committees

In terms of the provisions of Directives no. 6 section 5 of Nepal Rastra Bank and section 14 and section 15 of Bank and Financial Institutions Act, 2007, licensed banks and financial institution are allowed to constitute board level committees relating to Audit Committee, Risk Management Committee and Human Resource Compensation Committee. Each Board Level Committee can include minimum 3 and maximum 5 members. Committees relating to areas other than these three areas can be formed for a specified period of time and specific purpose. Board of Directors has constituted 6 Board Level Sub-Committees which are as follows:

Name of the Sub-Committees

- Audit Sub-Committee
- Risk Management Sub-Committee
- Human Resource & Compensation Sub-Committee
- Building Construction Sub-Committee
- Merger and Acquisition Sub-Committee
- Budget Sub-Committee

These Sub-Committee provide effective professional support in the conduct of Board level business and focus on expertise where it can be used, and manage the flow of information so directors are not burdened with unnecessary materials that can hinder rather than facilitate good decision making.

AUDIT SUB-COMMITTEE

Audit Sub-Committee has been constituted under the chairmanship of a non-executive director. The committee of the board was constituted on 10.07.2007 (26.03.2064) and was last reconstituted on 15.10.2015 (28.06.2072). The board functions according to the regulatory provisions of NRB Unified Directives and the provisions of Section 164 and 165 of Company Act, 2063.

The committee meets regularly as per its charter to discuss and oversee the key issues highlighted by the Internal Audit Department.

Major responsibilities of the sub-committee

The primary purpose of the audit sub-committee is to provide oversight of the financial reporting process, the audit process, the system of internal controls and compliance with laws and regulations which includes the following:

- Review significant accounting and reporting issues and recent professional and regulatory pronouncements to understand

the potential impact on financial statements.

- Review the results of the audit with management and external auditors, including matters required to be communicated to the committee under Nepal Standard on Auditing.
- Consider internal controls and review their effectiveness.
- Review of report on, and management responses to, observations and significant findings of auditors.
- Control over the financial reporting, information technology, security and operational matters.

Composition and Attendance during 2015/16

The sub-committee has 3 members of the Board of Directors. The constitution and quorum requirements as per NRB are complied with. During the year, 15 meetings of the committee were held to review the various matters connected with the internal control, systems and procedures and other aspects, as required in the terms of NRB directives.

The composition of the committee from 17.07.2015 to 14.10.2015 is as follows:

Names	Coordinator/Member
Arjun Lal Rajbansi, Director	Coordinator
Bijay Dhoj Karki, Director	Member
Abinash Pant, Director	Member
Anit Sapkota, Internal Audit Department- Head	Member secretary

The composition of the committee from 15.10.2016 is as follows:

Names	Coordinator/Member
Chandra Tandan, Director	Coordinator
Bijay Dhoj Karki, Director	Member
Dr. Chanda Karki, Director	Member
Anit Sapkota, Internal Audit Department- Head	Member secretary

Details of Audit Sub-Committee meeting during FY 2015/2016.

Total No. of meetings held 16

Shrawan Jul/Aug	Bhadra Aug/Sep	Ashwin Sep/Oct	Kartik Oct/Nov	Mangsir Nov/Dec	Poush Dec/Jan	Magh Jan/Feb	Falgun Feb/Mar	Chaitra Mar/Apr	Baishakh Apr/May	Jestha May/June	Asadh June/July
1	3	1	-	1	1	1	1	1	2	-	4

NAMES	NO. OF MEETINGS ATTENDED	SITTING FEES PER PERSON PER MEETING (NPR)	
		Before January 1, 2016	After January 1, 2016
Arjun Lal Rajbansi*, Director	5/5	8,000	11,000
Bijay Dhoj Karki, Director	15/16	8,000	11,000
Abinash Pant*, Director	4/5	8,000	11,000
Chandra Tandan, Director	11/11	8,000	11,000
Dr. Chanda Karki, Director	11/11	8,000	11,000
Anit Sapkota, Internal Audit Department -Head	16/16	-	-

* The committee has been reconstituted on 15.10.2015. Mr Arjun Lal Rajbansi and Mr Abinash Pant are no longer members of the committee from 15.10.2015.

Agendas discussed in the meetings of the Sub-Committee

- Discuss on Internal Audit Reports/review reports of overall financial statements and quarterly financial statements, NRB Onsite Inspection report, External Audit Reports as well as other agenda.
- Reviewed the Internal Audit Reports of departments/branches of the Bank and made special recommendation to management for good governance and internal control.
- Recommended K.K. Budhathoki & Associates, Chartered Accountants as potential auditors for re-appointment of the external auditor of the Bank, fixed remuneration and terms and conditions of appointment of the external auditors and presented the same in Annual General meeting.
- Discussed on Preliminary Audit Report of FY 2014/15 of the Bank given by External Auditor and management response thereon.
- Discussed NRB-Onsite Supervision report of the Bank and recommended the management to take necessary steps for issues raised by NRB-Onsite Supervision report.

RISK MANAGEMENT SUB-COMMITTEE (RMC)

The Bank has constituted a five member Risk Management Sub-Committee (constituting 3 BOD members, 1 Chief Operating Officer and 1 Head of Risk Management Unit) for review of risks associated with Credit, Operation, Investment and ALCO function,

Concentration Risk, Policy Risk, Compliance Risk and Portfolio Risk. The Sub-Committee was constituted on 17.12.2010 (02.09.2067) under Risk Management Guidelines of Nepal Rastra Bank and the NRB Directives. The Sub-Committee was last re-constituted on 15.10.2015 (28.06.2072) Mr. Manohar Das Mool is the coordinator of the committee. 5 meetings were held during the year 2015/16 (2072/73).

Major Responsibilities of RMC

The purpose of the committee is to perform centralized oversight and policy-setting of risk management activities and to communicate with the Board of Directors about the important risks and related risk management activities which includes:

- Assisting the Board of Directors in understanding and exercising regular oversight on risk management measures adopted by the management in operating the banking business.
- Determine the adequacy and effectiveness of overall risk profile of the Bank.
- Recommend the board and formally announce, implement and maintain a sound system of risk oversight, management and internal control which identifies, assesses, manages and monitors risk and allows investors and other stakeholders to be informed of material changes to the risk profile of the Bank.
- Approve the design of risk management framework, including supporting methods, risk policies, risk exposures, and the risk ranking methodology, as they relate to financial, operational, strategic, and compliance risks.

- Review and advise the Board on the risk impact of strategic business decisions and assess strategic alignment with risk appetite.
- Review significant aggregate risk concentrations and other escalations, and approve significant corrective actions recommended by Management.
- Report to the board the most significant risks, risk trends, as well as related risk response strategies and the performance of the risk management capabilities.

Composition and Attendance during 2015/16

The composition of the sub-committee from 17.07.2015 to 14.10.2015 is as follows:

Names of Co-ordinator/ Members

Names	Coordinator/Member
Manohar Das Mool	Coordinator
Prakash Chandra Mainali	Member
Arjun Lal Rajbanshi	Member
Paras Kumar Kafle	Member
Krishna Pandey	Member secretary

The composition of the sub-committee from 15.10.2015 (28.06.2016) is as follows:

Names of Co-ordinator/ Members

Names	Coordinator/Member
Manohar Das Mool, Director	Coordinator
Prakash Chandra Mainali, Director	Member
Chandra Tondon, Director	Member
Paras Kumar Kafle, Chief Operating Officer	Member
Krishna Pandey, Risk Management Department-Head	Member secretary

Details of Risk Management Sub-Committee meeting during FY 2015/2016.

Total No. of meetings 5

Shrawan Jul/Aug	Bhadra Aug/Sep	Ashwin Sep/Oct	Kartik Oct/Nov	Mangsir Nov/Dec	Poush Dec/Jan	Magh Jan/Feb	Falgun Feb/Mar	Chaitra Mar/Apr	Baishakh Apr/May	Jestha May/June	Asadh June/July
1	1	-	-	1	-	1	-	-	-	1	-

NAMES	NO. OF MEETINGS ATTENDED	SITTING FEES PER PERSON PER MEETING (NPR)	
		Before January 1, 2016	After January 1, 2016
Manohar Das Mool, Director	5/5	8,000	11,000
Prakash Chandra Mainali, Director	5/5	8,000	11,000
Arjun Lal Rajbanshi*, Director	2/5	8,000	11,000
Chandra Tandan, Director	2/5	8,000	11,000
Paras Kumar Kafle, Chief Operating Officer	5/5	-	-
Krishna Pandey, Head Risk Management Department	5/5	-	-

*The sub-committee has been reconstituted on 15.10.2015. Mr Arjun Lal Rajbanshi is no longer member of the sub-committee from 15.10.2015

HUMAN RESOURCE AND COMPENSATION SUB-COMMITTEE

Human Resource and Compensation Sub-Committee of the board was constituted on 25.12.2006 (10.09.2063) and was last reconstituted on 15.10.2015 (28.06.2072). The committee functions according to the NRB Unified Directives.

Major responsibilities of the sub-committee

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

- To formulate remuneration policy; set the general objectives and priorities in relation to production and utilization of human resources and define the general strategies and make the choices needed to achieve the objectives.
- Set the budget for annual salary increases.
- Determine the design and targets for any annual performance related pay schemes operated by the Bank and subsequently, review individuals' performance against these targets and agree any payments proposed.
- Review and approve the overall incentive spent.
- Determine the design of, eligibility for and targets for, any long term performance related pay schemes operated by the Bank and subsequently, review the performance against these targets and agree any payments proposed.
- Agree the policy for authorizing claims for expenses and ensure that all incentive plans comply with relevant legislation, codes of conduct and good remuneration practice.
- Review the report on the operation of the remuneration policy and its effectiveness including procedures and processes to avoid conflicts of interest to note the arrangements in place to ensure employees receive adequate information to understand the requirements of the Remuneration Policy and Remuneration Code.

Composition and Attendance during FY 2015/16

The composition of the committee from 17.07.2015 to 14.10.2015 is as follows:

Names	Coordinator/Member
Abinash Pant, Director	Coordinator
Pavitra Kumar Karki, Director	Member
Rajan Singh Bhandari, Chief Executive Officer	Member
Samir Prasad Dahal, Chief Finance Officer	Member
Umang Sharma, Chief Administrative Officer	Member secretary

Composition and Attendance during FY 2015/16

The composition of the committee from 15.10.2015 is as follows:

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

Details of Human Resource and Compensation Sub-Committee meeting during FY 2015/2016.

Total No. of meetings 6

Shrawan Jul/Aug	Bhadra Aug/Sep	Ashwin Sep/Oct	Kartik Oct/Nov	Mangsir Nov/Dec	Poush Dec/Jan	Magh Jan/Feb	Falgun Feb/Mar	Chaitra Mar/Apr	Baishakh Apr/May	Jestha May/June	Asadh June/July
1	1	–	–	–	1	–	–	–	1	2	–

NAMES	NO. OF MEETINGS ATTENDED	SITTING FEES PER PERSON PER MEETING (NPR)	
		Before January 1, 2016	After January 1, 2016
Bal Krishna Prasain, Director	4/4	8,000	11,000
Abinash Pant, Director	2/2	8,000	11,000
Pavitra Kumar Karki, Director	6/6	8,000	11,000
Rajan Singh Bhandari, Chief Executive Officer	6/6	–	–
Umang Sharma, Chief Administrative Officer	6/6	–	–
*Samir Prasad Dahal, Chief Finance Officer (Former)	3/3	–	–
*Pramesh Raj Kayastha, Chief Finance Officer	3/3		

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

Agendas discussed in the meetings of the sub-committee

- Amendment in Annexure 11 and 13 of Employee Bye-Laws 2064 (Home Loan and Advance Salary)
- Amendment Annexure 12 of Employee Bye-Laws 2064 (Special Retirement Fund) and Clarification regarding grade calculation mechanism
- Promotion Criteria for DGM and Introduction of Credit Card Facility to staff
- Amendment in Remote Area Allowance and Provision of Home Loan facility to newly joined experienced staff
- Salary Revision
- Manpower Planning for FY 2016-17 and Amendment in provision of Mourning and Maternity leave

BUILDING CONSTRUCTION SUB-COMMITTEE

The Building Construction Sub-Committee of the board was constituted on 08.11.2012 (23.07.2069) and was reconstituted on

12.07.2015 (27.03.2072). It is a board level sub-committee formed for the construction works, operation and maintenance of the office building and procurement of new Core Banking System.

Major responsibilities of the sub-committee

The Building Construction Sub-Committee oversees all the activities associated with the construction, operation, maintenance and safety of the office building.

The major responsibility of the Sub-Committee includes the following:

- Preparing annual Building Sub-Committee budget and amendments to same for submittal to the Finance Department.
- Performing a detailed inspection of the building being constructed in Narayanhiti Path and determine any action needed to be taken care of.
- Overseeing the procurement of new Core Banking System.

Composition and Attendance during 2015/16

The composition of the sub-committee as on 16.07.2015 (31.03.2072) is as follows:

Names	Coordinator/Member
Manohar Das Mool, Director	Coordinator
Prakash Chandra Mainali, Director	Member
Pavitra Kumar Karki, Director	Member
Bodh Raj Devkota, Asst. CEO-General Service Department	Member Secretary

Details of Building Construction Sub-Committee meeting during FY 2015/2016.

Total No. of meetings 9

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

NAMES	NO. OF MEETINGS ATTENDED	SITTING FEES PER PERSON PER MEETING (NPR)	
		Before January 1, 2016	After January 1, 2016
Manohar Das Mool, Director	9/9	8,000	11,000
Prakash Chandra Mainali, Director	9/9	8,000	11,000
Pavitra Kumar Karki, Director	7/9	8,000	11,000
Bodhraj Devkota, Assistant Chief Executive Officer	9/9	-	-

Agendas discussed in the meetings of the sub-committee

Following are the major agendas discussed in the meeting.

- Recommendation for Re-Tender for procurement of Core Banking System required for the Bank as well as cancellation of previously called tender.
- Release of Running Bills to M/s MK Nirman Sewa, Contractor for Structural work of Corporate Office Building.
- Appointment of Consultant for evaluation of tender documents of Core Banking System.
- Approval of Bid Documents, Layout Plans and Tender Notice for interior works of Corporate Office Building.
- Recommendation for procurement of Finacle Core Banking System
- Recommendation for awarding of Interior work of Corporate Office Building.

MERGER AND ACQUISITION SUB-COMMITTEE

The Merger and Acquisition Sub-Committee of the board was constituted on 24.10.2013 (07.07.2070) and was reconstituted on 15.10.2015 (28.06.2072). This sub-committee is majorly a board level sub-committee formed to perform the process of evaluation, review and recommendation for possible mergers and acquisitions.

After Successful completion of the works assigned to the sub-committee, it was dissolved from BOD meeting number 200 on 27.03.2016 (14.12.2072).

Major responsibilities of the sub-committee

The main purpose of the sub-committee is to review and recommend acquisition transactions and strategic investment

transactions proposed by the management. It puts forward the proposals for assessment of potential acquisitions and mergers and to perform any other responsibilities as assigned by the Board.

The major responsibility of the sub-committee includes the following:

- Review and recommend merger and acquisition requests to BOD.
- Carry out a thorough post-completion evaluation of the merger and acquisition

requests and implementation plan of the same.

- Authorize and approve merger/acquisition requests.
- Keep up to date with and be fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates.
- Recommend merger and acquisition strategies to BOD.
- Assist with post acquisition integration and business development opportunities.

Composition and Attendance during 2015/16

The composition of the committee from 17.07.2015 to 14.10.2015 is as follows:

Names	Coordinator/Member
Pavitra Kumar Karki, Director	Coordinator
Arjun Lal Rajbanshi, Director	Member
Bijaya Dhoj Karki, Director	Member
Rajan Singh Bhandari, Chief Executive Officer	Member
Ganesh Raj Pokharel, Deputy Chief Executive Office	Member Secretary

The composition of the committee from 15.10.2015 is as follows:

Names	Coordinator/Member
Pavitra Kumar Karki, Director	Coordinator
Dr. Chanda Karki, Director	Member
Bijaya Dhoj Karki, Director	Member
Rajan Singh Bhandari, Chief Executive Officer	Member
Ganesh Raj Pokharel, Deputy Chief Executive Officer	Member Secretary

Details of Merger and Acquisition Sub-Committee meeting during FY 2015/2016.

Total No. of meetings

7

Shrawan Jul/Aug	Bhadra Aug/Sep	Ashwin Sep/Oct	Kartik Oct/Nov	Mangsir Nov/Dec	Poush Dec/Jan	Magh Jan/Feb	Falgun Feb/Mar	Chaitra Mar/Apr	Baishakh Apr/May	Jestha May/Jun	Asadh Jun/Jul
2	–	–	1	–	–	1	1	2	–	–	–

NAMES	NO. OF MEETINGS ATTENDED	SITTING FEES PER PERSON PER MEETING (NPR)	
		Before January 1, 2016	After January 1, 2016
Pavitra Kumar karki, Director	4/7	8,000	11,000
Dr. Chanda Karki, Director	5/6	8,000	11,000
Bijaya Dhoj Karki, Director	7/7	8,000	11,000
Arjun Lal Rajbanshi*, Director	1/1	8,000	11,000
Rajan Singh Bhandari, Chief Executive Officer	7/7	-	-
Ganesh Raj Pokharel, Deputy Chief Executive Officer	7/7	-	-

*The sub-committee has been reconstituted on 15.10.2015. Mr Arjun Lal Rajbanshi is no longer member of the sub-committee from 15.10.2015. Dr. Chanda Karki is nominated as the new member of the sub-committee from 15.10.2015

Agendas discussed in the meetings of the sub-committee

Following are the major agendas discussed in the meeting.

- Discussion about the Golden Handshake plan for the staffs of the target company during acquisition.
- Planning for Amortization of the goodwill obtained from the target company
- Recommendation to BOD for investing in Subsidiary company.
- Delegation of the Authority of coordinator of the committee to sign the joint application for acquisition.
- Signing the agreement with the target company to determine the Swap ratio, protect the rights of the shareholders, employee management, corporate governance, branch extension and

placement and determine the date of Joint transactions.

- Discussion about the participation in current dividend of the Fiscal year of the shareholders of acquiree company.

BUDGET SUB-COMMITTEE

Budget sub-committee has been constituted under the coordination of Executive Director on 22.05.2016 (09.02.2073). It is a board level committee formed for reviewing the budget proposed from management and make recommendations for approval of budget to Board.

Major responsibilities of the sub-committee

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

Composition and Attendance during 2015/16

The composition of the sub-committee is as follows:

Names	Coordinator/Member
Balkrishna Prasai, Director	Coordinator
Manohar Das Mool, Director	Member
Prakash Chandra Mainali, Director	Member
Rajan Singh Bhandari, Chief Executive Officer	Member
Pramesh Raj Kayastha, Chief Finance Officer	Member secretary

Details of Budget Sub-Committee meeting during FY 2015/2016.

Total No. of meetings 2

Shrawan Jul/Aug	Bhadra Aug/Sep	Ashwin Sep/Oct	Kartik Oct/Nov	Mangsir Nov/Dec	Poush Dec/Jan	Magh Jan/Feb	Falgun Feb/Mar	Chaitra Mar/Apr	Baishakh Apr/May	Jestha May/June	Asadh Jun/Jul
-	-	-	-	-	-	-	-	-	-	2	-

NAMES	NO. OF MEETINGS ATTENDED	SITTING FEES PER PERSON PER MEETING (NPR)	
		Before January 1, 2016	After January 1, 2016
Bal Krishna Prasai, Director	2/2	8,000	11,000
Manohar Das Mool, Director	1/2	8,000	11,000
Prakash Chandra Mainali, Director	2/2	8,000	11,000
Rajan Singh Bhandari, Chief Executive Officer	2/2	-	-
Pramesh Raj Kayastha, Chief Finance Officer	2/2	-	-

Major Agendas of the Meeting

- Reviewing of the budget proposed by management for FY 2016/17 and recommending it to Board of Directors for approval.
- Recommended budget for FY 2016/17 to Board of Directors including strategy for establishing the Bank in top 10 banks of Nepal.

Management Level Committees

The management has constituted 6 management level committees for smooth operation and risk management in day to day activities of the Bank. The management level committees are as follows:

1. Executive committee
2. Operational Risk Management Committee
3. Assets Liabilities Management Committee
4. IT Steering Committee
5. Purchase Committee
6. Recruitment Committee

EXECUTIVE COMMITTEE

The Executive Committee (EC) consists of the Chief Executive Officer, Deputy Chief Executive Officer, Assistant Chief Executive Officer, Chief Finance Officer, Chief Risk and Recovery Officer, Chief Operating Officer, Chief Administrative Officer, Chief Credit Officer and Chief IT Officer.

The Executive Committee represented by all the Chiefs of the Bank is the summit body that manages the Bank's operation on a day to day basis. EC meets formally once a week and informally as and when required.

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

Major responsibilities of the committee

- The strategies for the Bank are decided and monitored on a regular basis and decisions are taken jointly by this Committee.
- Approve and/or implement any or all corporate acts within the competence of the board.
- Review and approve bank-wide credit strategy, profile and performance.
- Approve and monitor the risk taking-activities of the Bank based on the regulations of established approving authorities and reviews and endorse other activities.

The details of attendance of EC Meetings during the year 2015-16 are as under:

Attendance of members at EC meetings during FY 2015/16
No. of Meetings held- 40

Names	No. of meetings attended
Rajan Singh Bhandari, Chief Executive Officer	36/40
Ganesh raj Pokharel, Deputy CEO	35/40
Bodh Raj Devkota, Assistant CEO	34/40
Ram Dhan Shrestha, Assistant CEO	38/40
Samir Prasad Dahal*, Chief Finance Officer	26/28
Rajendra Lal Shrestha, Chief Risk and Recovery Officer	36/40
Paras Kumar Kafle, Chief Operating Officer	35/40
Umang Sharma, Chief Administrative Officer	37/40
Sumit Babu Khatri, Chief Credit Officer	34/40
Sanjeeb Kumar Shrestha, Chief IT Officer	36/40
Pramesh Raj Kayastha*, Chief Finance Officer	12/12

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

Agendas discussed in the meetings of the committee

Following are the major agendas discussed in the meeting.

- Review of bank performance vis a-vis annual budget of the Bank on weekly basis & projection of Performance of the Bank.
- Discussion on strategies for cost reduction.
- Discussion on various issues of projects Sakchyam financed by DFID.
- Discussion on various avenues for generating fee based income.
- Regarding agenda of 9th Annual General Meeting.
- Strengthening of Credit team.
- Discussion regarding comparison of pricing of different core banking software to present in Building Construction Sub-Committee for briefing.
- Discussion regarding preparing Business Continuity Plan and Disaster Recovery Plan
- Regarding amendment of Employee Bye-Laws
- Assessed implementation of many issues prescribed by NRB directives in relation to functioning of various departments like implementation of an independent Compliance Cell, agenda of Risk Management Committee as prescribed by NRB directives, preparation of Business Continuity Plan, Stress testing guidelines, observance of Risk Management Directives of NRB by ALCO, annual IT Audit, etc.
- Discussion regarding problems due to geographical location of the areas where Sakchyam project is going on
- Transfer of all chronic accounts of Dillibazar branch to Recovery Unit.
- Initiation of new technique of conducting meeting with branches through 'Video Conference'.
- Update regarding signing of agreement for purchase of new CBS (Finacle). Discussion regarding formation of dedicated core migration team comprising of representatives from Credit Operation, Trade Operation, Clearing, Central Operation, Finance, and IT.
- Presentation on effects of the NFRS adoption on Balance Sheet with demonstration of Balance sheet of FY 2014/15 was done by NFRS consultant. Discussion on business re-engineering required was also done if NFRS adopted in full especially in case of Loan booking, provision and its interest recognition.
- Discussion regarding segment wise reporting to be disclosed in the Balance Sheet to be done as per NFRS. It was decided to disclose such segment report on the basis of functions namely Banking Operation (that includes all the Branches, Corporate Office and BLB), Card Department, Treasury Department and Remittance Department.

- Discussion regarding revision of IBT rate.
- Regarding construction of Data Center at Thapathali and buying of hardware for new CBS.
- Regarding revision of Research and Development Unit.
- Regarding responsive website and corporate branding of the Bank.
- Discussion related to gold loan portfolio of branches and it was decided that audit of branches have to be more vigilant.
- Discussion of recovery status on various accounts was held.
- Other updates in work in progress and plans.

OPERATIONAL RISK MANAGEMENT COMMITTEE

Agendas discussed in the meetings were related to risk management department, treasury back office, reconciliation unit, compliance and

NRB reporting unit, card department and operation department.

Major responsibilities of the committee

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

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

No. of meetings held – 3

Attendance of Members at Operational Risk Management Committee during FY 2015/16

Members of the Committee	Designation	Position	No. of meetings attended
Ganesh Raj Pokharel	Deputy CEO	Chairman	3/3
Ramdhan Shrestha	Assistant CEO-Operations	Member	2/3
Paras Kumar Kafle	Chief Operating Officer	Member	2/3
Raju Manandhar	Operation In Charge	Member	2/3
Raman Wagle	Operation Department	Invitee	1/3
Suresh Thapaliya	Head-Trade Finance	Member	3/3
Hari Babu Thapa	Head-Credit Administration	Member	3/3
Prabesh Poudel*	Head-IT	Member	2/2
Saurav Shrestha*	Head-IT	Member	1/1
Biplab Guragain	Compliance	Member	2/3
Anit Sapkota	Head- Internal Audit	Member	3/3
Anugya Kayastha	Head-Treasury Back Office	Member	3/3
Shyam Lamichhane	Head-Remittance	Member	3/3
Suyesh Poudel	Head-Card	Member	3/3
Ranjana Pannachan	Head-Central Reconciliation	Member	3/3
Sabina Basnet	Head-Clearing Department	Member	1/3
Dikendra Ram Kashajoo	GSD	Invitee	3/3
Sweecha Lohani	Card Back Office	Member	2/3
Sudip Shrestha	Card Back Office	Invitee	1/3
Krishna Pandey	Head-RMD	Member Secretary	3/3

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

Agendas discussed in the meetings of the committee

Following are the major agendas discussed in the meeting.

- Branch Operation related issues such as: Matured Time Deposit, Vault Cash Management, loose cheques, Cheque Book, Cash In Transit, cash in BLB Location, Locker Issuance, opening of new account, account of Minor, E-banking and Mobile banking, Vault Cash position, Nominee account in FD and Deposit voucher.
- Compliance related issues such as : Review of risk categorization of customers(AML/CFT), Mechanism of CDD, AML-CFT Policy to be complied by the Branches/Bank, Clean note policy of NRB, IBT/IDT & Record Keeping.
- Card related issues such as: ATM security, Issuance of credit card to customers, ATM cash reconciliation, ATM Cash Limit and outsourcing risk.
- Information technology related issues such as : Threat due to the internet access, Alternative of Internet Service Provider for SWIFT, CCTV Backup, Dual network link.
- Remittance related issues such as remittance payments made by branches.

ASSETS LIABILITIES MANAGEMENT COMMITTEE (ALCO)

ALCO is the committee of the Bank responsible for Balance Sheet planning and management from risk-return perspective and also responsible for the strategic management of interest rate and liquidity risks. The

ALCO committee reports to CEO which is further monitored by the risk management committee which report to the Board of Directors.

Major Responsibilities of the Committee

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

Attendance of members at Asset-Liability Committee meetings during FY 2015/16 No. of Meetings held- 15

Names	Position	No. of meetings attended
Chief Executive Officer	Chairman	15/15
Deputy Chief Executive Officer	Member	13/15
Assistant CEO-Credit/Finance	Member	14/15
Assistant CEO- Operations	Member	15/15
Chief Operating Officer	Member	15/15
Chief Credit Officer	Member	14/15
Chief Finance Officer	Member	14/15
Head Treasury	Member Secretary	15/15

Agendas discussed in the meetings of the committee

Following are the major agendas discussed in the meeting.

- Review of Fund position and ratios.
- Review of IBT interest rates, Interest spread.
- Review and publish quarterly Interest rates.
- Review of Fees and Commission.
- Review of market trend on call deposit, fixed deposit, saving deposit and loan products.
- Access the adequacy of the liquid assets held by the bank, in term of quality and quantity in relation to both expected and unexpected events.
- Monitor Bank's net interest income.
- Review and monitor treasury risk and credit risk.
- Monitor the Gap Analysis

IT STEERING COMMITTEE

The purpose of the Committee is to assist the Board to fulfill its corporate governance and oversight responsibilities for the investments, operations and strategies in relation to technology and information systems.

Major Responsibilities of the Committee

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

Attendance of members at IT Steering Committee meetings during FY 2015/16 No. of Meetings held- 8

Names	Position	No. of meetings attended
Rajan Singh Bhandari, Chief Executive Officer	Chairman	7/8
Ganesh raj Pokharel, Deputy CEO	Member	8/8
Bodh Raj Devkota, Assistant CEO	Member	8/8
Umang Sharma, Chief Administrative Officer	Member	7/8
Sanjeeb Kumar Shrestha, Chief IT Officer	Member	7/8
*Saurav Shrestha, Head IT Member Secretary	Member	2/2
*Prabesh Poudel, Head IT	Member Secretary	6/6

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

Major Agendas discussed in the meeting

- Regarding implementation of Online CDS Application
- Regarding Memory Up gradation of virtual Machines
- Evaluation of Datacenter RFP
- Replacement of PCs with Windows XP OS
- Implementation of secondary SWIFT server
- Procurement of new Tape Drive
- Conduction of IT Awareness program
- Regarding Website re-design
- Implementation of Video Conferencing tool, WebEx
- Implementation of Bank Smart
- Implementation of Dual authentication of internet banking transactions
- Regarding Secondary link for SWIFT server
- Regarding Free Wi-Fi at Main Branch for customers

- Procurement of IPS middleware
- Data migration Planning of Premier Finance Limited
- Procurement of McAfee's License
- Procurement of MS Office's License
- Procurement of AD Server
- Implementation of ATS at DC

PURCHASE COMMITTEE MEETINGS

Purchase Committee is responsible for the finalization of specification and quality of logistics, approval of tender/ quotation documents; recommending for procurement of logistics and awarding of tenders costing more than Nepalese Rupees One Hundred Thousand to Chief Executive Officer or Approving Authority.

No. of meetings held – 24

Attendance of members of Purchase Committee during FY 2015/16

S.N	Name	Designation	Position	No. of meeting attended
1	Bodh Raj Devkota	Assistant Chief Executive Officer	Chairman	22/24
2	Samir Prasad Dahal	Chief Finance Officer	Member	13/16
3	Umang Sharma	Chief Administrative Officer	Permanent invitee	21/24
4	Pramesh Raj Kayastha	Chief Finance Officer	Member	8/8
5	Bhupendra Bista	Head-General Service Department	Member Secretary	19/24
6	Dikendra Ram Kashajoo	General Service Department	Invitee	20/24
7	Umesh Bhattarai	General Service Department	Invitee	1/1

Major Agendas discussed in the meeting

- Procurement of Card centre Management System (CCMS)
- Procurement of Logistics for establishment of Branch Office Chabahil, Damak, Kuleshore and Bhaisepati.
- Procurement of Logistics for establishment of Eastern regional Office (Biratnagar) and Central Regional Office (Hetauda).
- Procurement of Logistics for shifting of Banepa, Kalanki, Newroad and Charikot branch offices.
- Renovation work of Thapathali Building,

Dillibazar Building, Nayabazar, Pathlaiya and Dharan Branch.

- Procurement of LED display Board for all branch offices.
- Establishment of Data Center at Thapathali Building
- Expansion of Biratnagar Branch and Newroad Branch
- Hoarding Board installation at Kurintar, Gorkha
- Procurement of Active Directory Server for System Department.

RECRUITMENT COMMITTEE

Recruitment Committee was formed on October 3, 2012 (Ashwin 17, 2069) with the objective of fulfilling vacant position in the Bank through new appointment and promotion. At present, the members of the committee are as follows which was reformed on July 17, 2014 (Shrawan 01, 2071) :

S.No.	Designation	Name	Position
1.	Deputy Chief Executive Officer	Mr. Ganesh Raj Pokharel	Coordinator
2.	Assistant Chief Executive Officer	Mr. Bodh Raj Devkota	Member
3.	Assistant Chief Executive Officer	Mr. Ramdhan Shrestha	Member
4.	Chief Administrative Officer	Ms. Umang Sharma	Member Secretary

Major responsibilities of the committee

The duties and responsibilities of Recruitment Committee are as follows:

- To determine the procedure for fulfilling vacant position in the Bank.
- To make vacancy announcement, conduct examination and interview and recommend to appoint selected candidates to the Chief Executive Officer for fulfilling vacant position through open competition.

- To recommend eligible staff for promotion to the Chief Executive Officer based on promotion criteria.
- To keep yearly record of performance appraisal of the staff based on the criteria determined by the Chief Executive Officer.

The performance appraisal of the staff should be assessed by his/her immediate supervisor and reviewed by the supervisor's line manager. The information thus obtained shall be used for staff promotion.

Composition and Attendance during FY 2015/16

The composition of the committee and attendance during FY 2015/16 is as follows:

No. of meetings held -38

Names	No. of Meeting Attended
Mr. Ganesh Raj Pokharel	35/38
Mr. Bodh Raj Devkota	38/38
Mr. Ramdhan Shrestha	36/38
Ms. Umang Sharma	38/38

No. of meeting held month-wise

Shrawan Jul/Aug	Bhadra Aug/Sep	Ashwin Sep/Oct	Kartik Oct/Nov	Mangsir Nov/Dec	Poush Dec/Jan	Magh Jan/Feb	Falgun Feb/Mar	Chaitra Mar/Apr	Baishakh Apr/May	Jestha May/June	Asadh June/July
4	7	2	1	2	2	2	1	3	4	4	6

Agendas discussed in the meetings of the committee

- Vacancy Announcement to fulfill the vacant position through open competition.
- Defining criteria for short listing candidates
- Determining method of staff selection (conducting written examination and interview)
- Defining Question model for written examination

- Conducting interview of the candidates who are successful in written examination
- Recommending for staff appointment to the Chief Executive Officer.
- Recommending for staff promotion to the Chief Executive Officer.
- Recommending for staff nomination to participate in training programs organized outside Nepal to the Chief Executive Officer.

INTERNAL CONTROL

Procedures

Internal control is a process effected by the Board of Directors, senior management and all levels of personnel. It is not solely a procedure or policy that is performed at a certain point in time, but rather it is continually operating at all levels within the Bank. The Board of Directors and senior management are responsible for establishing the appropriate culture to facilitate an effective internal control process and for monitoring its effectiveness on an ongoing basis; however, each individual within an organization must participate in the process. The main objectives of the internal control process can be categorized as follows:

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

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

The Major Elements of an Internal Control Process

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

A. Management Oversight and the Control Culture

The Board of Directors has the responsibility for approving and periodically reviewing the

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

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

The Board of Directors and senior management are responsible for promoting high ethical and integrity standards, and for establishing a culture within the Bank that emphasizes and demonstrates to all levels of personnel the importance of internal control. All personnel need to understand their role in the internal control process and be fully engaged in the process.

B. Risk Recognition and Assessment

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

C. Control Activities and Segregation of Duties

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

D. Information and Communication

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

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

E. Monitoring Activities and Correcting Deficiencies

The overall effectiveness of the Bank's internal control is monitored on an ongoing basis. Monitoring of key risks is the part of the daily activities of the Bank as well as periodic evaluations by the business lines and internal audit. There is an effective and

comprehensive internal audit of the internal control system carried out by operationally independent, appropriately trained and competent staff. The internal audit function, as part of the monitoring of the system of internal controls, reports directly to the Board of Directors or its audit committee, and to senior management. Internal control deficiencies, whether identified by business line, internal audit, or other control personnel, are reported in a timely manner to the appropriate management level and addressed promptly. Material internal control deficiencies are reported to senior management and the Board of Directors.

Internal Audit Team

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

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

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

The major activities have been further explained as following:

- The audit committee thoroughly discusses all the internal audit reports. After discussion, the audit committee refers the internal audit reports to the Board of Directors (BOD) and senior management. The BOD and/or management then give appropriate instructions to the concerned for the implementation of the reported issues as soon as possible.
- The coverage, periodicity of internal audit reporting and the review of risk by the internal audit function are adequately determined for the existing size and transaction of the Bank.
- Internal audit reports and external audit reports are reviewed. Based on review of the process/procedure for the purpose of audit, the deficiencies identified by the internal auditor, previous period external audit reports are ensured to be resolved satisfactorily.
- The adequacy of the controls in credit operations commensurate to the size and nature of the Bank are confirmed. The credit proposals are all passed through independent credit risk department and executed by separate credit administration department.
- The Bank has Treasury Manual to control treasury operation. To control treasury operation, individual limit and institutional limit have been defined which controls the treasury deal limit. Further, treasury deals made through telephonic conversation are recorded in the treasury room for which adequate backup has been maintained. Treasury Middle Office is involved in checking the limit based on the policy on treasury operation.
- The Bank has extended its operation through 56 branches across the country. Branch operation controls are ensured by assigning adequate human resources, infrastructure, The controls over e-banking and card operations is commensurate to the size and nature of the Bank.
- Controls in Information Technology and Related Support Functions are ensured to be commensurate to the size and nature of the Bank and are confirmed to be operating satisfactorily. The IT policies and procedures are strictly implemented.
- Inter-branch and Agency Reconciliation Function are ensured to be in place. No un-reconciled item at the year-end in inter branch accounts are ensured. The Bank has identified, reconciled and has been reviewing all reconciling items on daily basis.
- The control system to minimize and/or prevent fraud and forgeries are in place. However, due to inherent limitations of any system, there always remains possibility of fraud and forgeries. The respective departments are responsible to monitor their operations to ensure that frauds and forgeries are prevented. Regular internal audit of the Bank also strengthen the prevention and minimization of fraud and forgeries.
- All required policies, procedures, manuals and guidelines for the operation and management of the Bank are ensured to be in place. The internal audit functions and oversight role of audit committee ensures the Bank abides to the policies, procedures, manuals and guidelines.

Branches and Departments covered during the course of Internal Audit

S.N.	Branch/Department	Period Of Audit 17/07/2015 to 16/07/2016		S.NO.	Branch/ Department	Period Of Audit 17/07/2015 to 16/07/2016	
1	Corporate Office			19	Beni Branch	08/12/2015	10/12/2015
a	Corporate Credit/ SME	26/04/2016	17/05/2016	20	Ghorahi Branch	02/02/2016	05/02/2016
b	CBU/ Fast Track loan	20/03/2016	12/4/2016	21	Gaighat Branch	20/03/2016	22/03/2016
c	Finance Department	03/07/2016	11/7/2016	22	Kirtipur Branch	25/05/2015	27/05/2016
d	Treasury Department	26/06/2016	29/06/2016	23	Narayangopal Chowk Branch	04/11/2015	10/11/2015
e	Human Resource Department	06/06/2016	08/06/2016	24	Mahendranagar Branch	16/02/2016	18/02/2016
f	General Service Department	13/06/2016	17/06/2016	25	Kapan Branch	11/05/2016	13/05/2016
g	Trade & Credit Operation	09/08/2015	28/08/2015	26	Pathlaiya Branch	12/01/2016	14/01/2016
h	Recovery Department	25/05/2016	03/06/2016	27	Madhyapur Thimi Branch	29/11/2015	02/12/2015
i	Card Department	31/05/2016	01/06/2016	28	Simikot Branch, Humla	06/06/2016	08/06/2016
j	Remittance Department	31/05/2016	02/06/2016	29	Charikot Branch	13/06/2016	17/06/2016
k	New Product & Transaction Banking	26/05/2016	30/05/2016	30	Itahari Branch	10/12/2015	11/12/2015
l	NRB reporting and Compliance Unit	30/06/2016	01/07/2016	31	Bhaktpur Branch	01/03/2016	03/03/2016
m	Legal and Share Department	12/06/2016	12/06/2016	32	Janakpur Branch	25/03/2016	28/03/2016
n	Risk Management Department	05/06/2016	06/06/2016	33	Patan Branch	22/05/2016	24/05/2016
2	Kamaladi Branch	09/09/2015	15/09/2015	34	Surkhet Branch	28/01/2016	01/02/2016
3	Biratnagar Branch	20/12/2015	24/12/2015	35	Hetuda Branch	08/01/2016	11/01/2016
4	Birgunj Branch	13/03/2016	17/03/2016	36	Jumla Branch	09/06/2016	12/06/2015
5	Pokhara Branch	14/12/2015	17/12/2015	37	Jajarkot Branch	24/01/2016	28/01/2015
6	Nepalgunj Branch	18/01/2016	22/01/2016	38	Siddhartanagar Branch	27/12/2015	28/12/2015
7	Bouddha Branch	28/10/2015	03/11/2015	39	Samakushi Branch	26/06/2016	28/06/2016
8	Newroad Branch	30/09/2015	08/10/2015	40	Kolhabai Branch	13/03/2016	13/03/2016
9	Kumaripati Branch	13/08/2015	18/08/2015	41	Thapathali Branch	11/05/2016	16/05/2016
10	Koteshwor Branch	09/08/2015	12/8/2015	42	Baglung Branch	11/12/2015	13/12/2015
11	Narayanghat Branch	03/01/2016	07/01/2016	43	Nijgadh Branch	11/03/2016	12/3/2016
12	Kalanki Branch	27/03/2016	30/03/2016	44	Bajhang Branch	14/02/2016	14/02/2016
13	Butwal Branch	29/12/2015	01/01/2016	45	Sanoshree Branch	21/01/2016	22/01/2016
14	Thahiti Branch	03/11/2015	09/11/2015	46	Bhojpur Branch	15/12/2015	16/12/2016
15	Dhangadhi Branch	10/2/2016	12/02/2016	47	Dharan Branch	12/12/2015	13/12/2015
16	Nayabazar Branch	29/11/2015	02/12/2015	48	Dillibazar Branch	29/06/2016	30/06/2016
17	Birtamod Branch	07/12/2015	09/12/2015	49	Banepa Branch	20/03/2016	21/03/2016
18	Maitidevi Branch	30/09/2015	06/10/2015	50	Mahaboudha Branch	22/09/2015	24/09/2015
				51	Naya Baneshwor Branch	11/05/2016	13/05/2016

RISK MANAGEMENT

Risk management has been an integral part of corporate governance to deal with the uncertainties associated with the business. The volatility in the financial markets requires the effective control over risk. The Bank believes that risk-taking is an inherent element of banking and, indeed, profits are in part the reward for successful risk taking in business. The Bank's objective is to practice good corporate governance and add maximum sustainable values with effective controls enabling risk to be assessed.

The risk management framework and the governance structure are based on the three lines of defense model. The Business Heads are responsible for identification and risk management in the respective business functions. Hence, the internal control structure and the management controls at operational level act as the 1st line of defense.

Credit Risk Management Systems

Credit Risk is defined as the possibility of losses associated with the diminution in the credit quality of borrowers or counterparties from outright default due to the inability or unwillingness of borrower to meet its commitments or from reduction in portfolio value. Credit Risk emanates from the Bank's dealings with an individual, non-corporate, corporate, Bank, financial institution or sovereign. Credit Risk focuses on the borrower's possibility of default rather than probability of repayment. Credit Risk is concerned about the quality of credit portfolio so that it does not go into default and manages the portfolio by taking measures to bring the riskier assets into low risk assets before booking those.

To meet the purpose, the Bank has established Credit Risk Department with effect from November 2012 and all the Credit Proposals (corporate/consumer/SME) are duly assessed by Credit Risk Department prior to approval.

Adequacy of Credit Appraisal Systems

The Bank has strong credit appraisal and risk assessment practices in place for identification, measurement, monitoring and control of the credit risk exposures.

The Bank has formulated Credit Policy Guidelines ("CPG"), which was approved by 17th Board meeting of the Bank dated 22.02.2007 (10.11.2063). Credit Policy Guidelines addresses Do's and Don'ts and Preamble, Statement of Policy, Types of Credit Risk/ Classification of Credit Risk, Approval Authorities, Credit Approval Process, Credit Administration- Documentation, Credit Administration- Security, Valuation and Monitoring, Exposure Norms, Irregular Accounts and Credit Review & Supervision which are reviewed annually.

The objective and feasibility of the credit/ business are analyzed /documented in "Credit Application (CA)". Cash flows and financial statements submitted by the borrowers are analyzed in a separate financial analysis spread sheet and incorporated in the Credit Application.

Business Unit and Credit Risk Management identify, manage, and monitor the credit risk, to which the Bank is exposed to, more effectively. All credit customer/counter parties are properly assessed and risk grading is done to reflect the degree of the risk being assumed before the approval of credits. A review of a customer's risk grade is made whenever new information is received and appropriate action is taken where a review results in a downward movement in the grade. Further, any follow up and continuation of credit facility to the customer is done by Credit Administration Department. An applicant fills a written loan application form and a loan sanction letter is issued which, if accepted by the applicant, serves as the loan agreement between the Bank and the applicant.

Adequacy of Credit Monitoring Systems

Credit is reviewed through Collateral Site Visit Report (CSVVR), inspection report and offering sheet. The Credit Administration Department is responsible for monitoring the developments affecting the business of the borrower, and communicates the impact to concerned department. The department then forwards such reports to the concerned relationship managers for follow up and regularization.

The following measures define the major credit monitoring activities:

- The credit files are well organized.
- Complete documentation of extended credit.
- Safe custody of security and mortgage document.
- Up to date maintenance of the files relating to consortium financing.
- Periodic inspection of customer's workplace by an officer independent of responsibility for managing that relationship was undertaken and a report documented.
- Periodic Financial statements and inventory reports, status of receivables are obtained from the borrowers at regular intervals.
- Audited financial statements are obtained from the borrowers.
- Procedures are in place to review and monitor large loans extended to a group of companies.
- The systems of classification and provisioning for loan loss is adequate and additional provision to be made on restructured and rescheduled loans are disclosed.

Adequacy of the Credit Recovery Systems

A Recovery Unit under "Credit Risk & Recovery Department" has been constituted separately for monitoring the delinquent or non-performing accounts on an ongoing basis and offers recommendations to the management regarding the recovery efforts to be initiated so as to ensure timely recovery of the credit and to minimize the quantum of bad loans. Recovery unit has also been assigned to undergo recovery actions against defaulting customers. The follow up and actions to be taken for recovery is mentioned in all the product papers of the loan.

As on 16.07.2016 (31.03.2073), 1.38% of total loans and advances constitute of Non-Performing Loans.

Adequacy of Policies and Procedure for Write off of Loans

Recovery Policy has been implemented for write off of loans. During the year, no any loans has been written off.

Adequacy of Policies, Guidelines and Controls over Off Balance Sheet Items

Manuals for Letters of Credit and the Guarantee business have been developed and approved by Board on 20.02.2014. The Credit Policy Guidelines also contains brief provisions for providing non-fund based credit products. The off balance sheet items are being monitored through various MIS reports.

Concentrations in the Credit and Investment Portfolio

There is a system of monitoring loans to a single or group of borrowers by preparing group exposure sheet. The loans disbursed to a single borrower or group of borrowers are within the limit as per Nepal Rastra Bank directives.

Credit concentrated to a single unit is 2.10% as on 15.07.2016 in maximum. The top five group wise borrowers constitute of 7.93% and top ten group wise borrowers constitute 13.74% of the total loans and advances of the Bank respectively.

The investments of the Bank are concentrated towards risk free investment. Out of total investments, investment in risk free securities (Treasury bills and GON Bonds) is 85.51%, investment in foreign bank is 12.50%, investment in local licensed institutions is 0.56%, and investment in organized institutional shares is 1.43%

Market Risk (Interest Rate, Liquidity and Foreign Exchange) Management Systems

Market Risk is the possibility of loss a bank may suffer on account of changes in values of its trading portfolio, due to change in market variables, such as exchange rates, interest rates and equity price, among others.

The Bank's market risk management consists of identification and measurement of risks, control measures, monitoring and reporting systems.

Adequacy of Policies, Procedures and Guidelines for the Market Risk Management

Market Risk management is the responsibility of Asset Liability Management Committee

(ALCO) and the committee is guided by Assets and Liability Management Policy. The ALCO of the Bank monitors, reviews and mitigates various risks such as liquidity, interest rate, foreign exchange risk. Also, the Bank has formulated a separate manual on the Treasury and Investment Manual in order to standardize and strengthen the internal control system over the treasury operations thus facilitating effective management of market risks. The Bank uses the liquidity table, foreign exchange risk monitoring table, stress testing and gap analysis table as prescribed by the Nepal Rastra Bank for minimizing liquidity risk, foreign exchange risk, interest rate risk and maturity mismatch risk respectively.

Adequacy of the System for Measuring, Monitoring and Mitigation of Market Risk

The Bank uses the liquidity table, foreign exchange risk monitoring table, stress testing and gap analysis table as prescribed by the Nepal Rastra Bank for measuring and monitoring liquidity risk, foreign exchange risk and interest rate risk respectively. The Bank computes and analyzes the weighted average interest rate spread periodically in the form prescribed by NRB to monitor the yield.

The identified and measured market risks are discussed in the meeting of ALCO to identify possible ways out to mitigate the risks.

Operational Risk Management System

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Adequacy of Policies, Procedures and Guidelines for the Operational Risk Management

The Bank has implemented various Standard Operational Procedure (SOP) for different operational areas such as cash, current and saving account, treasury & correspondence, LC settlement, reconciliation, remittance, safe deposit locker, security, term deposit, treasury back office, and policies to standardize and strengthen its framework for the effective management of operational risks. Also, various circulars/communiqué have been issued for the same purpose.

Adequacy of the System for Measuring, Monitoring and Mitigation of Operational Risk

Internal Audit and Compliance Department of the Bank regularly monitors the compliance of the internal policies, manuals, and circulars/communiqué related with operation risk management.

MAINTENANCE AND BACK- UP OF THE RECORDS OF THE ENTITY

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

The accounts are maintained in accordance with Companies Act, 2007, Bank and Financial Institutions Act, 2007, Negotiable instrument Act 1977 and Income Tax Act, 2002.

Companies Act, 2007

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

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

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

Bank and Financial Institutions Act, 2007

In accordance with Sec. 59 of BAFIA 2007, the Bank prepares its Balance Sheet, Profit And Loss account, Cash Flow Statement and other financial statements in such format and in accordance with such procedure as may be prescribed by the Nepal Rastra Bank and are audited. Such financial statements are signed by at least two directors, the chief executive and the auditor.

Income Tax Act, 2002

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

- Documents that are necessary to explain information to be provided in a return or in any other document to be filed with the

Department under this Act.

- Documents that enable an accurate determination of the tax payable by the person.
- Documents that substantiate deductions and outgoings.

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

Negotiable Instrument Act 1977

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

BUSINESS ETHICS & ANTI-CORRUPTION MEASURES

A robust anti-corruption program has been developed with regards to a necessary and effective internal control mechanism and strengthened risk management functions to prevent bribery and corruption in the Bank's operations. In consideration with Nepal Rastra Bank's guidelines on maintaining good corporate governance, all the members of the Board as well as the employees are committed to the code of ethics prescribed by NRB.

Information Officer

The Bank has designated Mr. Ganesh Raj Pokharel, Deputy Chief Executive Officer, as Chief Information Officer pursuant to section 6 of Right to Information Act 2008 which provides access to every citizens with following information:

- structure and nature of the Bank,
- functions, duties, and powers of the Bank
- number of employees and working details of the Bank,
- services rendered by the Bank,
- branch and responsible officer of the service providing by the Bank
- fee and time frame required for delivery of service,
- decision making process and key responsible persons,
- authority to hear appeal against decision
- description of functions performed
- name and designation of Chief Information Officer
- list of Acts, Rules, Bye Laws or Guidelines
- updated description of income, expenditures and financial transactions
- other particulars as prescribed by the laws

Legal and Regulatory Requirements

In line with Directives-6 issued by NRB, though the Directors may delegate authorities to employees in the course of actions, the

ultimate responsibility of the work of such employees rests with the Directors. A record of any supervision and actions taken against the employees are placed in the meeting of the Board of Directors.

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

The Bank updates from completion of Income Year about the assets held in the name of Director, Chief Executive Officer & officer level staff and their family and description of loans taken from Bank and Financial Institutions.

Bank's Procedure

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

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

Ways to Handle Complaints of Local Customers

The Bank handles the complaints of customer with great enthusiasm. The Bank treats

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

The Bank has in-built system for handling customers' complaints and suggestions on priorities.

Following are the basic procedures for this.

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

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

- Staffs receiving any verbally lodged complaints have been sending emails to complain@ctznbank.com writing the complaint /suggestion verbatim immediately or as soon as possible.
- Branch has been reporting via email any complain/suggestion received in Complain

Box to complain@ctznbank.com scanning the complaint on every Sunday.

- Customer can also report complain using SMS (Syntax: < COMPLAIN (space) Text > and send it to 7788). Any complaint/ suggestions received through SMS are viewed daily in mobile banking by CSD- Head/ In-charge, Assistant Branch Manager, Branch Manager and also forward it to complain@ctznbank.com immediately.
- Any complaint/suggestions received through SMS; e-Banking and any mobile number of executives as well as of any staff of the Bank are being reported to complain@ctznbank.com writing the complaint /suggestion verbatim immediately or as soon as possible.
- Emails received from complain@ctznbank.com are being forwarded to Operation Department, Operational In charge, Head-E Banking, and Chief Operating Officer. There is also separate fields (form) placed in the website (i.e. Feedback) to take the customer complaints/ suggestions/ compliments so that the customer could fill the field online and could submit their feedback to the Bank immediately. Further, the filled form is forwarded to complain@ctznbank.com automatically.

Operations Department, Head Office along with the help of respective Branch Manager and Department Heads have been supervising compliance of the lodged complaints. The handling procedure is as below:-

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

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

Rules Polices Goals



Business Ethics



Compliance Actions Moral



SUCCESS



BEHAVIOR



TRUST



MORALITY



PRINCIPLE

SAFE SHELTER



RISK MANAGEMENT

RISK MANAGEMENT AND CONTROL ENVIRONMENT

Overview

- Our Board members are actively engaged and involved in risk policy setting and governance, and spend more focused, higher-quality time on risk issues.
- The Bank has instituted an enterprise wide risk management system and instilled appropriate risk culture throughout the organization, where risk is everyone's business from the top level management to the bottom level employees.
- The Bank aims to further improve transparency, quality, accuracy and timeliness of information to support risk management.
- Use of both qualitative and quantitative techniques with varied assumptions instead of blindly following the models.

a. Risk Management and Control Environment Framework

Risk is part of all our lives. Similarly, the Bank operated in an ever-dynamic environment. As such the Bank adjusts and adapt to environmental dynamism through a variety of strategic orientations for the survival which is essential determinant of success. The complexity, interrelatedness, and interconnectedness of influential variables in the environment, whether internal or external, calls for segmenting the environment and managing it properly. Thus, proper risk management will reduce not only the likelihood of an event occurring, but also the magnitude of its impact.

The Bank has formed BOD and Senior Management with adequate capabilities who are responsible for developing a vision for the institution and providing input in order to formulate business strategies and significant policies which include those relating to management of the various

risks. Therefore, they are actively involved in the formulation and oversight of risk management processes by giving strategic direction of risk management processes by giving strategic direction and for implementing mechanisms to ensure an ongoing review of systems, policies and procedures for adopting any changes in risk management.

The directors and senior management define detailed policies, procedures and limits, which also form part of the risk management processes, in order to manage the specific type of risks facing the institution. For example, the Bank has separate Credit Policies Guidelines which includes defining the Bank's credit policies, risk mitigating measures and single obligor limit.

Effective risk monitoring and management required that senior managers and directors are provided with timely reports on the financial conditions, operating performance and the risk exposure of the institution. There is an effective management information system that ensures flow of information from operational level to top management and a system to address any exceptions observed. These aids in identifying and measuring the material risk exposure of the institution, which are then analyzed to monitor exceptions within the concerned risks and perform explicit procedures to effectively manage the deviations observed.

Establishing and maintaining an effective system of controls, including the enforcement of official lines of authority and the appropriate separations of duties such as trading, custodial and back-office is one of management's more important responsibilities. The Bank therefore ensures a properly structured system of internal controls in order to promote effective operations and reliable financial and

regulatory reporting, safeguard assets and helps to ensure compliance with relevant laws, regulations and institutional policies. Given the importance of appropriate internal controls, the results of audits or reviews are adequately documented as well as management's responses to them.

In order to provide scrutiny over these frameworks, the overall risk management function is institutionalized and is independent from those who take or accept risk on behalf of the institution. This means there is adequate accountability, clear lines of authority and separation of duties between business functions and those involved in risk management and internal control.

b. Risk Control and Mitigation Methodologies

RISK MANAGEMENT PROCESS

The Bank has invested in processes, people and management structure with appropriate policies and guidelines that defines the Bank's risk identification process, risk appetite and risk management measures. The Bank follows the standardized approach of managing risk, as mentioned on Guidelines for Corporate Governance of Basel Committee on Banking Supervision, which can be summarized as follows:

Major Principles Governing Risk Management

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

Specific methodologies for risk identification and Management

CREDIT RISK

- It is the risk of negative effects on the financial results and the capital of the institution due to the borrower's default on its obligations to the Bank.
- Bank has Credit Policy and Investment Policy in place, separate Risk Management Committee and a separate Credit Risk Department (CRD) for both, Corporate Credit Banking Unit/SME and Consumer Banking Unit including Fast Track Loan. CRD consists of skilled manpower to analyse risks in different credit functions separately.
- Loans are originated at the lower level and evaluated based on credit policy of the Bank and respective loan policy. Credit appraisal is done by risk owner acting within risk management policies and framework. Branch credit committees help strengthen credit evaluation process, who then recommend credit facilities to higher approval level with the BOD being highest authority to approve credit facilities that are of highest value of exposure.
- Delegated authority, additional documentation and IT system driven controls and laid down procedures are in place to mitigate risk further.
- Inherent credit risks are addressed through better safety margin, additional collateral backup, lower exposure and deposit of borrower in the Bank.
- Credit Risk Department measures and tracks status of credit portfolio in order to detect any signs of deterioration in financial health to borrower. Comprehensive management information reports are prepared regularly and submitted to senior management. Review of credit portfolio in order to realise possible correlations between them and the environmental factors.
- Continuous review process at branch level in order to identify any post disbursement problem and immediate action is taken by recovery officers, if any. As last resort legal recovery action is taken in order to reduce negative impact.

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

NPR IN MILLION

Mid Oct 2015	Mid Jan 2016	Mid Apr 2016	Mid July 2016
35,241.82	35,880.16	40,433.61	44,819.05

MARKET RISK

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

advanced dealing platform and advanced information technology.

- Overview of current interest rate environment and monitoring of the movement of key interest position and maturity gap analysis is prepared considering interest rate sensitive assets and liabilities. Interest rate risk indicators are periodically reviewed. The institution's rate indices are compared in line with market average of industry expert's rate indices of similar instruments with similar characteristics.
- Interest rates are altered in line with key policy rates of the Central Bank and interest rate spread is maintained according to the Central Bank's direction. Lending policy rates are adjusted according to changes in market rates in order to mitigate risk of falling interest rate margins.

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

NPR IN MILLION

Mid Oct 2015	Mid Jan 2016	Mid Apr 2016	Mid July 2016
44.37	66.59	38.09	10.75

Net Open Position

NPR IN MILLION

Mid Oct 2015	Mid Jan 2016	Mid Apr 2016	Mid July 2016
88.75	133.19	76.17	21.50

LIQUIDITY RISK

- Liquidity risk indicators such as liquid assets ratio, maturity gap analysis, capital adequacy ratios and funding concentration are used to assess liquidity position and are periodically monitored by ALCO in order to ensure the optimum gearing level of assets and liabilities.
- However, treasury department monitors daily liquidity requirement and manages and controls the overall liquidity position of the Bank.

- Treasury front office manages overall liquidity of the Bank. It also ensures that the Cash Reserve Ratio (CRR) is maintained within NRB Directives. It also deals in treasury bills and bonds and manages the lending/borrowing of currency (local/foreign) at local and international bank and financial institutions within the approved limit. These functions help in the analysis of maturity gap to determine the liquidity position of the Bank. As per the results of gap analysis, the Bank prepares future plan

to manage the deficit or surplus liquidity as per the requirements of funds. While raising short term funds, the treasury negotiates for favourable rates to reduce interest costs, at the same time encouraging longer tenor deposits rather than short term deposits. Also, in order to reduce liquidity risk to an acceptable level, the institution also maintains adequate unutilised facilities as a

safety cushion to honour future cash-outflow commitments.

- Moreover, the Bank regularly projects future cash flows in certain stress scenarios and thus determines the level of liquid assets required. There is appropriate stress testing done regularly for the management of the liquidity risk.

Liquidity Ratio (calculated as per NRB guidelines)

NPR IN MILLION			
Mid Oct 2015	Mid Jan 2016	Mid Apr 2016	Mid July 2016
22.50%	26.10%	22.74%	24.63%

OPERATIONAL RISK

- Factors of operational risk can be identified in the external as well as the internal environment. First step is to clearly identify the risk events, after which appropriate combination of qualitative or quantitative techniques are used to evaluate the magnitude of the consequences due to occurrence of such events. Key risk indicators and audit findings are mostly used to assess operational risk of the Bank.
- The Internal Audit Department conducts audit reviews of the operational processes and reports to the Board level Audit Committee. The Bank then regularly monitors faults or operational failures and responds to them with resolutions and enhancements to internal procedures.
- The Bank implements sound internal control systems through instigating the Bank's internal control framework in order to manage operational risk. The security aspects of the Bank are examined by the IT Division in line with the IT Policy of the Bank. Moreover, the Bank's system is audited regularly and safety and security standards are improved through suggestions received from the audit.
- The operational risk committee oversees any operation risk with help of adequate access to daily reports, operational processes and recommendations to correct any faults in systems and procedures. Further, a separate reporting line is maintained in order to preserve independency of check and balance reporting of daily functions of the Bank.
- Adequate focus is placed on staff of the Bank in order to avoid mistakes due to insufficient knowledge or practice. The staffs are required to attain the necessary skills through various programs such as orientation of the Bank's systems and processes on the job and putting them under direct supervision of experienced staffs before being allowed to work independently. Their developments are pushed further with conduction of skill development and skill enhancement programs, seminars and workshops on a periodic basis.
- Each transaction goes through a check and balance concept where one individual conducts the transaction and the other checks the transaction in order to capture any abnormalities. The deviations are promptly addressed in the lower level as well as centrally through the use of the integrated system.
- An Active Directory System (ADS) is installed in server that does not allow data transfer through external devices. In addition, each individual computers are backed up into the data centre periodically thus reducing risk of data loss to an acceptably low level.
- For the effective management of operational risk, the Bank has constituted an Operation Risk Management Committee (ORMC) headed by Deputy Chief Executive

Officer. The ORMC which supports RMC is responsible for implementing the Operational Risk Management Policy and adopting the best practices. The key functions of ORMC:

- Establish clear lines of management responsibility, accountability and reporting in such a manner that they are distinct to

avoid conflict of interest

- Review all operational risk events and suggest process improvements and mitigants
- Review recent risk events in other banks and elsewhere as available in public domain and suggest key control required from operational risk perspectives

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

NPR IN MILLION			
Mid Oct 2015	Mid Jan 2016	Mid Apr 2016	Mid July 2016
2187.99	2187.99	2187.99	2187.99

STRATEGIC RISK

- The Bank ensures that the short term and medium term strategies align with the long term vision and mission of the institution. This is done through regular meetings at the higher levels where there is sharing of knowledge, experience and ideas in order to discuss the Bank's future plans and prospects. The achievements of budgetary targets are reviewed periodically by the senior management and any major deviations are further studied in detail and corrective actions planned in order to avoid same circumstances in the future.
- The Bank follows a well-designed strategic decision making process in order to make decisions regarding market segments, business activities, investments in specific industries and geographical locations. As per the general norms, the Bank focuses on feasibility, profitability and achievability of any major strategic decision, which is practiced in all of the Bank's aspects.

c. Disclosure of Risk Reporting

1. Bank recognizes the importance of Risk Management and has accordingly invested in processes, people and a management structure. Overall risk management function of the Bank is supervised by Risk Management Committee and Internal Audit Committee represented by BOD members and Senior Executives. Risk Management Committee reviews the asset quality at

frequent intervals and Internal Audit Committee provides assurance on the internal control systems of the Bank in place. The human capital is managed by Human Resource Management and Compensation Committee represented by BOD members and Senior Executives. There is Assets and Liabilities Management Committee (ALCO) represented by Senior Executives of the Bank to monitor the interest rate risk, liquidity risk, foreign exchange risk, market risk, etc. Authority, responsibility and accountability has been fixed to the executives of the Bank. Product policies and programs are duly approved before any new product launches and are reviewed regularly.

2. Credit Risk Management Department analyses the inherent risks in a particular product. As such the Bank has drawn a clear demarcation between the Credit Business Unit (CBU) and the Risk Management Unit (RMU). A lending process completes once it undergoes both of these units, one business generating, the other risk monitoring and controlling. The Bank has standard Credit Policies Guidelines that defines the Bank's credit policies, risk mitigating measures and the single obligor limit.
3. Credit risk mitigants used by the Bank are deposit of the borrower within the Bank and cash margin applying supervisory haircut of 20% for capital adequacy. Such mitigants have minimum impact on the overall capital adequacy of the Bank.

RISK ASSESSMENT AND MANAGEMENT

S.N.	Risk	Factors	Mitigant	Monitored By
1	Credit Risk	<ul style="list-style-type: none"> Counterparty Risk Concentration Risk Securitization Risk 	<ul style="list-style-type: none"> Independent and ongoing credit quality review Limiting credit exposures Problem credit management system Diversification of risk asset portfolio among several sectors and sub sectors of the economy over a large number of customers Deposit of borrower in bank, cash margin and additional collateral at individual level Proper valuation, storage, maintenance and insurance of collaterals. 	<ul style="list-style-type: none"> Board of Directors (BOD) Risk Management Committee (Board Level Committee) Credit Risk Management Department Compliance Department NRB inspection team Internal Audit Department
2	Market Risk	<ul style="list-style-type: none"> Interest Rate Risk Equity Risk in Banking Book Foreign Exchange Risk 	<ul style="list-style-type: none"> Selective and momentary hedging Stress testing/simulation of market conditions Gap Analysis Limiting trading activity of instruments in the different markets Regular review of risk management processes 	<ul style="list-style-type: none"> BOD Risk Management Committee Assets and Liabilities Management Committee (ALCO) Internal Audit Department Treasury Department Treasury Middle Office
3	Liquidity Risk	<ul style="list-style-type: none"> Deterioration in quality of credit portfolio Concentrations in either assets or liabilities Rapid asset growth funded by highly volatile large deposits A large size of off-balance sheet exposure 	<ul style="list-style-type: none"> Appropriate composition of assets and liabilities Diversified and stable sources of funds Access to inter-bank market Contingency funding plan for crisis situations Regular stress testing Cushion of liquid assets held Consistent analysis using liquidity ratios 	<ul style="list-style-type: none"> BOD ALCO Treasury department Treasury Middle Office Internal Audit Department
4	Operational Risk	<ul style="list-style-type: none"> Inadequate internal system and controls Inadequate management of information systems Corporate Governance Inadequate safeguarding of physical assets Unforeseen unfavourable external events System failures Legal Risk 	<ul style="list-style-type: none"> Well defined, documented and updated process, manuals and policies. Effective Operational Risk Management Framework Periodic evaluation based on internal and external changes Regular assessment of risk through use of established Key Risk Indicators (KRI) Reinforced organisational ethics Appropriate segregation of duties and control Adequate insurance coverage Scenario analysis using bottom-up approach Continuous development and upgrading of strategic information and communication systems 	<ul style="list-style-type: none"> BOD Risk Management Committee Operational Risk Management Committee Audit Committee Internal Audit Department Line Management
5	Strategic Risk	<ul style="list-style-type: none"> Inappropriate choice and unclear strategy Failure to properly execute strategy Inability to respond to abrupt changes or fast moving conditions Incompatible strategy goals and resources deployed Undertaking of unsuccessful acquisitions or mergers 	<ul style="list-style-type: none"> In depth study of the subject matter Regular performance review to align with long term goals Use of integrated Decision Support System (DSS) Market and competitor analysis Good corporate governance, business ethics, staff code of conducts, maintaining good relationships with stakeholders, etc. 	<ul style="list-style-type: none"> BOD Other sub-committees Internal Audit Department

CORPORATE SOCIAL RESPONSIBILITY (CSR)

CSR has been a long standing commitment of Citizens Bank International Limited where responsiveness to the needs of the society and responsibility to meet those needs are due concerns. For us, CSR is not just philanthropy; the Bank cares the needs and expectations of our stakeholders and act as a partner in progress of the community and the country. The Bank stands to set a paradigm to enrich the lives of poor, needy, deprived and differently able people all across the country. The Bank has throughout its journey played an active role towards social, environmental and welfare activities

Focus Areas of Our CSR Activities

The Bank emphasizes on the following CSR activities:

- Fulfilling our responsibilities towards the society especially in healthcare and education
- Contribution in environmental preservation and protection

The Bank organized/participated in various function to fulfil its responsibilities towards the society for which the Bank has made total expenditure of NPR 1,057,266 in the FY 2015/16. Similarly the Bank intends to lead the industry in Nepal embracing green energy by implementing solar systems to power the Bank. As a initiation, the Bank's new corporate building and main branch of Narayanhiti Path is fully powered by solar systems which the Bank intends to extend to other branches as well.

Category	Amount (NPR)	%
Relief efforts to those affected by natural calamities	498,100	47.11
Supporting education	225,000	21.28
Supporting healthcare	171,000	16.17
Others	163,166	15.44
Total	1,057,266	100%



Relief efforts to those affected by natural calamities

The devastating earthquake of 7.8 in Richter scale that struck the country in 2014/15 and its frequent aftershocks chiefly the two fatal ones dated 26 April and 12 May 2015 caused an inconceivable loss of lives and properties. The impact of the devastation is still in its repairing process. The Bank had assisted in the rebuilding process for which the Bank along with its employees had made a donation of sum of NPR 10,100,000 to the 'Prime Minister Relief Fund' and in continuation of the support the Bank has yet again provided financial assistance of NPR 498,100.00 for providing zinc to the affected school of Nuwakot in order to rebuild the schools after massive earthquake.

Supporting education

The Bank has provided financial assistance of NPR 100,000.00 to 'Snow Yak Foundation' to support school education for the under privileged children of upper regions of Dolpa. Furthermore, the Bank has been continuously providing scholarship to 10 students as proposed by Child Development Center (CDS) on need basis through 'Baal Bikash Samaj, Kathmandu.'

Supporting healthcare

The Bank has been organizing blood donation program every year in its anniversary program

in association with the Nepal Red Cross Society with the motto 'To the young and healthy it's no loss; To sick, its hope of life. Donate Blood to give back life.' Along with the blood donation, the Bank also conducted program related to eye donation and kidney donation.

The Bank has provided financial assistance of NPR 100,000 to Mr. Sanjay Neupane, former Vice President of Society of Economic Journalists Nepal (SEJON) in order to support the treatment for his Brain Cancer.

Others

The Bank has provided financial assistance of NPR 50,000.00 to SAATH. SAATH is an organization focused to provide education, socialization and capacity building for children who belong to marginalized communities. Hakuna Matata project initiated by SAATH is designated to uplift the lives of marginalized and HIV infected children in every possible way. The Bank has donated a sum of NPR 50,000 to 'Baby Life Home' which supports the HIV infected children by providing health treatment, shelter, education and entertainment.

The Bank has also conducted a one day program of providing food to elderly people residing in 'Nisahaya Sewa Sadan' located at Shantinagar, Kathmandu.

Corporate Social Responsibility Activities





1. Banking Awareness Rally organized on the occasion of 9th Anniversary of the Bank.
2. The Chairman of the Bank, Dr. Shankar Prasad Sharma donating a sum of NPR 100,000.00 to 'Society of Economic Journalist Nepal'.
3. The Chairman of the Bank, Dr. Shankar Prasad Sharma, donating a sum of NPR 100,000.00 to 'Snow Yak Foundation' working for the education programs for under privileged children of upper regions of Dolpa.
4. The Chairman of the Bank, Dr. Shankar Prasad Sharma, donating a sum of NPR

100,000.00 to 'Sitalpati Khanepani tatha Sarsafai Upabhokta Sanstha'

5. The Chairman of the Bank, Dr. Shankar Prasad Sharma, donating a sum of NPR 100,000.00 to 'Child Development Society'
6. Blood donation program organized by the bank in association with Red Cross Society.
7. The Chairman of the Bank, Dr. Shankar Prasad Sharma, donating a sum of NPR 50,000.00 to 'Baby Life Home'
8. The Chairman of the Bank, Dr. Shankar Prasad Sharma, donating a sum of NPR 50,000.00 to 'SAATH'

BANK'S CONTRIBUTION & RESPONSIBILITIES TO EMPLOYEES

Human Resource

As on Mid July, there are 626 employees working for the Bank. During this fiscal year, the Bank had appointed 182 new employees whereas 58 employees had resigned from the Bank's services. Out of the total employees, 227 (36.26%) are female employees. For providing more accessible and quicker banking service with commercial motive to its customer, the Bank has been

continuously providing trainings to its employees for better human resource development. Further, the Bank shall adopt the same training policy for the coming years.

The Bank seeks engagement with employees at all levels to bring out their talent, loyalty and drive individual and garner collective performance.

Human Resource Capital

Strategic Priorities	Performance Highlights
<ul style="list-style-type: none"> -Invest strategically on employee growth through training and development programmes in line with the Bank's long term goals. -Benchmark employee compensation packages to attract and retain best talent. -Foster employee diversity and promote equal opportunities. -Support employee well-being through work life balance, welfare and health and safety measures. 	<ul style="list-style-type: none"> - Revised remuneration packages of employees based on their performances. - Organized 4 induction programs for 63 new recruits. - Continued on the job trainings for staff at departmental and branch levels. - Intensified external trainings to 618 training hours. - Reduced staff turnover by retaining staff with measures such as performance based pay, adequate promotions and instilling best practices culture.

Recruitment

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

challenge to the Bank, our aim of being the best in the business is only asserted by this policy.

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

Employee Diversity

The Bank exhibits its commitment towards equal opportunities to greater diversity of

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

Staff Facilities

The salary package of the staff of the Bank includes auto loan, home loan and other advances provided to staff besides regular salary, allowances and provident fund that are periodically reviewed.

Particulars	(AMOUNT IN NPR)	
	2015/16	2014/15
Staff Auto Loan	49,880,349	39,951,763
Staff Home Loan	190,740,734	169,660,011
Revolving Salary Advance	26,925,833	15,385,942
Employee Advances	125,000	3,390,751
Total	267,671,916	228,388,467

Performance Evaluation

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

Remunerations and Rewards

The remuneration packages of the Bank is aligned with the industry norms and certain, intra industry benchmarks while also considering the current status of the country's economy. The package normally includes basic pay, allowances, incentives and bonus, which are all subject to job responsibility of individual employee and the performance of the individual employee and as a team as well. The packages are reviewed every two years to ascertain that the pay matches quality of service provided by the employee and that they are in line with current economy and industry norms. Moreover, as ascertained above, the remuneration policy is not biased against any social impartiality.

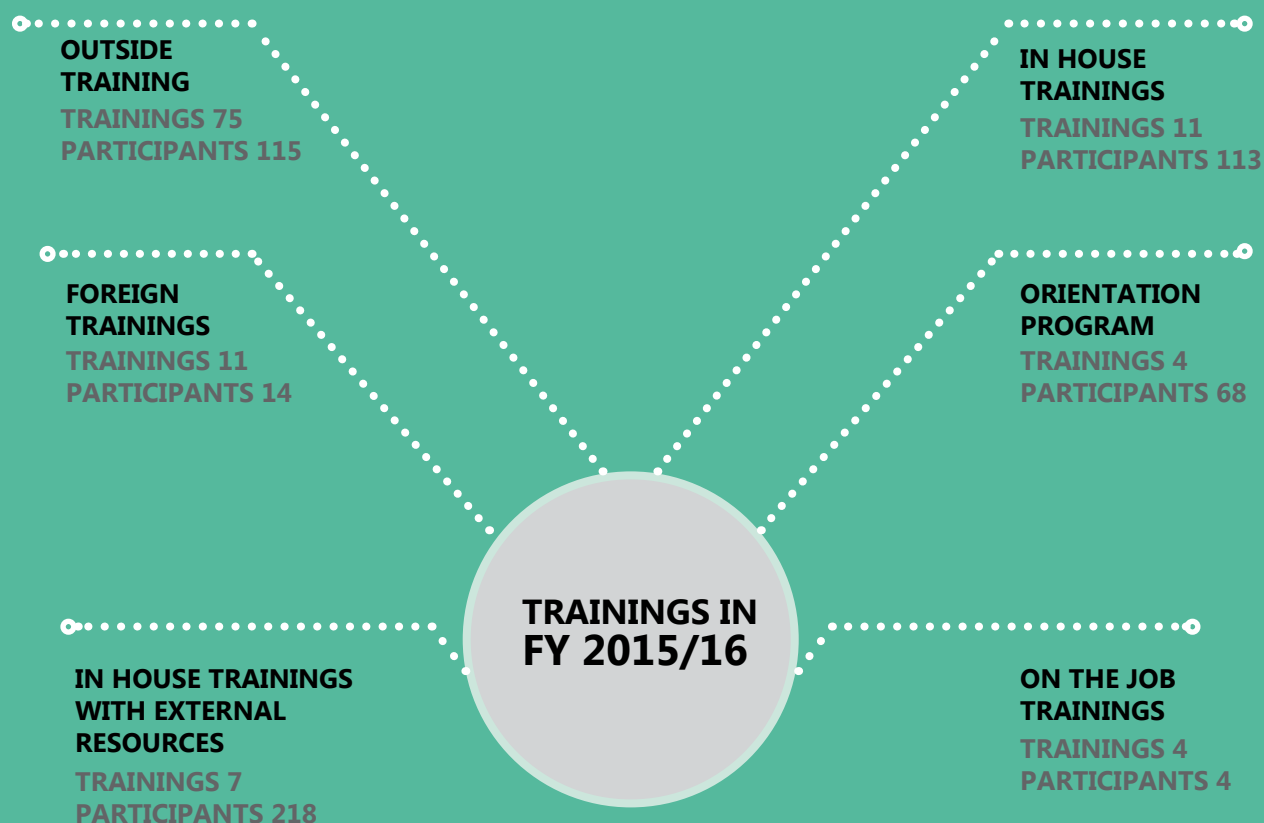
support is provided to others to address their weaknesses.

Training and Development

The Bank has invested to provide adequate trainings and development programmes to its employees. The Bank believes that the employees are the core strength of the Bank where they play a very significant role in the success of the Bank. Therefore, the employees are periodically provided with training opportunities in order to develop the necessary skills to not only survive but also compete in this dynamic industry. Focus is provided such that long term goals of the employees and the Bank are in line with each other. The structured, pragmatic and

challenging training plans has enabled the Bank to extract maximum benefits from the available employees thus proving maximum utilization of human resource with minimum diversions. The employees are further encouraged to share their knowledge with fellow colleagues to strengthen the

technical expertise at hand. Moreover, on-the job trainings at relevant positions across the branches and departments are a significant portion of the Bank's training plans. Furthermore, employees in specific departments are provided with precise technical knowledge to help them nurture in the specific fields of knowledge.



Employee Turnover and Retention

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

Succession Planning

Succession planning as a continuous process in the Bank is supported by the annual performance evaluation system which helps to identify employees displaying the necessary

skills to take it to the next level such as leadership and management skills. In order to endow the future leaders of the Bank, the employees are mentored and trained by the current leaders through on the job trainings and structured routine programmes. This ensures smooth transition for the employees between current job and responsibilities and potential future positions.

Employee Well- being

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

Measures of employee well-being through staff expenses

Amount in NPR

Particulars	2015/16	2014/15
Salary	122,797,133	110,440,932
Allowance	111,430,859	88,535,501
Contribution to Provident Fund	9,087,405	7,159,068
Training Expenses	4,666,202	748,820
Uniform	4,096,399	4,280,358
Insurance	2,360,560	2,639,161
Gratuity and Leave Provision	32,829,468	30,253,144
Staff Welfare Fund	7,508,366	3,480,375
Recruitment Expense	425,786	342,937
Staff Bonus	153,886,400	102,131,328
Total	449,088,578	350,011,623

Health and Safety

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

Grievance Handling

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

Staff Composition

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

KEY HUMAN RESOURCE INDICATORS

EMPLOYEE MIX AS PER AGE GROUP

Age Group	No.	%
18-25	126	19.33%
26-34	439	67.33%
35-44	62	9.51%
45-54	19	2.91%
55-64	6	0.92%
Above 65	0	0.00%

EMPLOYEE MIX AS PER PERMANENCY

Status	No.	%
Permanent	626	96.01%
Contract	26	3.99%
Total	652	

EMPLOYEE MIX AS PER YEAR OF JOINING

Year of Joining	No.	%
2006	2	0.32%
2007	18	2.88%
2008	31	4.95%
2009	39	6.23%
2010	40	6.39%
2011	63	10.06%
2012	22	3.51%
2013	82	13.10%
2014	129	20.61%
2015	128	20.45%
2016	72	11.50%
Total	626	100%

EMPLOYEE MIX AS PER GENDER

Name	Count	%
Female	228	35%
Male	424	65%
Total	652	100%





Net Profit (Rs. i)



MANAGEMENT ANALYSIS, FINANCIAL REVIEWS AND REPORTS

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ECONOMIC INDICATORS AND OUTLOOK



ECONOMIC GROWTH RATE AND GOVERNMENT EXPENDITURES

According to the Central Bureau of Statistics (CBS), the real GDP at basic price estimated to be 0.8 percent in 2015/16 compared to a growth of 2.3 percent in the previous year. Similarly, the real GDP at producers' price is estimated to be 0.6 percent in the review year compared to a growth of 2.7 percent growth in the previous year. Delay in monsoon, prolonged strikes and obstructions in southern border points adversely affected the economy resulting in a lower growth in the review year.

In 2015/16, the Gross National Disposable Income (GNDI) estimated to grow by 8.1 percent compared to a growth of 9.0 percent in the previous year. Similarly, the ratio of total

consumption to GDP remained at 94.7 percent compared to 91.2 percent in the previous year. Likewise, the ratio of gross domestic savings to GDP is 5.3 percent in the review year compared to 8.8 percent in the previous year. In the review year, the ratio of gross investment to GDP remained at 34.0 percent compared to 38.8 percent in the previous year. Similarly, the ratio of gross national savings to GDP is at 42.9 percent compared to 43.9 percent in the previous year.

In the review year, government budget on cash basis remained at a deficit of NPR 37.49 Billion. Such budget deficit was NPR 45.88 Billion in 2014/15. Low growth in resource mobilization relative to government expenditure accounted for such a budget deficit during the review year.

The ratio of budget deficit-to-GDP fell to 1.7 percent in the review year from 2.2 percent in the preceding year.

SHARE MARKET

NEPSE index increased by 78.76 percent to 1,718.2 points in mid - July 2016 from 961.2 points in the corresponding period of the previous year. The rally in the NEPSE index was on account of introduction of the capital hike policy for financial institutions, dematerialized transactions from mid - January 2016 and rise in investors' confidence due to improved political situation .

The total turnover of the securities traded rose 151 percent to NPR 163.96 billion in 2015/16. The increased liquidity of stocks due to the dematerialized transactions as well as the bullish trend of the NEPSE index was the primary reason for such upsurge in turnover.

INFLATION AND PRICE LEVEL

Consumer price inflation

The annual average consumer price inflation increased by 9.9 percent in 2015/16 compared to an increase by 7.2 percent in the previous year. This is mainly due to strikes in Terai region, obstructions at border points and supply disturbances. The consumer price inflation stood at 10.4 percent in mid-July 2016 compared to that of 7.6 percent a year ago.

The higher rate of increase in price indices of pulses and legumes, ghee and oil, clothes and footwear, spices, housing and utilities, among other sub-groups, exerted an upward pressure on overall consumer price inflation in the review year.

In terms of ecological regions, the Kathmandu Valley witnessed a relatively higher annual average inflation at 11.6 percent followed by Hilly region at 10.4 percent, Mountain region at 8.8 percent and Terai region at 8.6 percent in the review year. The inflation was 7.2 percent in Kathmandu Valley, 7.3 percent in Hilly region and 7.1 percent in Terai region in the previous year.

WHOLESALE PRICE INFLATION

The annual average wholesale price inflation

stood at 6.3 percent in 2015/16 compared to a growth of 6.1 percent in the previous year. The annual average wholesale price indices of agricultural commodities and domestic manufactured commodities showed a growth of 10.5 percent and 6.2 percent respectively, whereas such index of imported commodities declined by 2.9 percent in the review year compared to the growth of 8.8 percent, 5.6 percent and 0.7 percent respectively in the previous year.

BALANCE OF PAYMENT (BOP)

The current account registered a surplus of NPR 140.42 Billion in the review year due to the increase in net surplus in current transfer. The surplus in current account was NPR 108.32 Billion in the previous year.

Similarly, the overall BOP recorded a significant level of surplus of NPR 188.95 Billion in the review year on account of the increase in current account surplus and capital inflows. The surplus in balance of payments was NPR 145.04 Billion in the previous year.

In the review year, Nepal received capital transfer of NPR 16.99 Billion and Foreign Direct Investment (FDI) inflow of NPR 5.92 Billion. In the previous year, capital transfer and FDI inflow were NPR 14.81 Billion and NPR 4.38 Billion respectively.

LIQUIDITY MANAGEMENT

In 2015/16, the NRB mopped up liquidity of NPR 591.63 Billion, on a turnover basis, through various instruments. Liquidity absorption consisted of NPR 297.50 Billion through deposit collection auctions, NPR 235.95 Billion through reverse repo auction, NPR 49.08 Billion through NRB Bonds and NPR 9.10 Billion through outright sale auction on a cumulative basis. In the previous year, NPR 155 Billion was mopped up through deposit collection auction, NPR 315.80 Billion through reverse repo auction and NPR 6 Billion through outright sale auction.

In the review year, interest expenses incurred in mopping up liquidity reached NPR 718.2 Million. Such cost was NPR 190.6 Million in the previous year. In the review year, the NRB injected net liquidity of NPR 471.35 Billion through the

net purchase of USD 4.45 Billion from foreign exchange market (commercial banks). Net liquidity of NPR 96.72 Billion was injected through the net purchase of USD 4.03 Billion in the previous year.

NRB purchased Indian currency (INR) equivalent to NPR 385.47 Billion through the sale of USD 3.4 Billion and Euro 0.21 Billion in the review year. INR equivalent to NPR 348.09 Billion was purchased through the sale of USD 3.5 Billion in the previous year.

INTER-BANK TRANSACTION AND STANDING LIQUIDITY FACILITY

In the review year, inter-bank transactions of commercial banks stood at NPR 961.72 Billion and those of other financial institutions (excluding transactions among commercial banks) amounted to NPR 129.06 Billion. Such transactions were NPR 374.70 Billion and NPR 226.91 Billion respectively in the previous year. The BFIs used Standing Liquidity Facility (SLF) of NPR 14.03 Billion in the review year.

INTEREST RATES

The weighted average 91-day Treasury Bill rate decreased to 0.0456 percent in the review month from 0.1739 percent a year ago. The weighted average inter-bank transaction rate among commercial banks that was 1.01 percent a year ago declined to 0.69 percent in the review month. Likewise, the weighted average inter-bank rate among other financial institutions decreased to 3.25 percent from 3.89 percent a year ago.

Weighted average interest rate spread of commercial banks increased to 4.85 percent in the review month from 4.61 percent a year ago. Likewise, the average base rate of commercial banks came down to 6.54 percent in the review month from 7.88 percent a year ago.

DEPOSIT MOBILIZATION

Deposits at banks and financial institutions (BFIs) increased by 19.4 percent in the review year compared to an increase of 20.1 percent in the previous year. Deposits at commercial banks and development banks increased by 20.7 percent and 16.5 percent respectively, while that of finance companies decreased by 12 percent

in the review year compared to the respective increase of 21.4 percent, 15.2 percent and 0.6 percent in the previous year.

LOANS AND ADVANCES

Credit to the private sector from BFIs increased by 23.7 percent in the review year compared to a growth of 19.8 percent in the previous year. The momentum that economic activities gained in the fourth quarter of 2015/16 attributed to private sector credit takeoff. In the review year, private sector credit from commercial banks and development banks increased 26.5 percent and 20.3 percent respectively, while that of finance companies decreased 12.5 percent.

Financial deepening accelerated further in the review year. The ratios of total deposit, loans and advances and claims on private sector to GDP increased significantly compared to those of the previous year.

PRICE OF OIL AND GOLD IN THE INTERNATIONAL MARKET AND EXCHANGE RATE MOVEMENT

The price of oil (Crude Oil Brent) in the international market decreased by 19.3 percent to USD 46.25 per barrel in mid-July 2016 from USD 57.31 per barrel a year ago. The price of gold increased by 12.1 percent to USD 1283.30 per ounce in mid-July 2016, from USD 1144.40 per ounce a year ago.

Nepalese currency vis-à-vis the US dollar depreciated by 5.2 percent in mid-July 2016 from the level of mid-July 2015. It had depreciated 5.2 percent in the previous year. The buying exchange rate per US dollar stood at NPR 106.73 in mid-July 2016 compared to NPR 101.14 in mid-July 2015.

REVIEW OF FINANCIAL MARKET OF THE COUNTRY

As a result of the merger and acquisition drive, the total number of BFIs licensed by NRB came down to 179 in mid-July 2016 from 193 a year ago. In mid-July 2016, the total number of commercial banks stood at 28, development banks at 67, finance companies at 42 and microfinance development banks at 42. Despite the decline in the number of BFIs, financial access has widened along with the expansion of

the branch network. The total number of BFIs' branches increased to 4, 272 in mid-July 2016 from 3,838 a year ago.

After the issuance of the "Bank and Financial Institutions Merger Bye-Laws, 2011", 108 BFIs have merged with each other resulting in the formation of 43 BFIs as of mid-July 2016. Likewise, 4 finance companies were acquired by two commercial banks and one development bank was acquired by another development bank.

As of mid-July 2016, eleven institutions including 2 development banks and 9 finance companies were under resolution process. Total deposits and loans of such institutions stood at NPR 3.04 Billion and NPR 6.42 Billion respectively. The overall capital fund of these institutions was negative by 33.9 percent and non-performing loan stood at 97.3 percent as of mid-July 2016.

INTERNATIONAL MARKET REVIEW

International Investment Position (IIP)

The International Investment Position (IIP) is the summary statement of foreign assets and liabilities of a country. The IIP shows that foreign assets and liabilities of Nepal were NPR 1054.01 Billion and NPR 564.55 Billion respectively in mid-July 2016. Accordingly, the net IIP remained in surplus by NPR 489.46 Billion as at mid-July 2016. Such surplus was NPR 316.78 billion in mid-July 2015.

EXPORT AND IMPORT PRICE INDEX

The annual average unit value export price index based on customs data increased by 14.5 percent while import price index decreased by 6.4 percent in the review year. Consequently,

the terms of trade (TOT) index increased by 22.2 percent compared to an increase of 12.8 percent in the corresponding period of the previous year. Increase in price of export items such as cardamom, betel nut, tea, and Yarsagumba led to a rise in the export price index. However, a fall in the price of petroleum products, tubes and tyres of vehicles resulted in a decline in import price index in the review period.

The export-import ratio dropped to 9.1 percent. This implies the size of imports is almost 9.1 times larger than the size of exports in the review year. The export-import ratio was 11 percent in the previous year.

WORKERS' REMITTANCES

The workers' remittances grew by 7.7 percent to NPR 665.06 Billion in the review year compared to a growth of 13.6 percent in the previous year. However, the ratio of remittances to GDP increased to 29.6 percent in the review year from 29.1 percent in the previous year. The net transfer receipt increased 9.6 percent to NPR 778.19 Billion in the review year. Such receipt had increased 12.4 percent in the previous year.

The number of workers going abroad for foreign employment, which directly affects the flow of inward remittance, decreased in the review year. The number of Nepalese workers leaving for foreign employment based on final approval, decreased by 18.4 percent in the review year. Last year, the number had fallen by 2.8 percent. The rank of destination countries changed in the review year. Saudi Arabia topped followed by Qatar and Malaysia as major destinations for employment in the review year. In the previous year, Malaysia, Qatar and Saudi Arabia were in this order.

DIRECTOR'S REPORT

Respected Shareholders,

On behalf of the Board of Directors, I would like to welcome all the shareholders in this Tenth Annual General Meeting of Citizens Bank International Limited. I would like to present Bank's Balance Sheet as on 15.07.2016 (31st Ashadh 2073), Profit and Loss Account, Profit and Loss Appropriation Account, Cash Flow Statement and other financial statements for the fiscal year 2015/16 (2072/73) for approval by the respected meeting.

On behalf of the Board of Directors, I would like to present to respected meeting Financial and Banking Sectors Indicators followed by review of the performance of the Bank in previous fiscal year and future programs of the Bank.

1. FINANCIAL AND BANKING SECTOR'S INDICATORS

Gross Domestic Production

According to the Central Bureau of Statistics (CBS), the real GDP at basic price is estimated to grow by 0.8 percent in 2015/16 compared to a 2.3 percent growth in the previous year. Similarly, the real GDP at producers' price is estimated to grow by 0.6 percent in the review year compared to a 2.7 percent growth in the previous year. Inadequate rainfall has affected the production of agricultural goods. Also, earthquake of 25 April 2015 with numerous aftershocks, economic blockade by India and political instability have significant negative impact on all sectors of the economy resulting into a lower output growth in the review year.

Foreign Trade

The trade deficit widened in the fiscal year 2015/16 on account of the increase in imports and the fall in exports. Merchandise exports decreased by 17.8 percent to NPR 70.12 Billion in 2015/16. Such exports had decreased by 7.3

percent to NPR 85.34 Billion in the previous year. Exports to India dropped by 29.3 percent during the review year in contrast to a decrease of 6.3 percent in the previous year. Similarly, the export to China had decreased by 41.5 percent in the previous year whereas it has declined by 24.6 percent in the current year. To the other countries, the export which had been decreased by 7.8 percent in the previous year has been increased by 6.3 percent in the current year.

In the review period 2015/16, ratio of merchandise export to total GDP has declined to 3.1 percent. The same ratio was recorded as 4 percent in the previous year. Export has been increased in terms of the goods such as woollen carpets, cardamom, pashmina, readymade garments, etc whereas the export of zinc sheet, GI Pipe, polyester yarn, clothes, juice, etc has been decreased.

Imports of petroleum products has highly decreased that resulted to decrease the overall merchandise import of the country by 0.1 percent to NPR 773.60 Billion in the review period compared to the import of petroleum products which increased by 8.4 percent in the previous year. Except the petroleum products, the overall merchandise import has increased by 6.4 percent.

Imports from India decreased by 2.9 percent in the review year compared to a growth of 2.9 percent in the previous year. Likewise, imports from China increased by 15.5 percent in the review year compared to a growth of 36.6 percent in the previous year. Similarly, imports from other countries decreased by 1.2 percent in the review year compared to a growth of 12.1 percent in the previous year. The ratio of total merchandise import to total GDP has been decreased to 34.4 percent in

the review period, which was recorded to be 36.5 percent in the previous year.

Total trade deficit during the review year grew by 2 percent to NPR 703.48 Billion compared to an increase of 10.8 percent in the previous year. The export-import ratio has been declined to 9.1 percent from 11 percent of that of previous year.

Balance of Payment and Remittance

The current account registered a surplus of NPR 140.42 billion in the review year due to the increase in net surplus in current transfer. The surplus in current account was NPR 108.32 billion in the previous year. Similarly, the overall BOP recorded significant level of surplus of NPR 188.95 billion in the review year on account of the increase in current account surplus and capital inflows. The surplus in Balance of Payment was NPR 145.04 in the previous year. In the review year, Nepal received capital transfer of NPR 16.99 billion and Foreign Direct Investment inflow of NPR 5.92 billion. In the previous year, capital transfer and FDI inflow were NPR 14.81 billion and NPR 4.38 billion respectively.

The workers' remittances grew 7.7 percent to NPR 665.06 billion in the review year compared to a growth of 13.6 percent in the previous year. However, the ratio of remittances to GDP increased to 29.6 percent in the review year from 29.1 percent in the previous year. The net transfer receipt increased 9.6 percent to NPR 778.19 billion in the review year. Such receipt had increased 12.4 percent in the previous year.

Interest Rates

Both the weighted average of 91-days Treasury bill rate and inter-bank transaction rates decreased in the last month of 2015/16 compared to a year ago. The weighted average 91-days Treasury bill rate decreased to 0.0456 percent in the review month from 0.1739 percent a year ago. The weighted average inter-bank transaction rate among commercial banks that was 1.01 percent a year ago reached 0.69 percent in the review month. Likewise, the weighted average inter-

bank rate among other financial institutions decreased to 3.25 percent in 2015/16 from 3.89 percent a year ago.

The weighted average interest rate spread of commercial banks increased to 4.85 percent in the review month from 4.61 percent a year ago. Likewise, the average base rate of commercial banks came down to 6.54 percent in the review month from 7.88 percent a year ago.

Deposit Mobilization

Deposits at banks and financial institutions (BFIs) increased by 19.4 percent in the review year compared to an increase of 20.10 percent in the previous year. Deposits at commercial banks and development banks increased by 20.70 percent and 16.50 percent respectively while that of finance companies decreased by 12.00 percent in the review year compared to the respective increase of 21.40 percent, 15.20 percent and decrease of 0.60 percent in the previous year.

Credit Disbursement

Credit to the private sector from BFIs increased 23.7 percent in the review year compared to a growth of 19.8 percent in the previous year. The momentum that economic activities gained in the fourth quarter of 2015/16 attributed to private sector credit off take. In the review year, private sector credit from commercial banks and development banks increased 26.5 percent and 20.3 percent respectively, while that of finance companies decreased 12.5 percent.

Of the BFIs' credit exposure to private sector, credit to the transport, communication and public services sector increased 39.8 percent in the review year compared to 27 percent in the previous year. Likewise, credit to the wholesale and retail trade sector, and finance, insurance and fixed assets sector increased 25.8 percent and 25.9 percent respectively in the review year compared to an increase of 21.8 percent and 18.3 percent respectively in the previous year.

Credit to the agriculture sector increased 20.9 percent in the review year compared

to an increase of 28 percent in the previous year. Likewise, the credit to the industrial production increased 15.9 percent in the review year compared to a growth of 14.8 percent in the previous year.

The outstanding credit to real estate sector amounted to NPR 250.87 billion (including NPR 142.81 billion residential home loans less than NPR 10 million each) in mid-July 2016. This is 14.9 percent of total credit exposure of FIs. The BFIs' total margin lending extended

against the collateral of shares stood at 2.2 percent (NPR 37.66 billion) of their total credit exposure. Of the total lending of the commercial banks, the credit to small and medium enterprises was 2.6 percent (NPR 35.87 billion) in mid July 2016.

Trust Receipt (T. R.) loan extended by commercial banks increased 31.8 percent (NPR 17.56 billion) to NPR 72.68 billion in the review year compared to a growth of 13.3 percent in the previous year.

2. SYNOPSIS OF FINANCIAL PERFORMANCE OF THE BANK

The comparative financials of the FY 2015/16 and FY 2014/15 has been presented below:

Particulars	FY 2014/15	FY 2015/16	(NPR IN MILLION)
			Increase/ (Decrease) in percent
Total Assets	41,450	55,062	32.84
Deposits	35,782	47,393	32.45
Loans, Advances & Bills Purchased	29,200	40,566	38.92
Investments	5,577	7,478	34.07
Net Interest Income	1,268	1,619	27.70
Operating Income	342	513	49.91
Non- Operating Income	46	144	214.56
Other Operating Expenses	582	668	14.71
Operating Profit Before Loan Loss Provision	1,028	1,465	42.45
Net Profit	720	1,080	49.99
Capital Adequacy Ratio	13.27%	12.40%	(0.87)
Real Estate Loan to Total Loan	12.30%	11.85%	(0.45)

Capital Base

At the end of the current FY 2015/16, the paid up capital of the Bank is NPR 3,065.23 Million. Similarly, Calls in Advance received of NPR 585.40 Million on account of Right Share Called and Proposed Bonus Share Capital of NPR 750.67 Million is also included in share capital of the Bank.

Capital Adequacy

At the end of the current FY 2015/16, the capital adequacy is 12.40 percent. The same was 13.27 percent in the FY 2014/15. The minimum requirement of NRB is 10 percent.

Gross Assets

At the end of the current FY 2015/16, the

gross asset is NPR 55,062.01 Million which has increased by 32.84 percent in comparison to last fiscal year. In the previous year, it was NPR 41,450.00 Million.

Deposit Collection

The deposit collection for the FY 2015/16 is NPR 47,393.51 Million which has been increased by 32.45 percent. In the previous year, it was NPR 35,782.14 Million. In the FY 2014/15, current deposits covered 3.14 percent, saving deposits 21.15 percent, fixed deposits 53.44 percent, call accounts 21.80 percent and remaining were other deposits. In the FY 2015/16, current deposits covered 2.89 percent, saving deposits 20.43 percent, fixed deposits 54.73 percent, call accounts 21.31 percent and remaining were other deposits.

Loans, Advances and Bills Purchased

In FY 2014/15, the Bank had provided NPR 29,199.98 Million loans under loans and advances. In comparison to last fiscal year, it has been increased by 38.92 percent to NPR 40,565.82 Million in current FY 2015/16. Out of total loans and advances of FY 2015/16, 11.85 percent is in real estate sector, 5.75 percent in housing sector, 7.10 percent in margin lending, 20.17 percent in term loan, 15.75 percent in overdraft loan and 39.38 percent in other loans.

Out of the total approved limit of NPR 2.72 Billion for hydro power projects, the Bank has already disbursed loan to the tune of NPR 1.82 Billion by the end of FY 2015/16. The hydro power projects that the Bank has invested accounts to about 98 megawatt in total.

Similarly, in fiscal year 2015/16, the Bank has invested NPR 5.77 Billion in 1233 number of loans under the title "Small and Medium Enterprise Loan". Likewise, to promote the agricultural sector, the Bank has invested NPR 1.04 Billion in 3,025 numbers of loans under the title "Fast Track Loan". In addition to that, as per the "One Zone One Product" policy, the Bank has invested NPR 99.1 Million to 71 projects.

Investment

The investment for the FY 2015/16 is NPR 7,478 Million which has increased by 34.07 percent. In the previous year, it was NPR 5,577 Million.

Net Interest Income

In FY 2014/15, the net interest income of the Bank was NPR 1,268 Million. In comparison to last fiscal year, it has been increased by 27.70 percent to NPR 1,619 Million in current FY 2015/16.

Operating Income

In FY 2014/15, the operating income of the Bank was NPR 342 Million. In comparison to last fiscal year, it has been increased by 49.91 percent to NPR 513 Million in current FY 2015/16.

Operating Expenses

The operating expense for the FY 2015/16

is NPR 668 Million which has increased by 14.71 percent. In the previous year, it was NPR 582 Million.

Operating Profit Before Loan Loss Provision

The operating profit before loan loss provision for the FY 2015/16 is NPR 1,465 Million which has increased by 42.45 percent. In the previous year, it was NPR 1,028 Million.

Net Profit

In FY 2014/15, the operating income of the Bank was NPR 720 Million. In comparison to last fiscal year, it has been increased by 49.99 percent to NPR 1,080 Million in current FY 2015/16.

3. SUBSIDIARY COMPANY CBIL CAPITAL LIMITED

To expand the Bank's services in the area of Merchant Banking, the Bank has made an equity investment in CBIL Capital on Falgun 30, 2072 (which was incorporated on Magh 17, 2062 as public company) and introduced CBIL Capital as its subsidiary company, through the purchase of 67 percent of paid up capital i.e. NPR 67 Million out of the total Paid up Capital NPR 100 Million. The main objective of the company is to provide merchant banking services like portfolio management services, mutual investment fund operation services, share registration services, etc

With the effective management and investment of the available Paid up Capital, CBIL Capital has earned NPR 11.4 Million in the short period of four months in the fiscal year 2015/16. CBIL Capital Limited started Merchant Banking operation from September 2, 2016 (Bhadra 17, 2073) after receiving operating license from Securities Board of Nepal.

4. BRANCH NETWORK EXPANSION

As per Bank's policy on branch expansion in FY 2015/16, Bank has expanded 2 branches. The new branches have been expanded in Damak of Jhapa district outside the valley and in Bhaishapati of Lalitpur district inside the valley. Altogether there are 56 branches of the Bank as on the fiscal year 2015/16.

5. OTHER BANKING FACILITY EXPANSION

In FY 2015/16 the Bank has expanded additional 3 branchless banking in Ramgopalpur and Aurahi of Mahottari District and Laukahi in Sunsari district. Bank has also operated branchless banking in 36 out of 38 VDC in earthquake affected areas of Dolakha, Nuwakot and Rasuwa district in coordination with Sakcham Access to Finance program, sponsored by UK Aid.

Similarly, the Bank has signed an agreement with National Reconstruction Authority to distribute subsidy for rebuilding personal residence destroyed by earthquake. As per the agreement, the Bank shall open the accounts of the beneficiary who are eligible to get reconstruction subsidy. The Bank has branches in earthquake hit district, Bhimeshwor Municipality of Dolakha, Banepa of Kavrepalanchowk and Hetauda of Makwanpur and expects to render services to 4302 earthquake hit beneficiaries.

The Bank has also signed agreement to render Bancassurance service with Life Insurance Corporation (Nepal) Limited. The customer could easily get life insurance policy, pay premium, make insurance claim and get claims paid through any branches of the Bank beside regular banking services.

6. CORPORATE GOVERNANCE AND NON-COMPLIANCE

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

7. INFORMATION TECHNOLOGY

Considering the role of Information Technology in the Banks' development and with regards to customers' satisfaction, the

Bank has been providing technology based services such as mobile banking, internet banking and ABBS through which online balance enquiry, account to account fund transfer, SMS banking facilities are widely used. Similarly, the Bank has enhanced its services for utility bill payments like PSTD telephone, ADSL services, school fees which are accessible through mobile/ internet banking or through branches of the Bank.

For timely improvement and development of information technology, the Bank had made agreement with M/S Edge Verve Systems Limited and M/S CAS Trading house Pvt. Ltd for upgrading core banking software. Similarly, the Bank has also been providing DEMAT account opening and maintenance service, the statement for which can be assessed online.

8. INTERNAL CONTROL SYSTEM

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

9. CARD BUSINESS

The Bank has established Nepal Electronic Payment System Ltd., in joint investment of other 15 Commercial banks and Financial Institutions considering the risk in card business. Nepal Electronic Payment System Ltd. (NEPS) is in operation from FY 2014/15. For the security of card and card related

services, Magnetic Strip Card will be replaced by EMV Based Card.

10. REMITTANCE TRANSACTION

With the view of making remittance transaction more effective, the Bank has been expanding its network by contracting with Remittance Companies inside and outside the Country. The Bank has been able to bring total USD 4.54 Million and from such remittance, the Bank has earned NPR 11.18 Million. Remittance from 40 different countries can be paid directly through all branches and 2600 agents of the Bank located around the country. To expand remittance business in future further agreement will be signed with exchange companies of potential countries such as South Korea, India, Qatar, Saudi Arabia, Kuwait, Malaysia, Japan, America, Australia and remittance business will be expanded and enhanced.

11. CORPORATE SOCIAL RESPONSIBILITY

Since its establishment, the Bank has been contributing for corporate social responsibility through various social institutions. Especially the Bank has been contributing for uplifting education, health, sports, cultural areas and victims of natural calamities. In current FY 2015/16 (2072/73), the total expenditure of the Bank on corporate social responsibility is NPR 1.06 Million.

On the occasion of 10th anniversary, the Bank has conducted blood donation, eye donation and kidney donation programs. The Bank has donated NPR 100,000.00 to the Sitalpati Khanepani Tatha Sarsafai Upabhokta Sanstha located in Sindhuli and provided scholarship to 10 underprivileged and hard-working students through Baal Bikash Samaj amounting to NPR 75,000. The Bank has helped Reporter Mr. Sanjay Neupane for his treatment with NPR 100,000 through SEJON. With the objective of providing education to underprivileged children of Upper Dolpa, the Bank has provided financial assistance of NPR 100,000 to 'Snow Yak Foundation' working for the same cause. The Bank has also donated NPR 50,000 each to the SAATH and Baby Life Home organization where they help Children with AIDS. Similarly, the Bank has encouraged

sports through the financial assistance of NPR 50,000 to organize the Sub Junior School Badminton Championship, 2016 organized by Himalaya Badminton Club. Moreover, the Bank conducted one day program of providing food to 52 elderly people residing in 'Nisahaya Sewa Sadan' located at Shantinagar, Kathmandu.

12. CHANGES IN BOARD OF DIRECTORS AND ITS REASONS

The term of board members Mr. Bal Krishna Prasai, Mr. Abinash Pant, Mr. Pabitra Kumar Karki and Mr. Arjun Lal Rajbanshi was successfully completed. As per Bank's regulation, Mr. Bal Krishna Prasai, Mr. Pabitra Kumar Karki, Dr. Chanda Karki and Mr. Chandra Tandan have been elected as the new board members from group "Ka" of Promoters shareholder and Dr. Shankar Prasad Sharma have been elected from Public shareholders. Dr. Shankar Prasad Sharma have been unanimously elected as Chairman of the Bank as per 189th Board Decision.

13. OTHER SUB-COMMITTEES

As per the provisions of NRB directives and Section 14 and Section 15 of Bank and Financial Institutions Act, 2007, the Board of Directors has formed Audit Sub-Committee, Risk Management Sub-Committee, Employee Management and Service Facility Sub-Committee for its accountability. Besides these, Building Construction Sub-Committee and Merger & Acquisition Sub-Committee has been formed and their functions, duties and rights has been defined. Currently both, Building Construction Sub-Committee and Merger & Acquisition Sub-Committee has been dissolved after fulfilment of their respective objectives.

Audit Sub-Committee

Board of Directors has formed Audit Sub-Committee under the coordination of non-executive Director, Mr. Chandra Tandon along with other directors, Mr. Bijaya Dhoj Karki, Dr. Chanda Karki. The head of Internal Audit Department is the member-secretary of the Sub-Committee. The Sub-Committee has been discussing for the assessment of financial condition, internal control system,

audit related program and findings of audit and giving necessary directions to the management of the Bank.

For the FY 2015/16, 16 meetings of the Audit Sub-Committee were held. In the meetings, Audit Sub-Committee reviewed entire financial condition of the Bank, internal control, audit plan and the observations and comments pointed out on audit report presented by internal auditor and external auditor and directed to take the corrective action to the management. Similarly, the Sub-Committee has reviewed the implementation and correction of the adverse remarks pointed out on the report obtained on inspection and supervision by NRB. The issues has been recorded and informed to Board of Directors. The Sub-Committee has also supported the management for preparing true and fair Annual Financial Statement of the Bank, reviewed adherence to the regularity in the Bank's proceedings, economy, relevance, effectiveness and others and provided necessary suggestion, reviewed the Quarterly Financial Statement of the Bank and reported it to Board of Directors.

Risk Management Sub-Committee

Board of Directors has formed Risk Management Sub-Committee under the coordination of non-executive director Mr. Manohar Das Mool along with other Directors, Mr. Prakash Chandra Mainali, Mr. Chandra Tandon and Chief Operating Officer as members. The departmental head of Risk Management Department is appointed as the member-secretary of the Sub-Committee. The coordinator of Audit Sub-Committee acts as invitee member of Risk Management Sub-Committee and meeting of the Sub-Committee is to be held at least once in three months. The functions, duties and rights has been defined in compliance with the directives of NRB. In the FY 2015/16, meetings of Risk Management Sub-Committee were held for 5 times. The Risk Management Sub-Committee of the Bank has been working on finding out risks affecting the Bank and its suitable management. The Sub-Committee has been giving special attention for risk management to minimize credit risk, market risk, operating risk, liquidity risk, non-compliance

risk and other risks. The Bank has separate credit risk unit for credit risk management.

Human Resource Compensation Sub-Committee

Board of Directors has formed Human Resource Compensation Sub-Committee under coordination of non-executive director Mr. Bal Krishna Prasai along with director, Mr. Pabitra Kumar Karki, Chief Executive Officer and Chief Finance Officer as members. The departmental head of Human Resource Management Department is member secretary of the Sub-Committee. The functions, duties and rights of the Sub-Committee has been defined in compliance with the directives of NRB.

For the FY 2015/16, meetings of the Sub-Committee were held for 6 times and the Sub-Committee reviewed remuneration and regulations of employees and recommended necessary employee recruitment.

Building Construction Sub-Committee

Board of Directors has formed Building Construction Sub-Committee under the coordination of Non-executive director Mr. Manohar Das Mool along with Mr. Prakash Chandra Mainali and Mr. Pabitra Kumar Karki. Assistant General Manager of General Administration Department is member secretary of the Sub-Committee. In the FY 2015/16, meetings of the Sub-Committee were held for 9 times and the Sub-Committee inspected the corporate building of the Bank under construction. The building construction work was completed in FY 2015/16 and M/S Home Maker Pvt Ltd was appointed for interior decoration of the corporate building; similarly agreement with M/S Edge Verve Systems Limited and M/S CAS Trading House PVT Ltd was also done for implementing Finacle Core Banking Solution as per special task assigned to the Sub-Committee by the Board of Directors. This Building Construction Sub-Committee was dissolved after successful completion of its duties and responsibilities as per board meeting held on 27.03.2016 (2072.12.14)

Merger and Acquisition Sub-Committee

The Merger and Acquisition Sub-Committee under the coordination of non-executive director Mr. Pavitra Kumar Karki was dissolved by board meeting held on 27.03.2016 (2072.12.14) after the successful completion of duties and responsibilities assigned. In the FY 2015/16, meetings of the Sub-Committee were held for 7 times. The Sub-Committee had received the acquisition approval of 'C' class Financial Institution, Premier Finance Ltd from NRB on 04.07.2016 (2073.03.20) and the combine operation commenced from 17.07.2016 (2073.04.02)

14. CONTRIBUTION TO THE GOVERNMENT EXCHEQUER

During the FY 2015/16, the Bank has deposited in aggregate NPR 675.8 Million that included NPR 420 Million for Advance Income Tax and NPR 255.8 Million for tax deduction on source on various payments made by the Bank to Inland Revenue Office.

15. FACTOR AFFECTING BANKING TRANSACTION

Different risks that may affect banking transaction are listed below:

- Potential risks that may arise due to change in commercial bank policy by Nepal Government and NRB.
- Risks due to change in exchange rate during foreign exchange transaction.
- Risk due to change in interest rate on deposit and credit.
- Risks arising due to non-recovery of credit.
- Risks due to change in economic condition of the country.
- Potential risks arising on providing non-funded services such as letter of credit and Bank Guarantees.
- Financial risks on Nepalese Market due to crisis in foreign market.
- Risks due to capital market fluctuation.
- Effect due to decrease in remittance inflow of the country.
- Effect due to inconsistent political condition in country.
- Effect due to rapid increase in banking competition.
- Risk due to natural disaster.

16. APPOINTMENT OF AUDITOR

9th General Meeting of the Bank has appointed M/s K. K. Budhathoki and Associates, Chartered Accountants, for auditing every book of account for FY 2015/16 and audit has been completed. For FY 2016/17 (2073/74), appointment of auditor will be done on recommendation of Audit Sub-Committee.

17. HUMAN RESOURCE

By the end of the FY 2015/16, there are 626 employees working in the Bank. During the FY, the Bank had appointed 182 new employees and 58 employees have resigned from the Bank's service. Out of total employees, 227 (36.26%) are female employees. With the motive of providing excellent and speedy banking services to its customers, the Bank has provided trainings to its employees for human resource development. The bank shall carry out similar training programs in the future as well.

18. STRATEGIES AND PROGRAMS FOR FY 2016/17

- Increase the paid-up capital of the Bank to 8 billion by the end of FY 2016/17 by issuing bonus share and right share as per Capital Plan of the Bank.
- In order to reduce the average interest rate on deposits, the Bank plans to introduce and mobilize new deposit scheme and increase individual deposit base and decrease dependence on institutional depositors.
- Replacing Magnetic Card by issuing EMV Compatible Chip Cards.
- Shifting of the Bank's Registered Office from Kamaladi to own Corporate Building at Narayanhiti Path.
- Upgrade Core Banking Software Pumori Plus IV to Finacle.
- Increase Non Fund Based Transaction to increase Non Fund Based Income.
- Start transactions with at least 4 foreign companies (Malaysia, Japan, Qatar, and Saudi Arabia) for increasing remittance transactions.
- Improve the quality of loan & advances and increase the credit disbursement mainly to Agriculture and Cottage and Small Scale Industries.

- Further improvement of Internal Control System and Corporate Governance.
- Continuity of interbank sports competition organized on the occasion of the Bank's Anniversary.
- Organization of different additional programs under Corporate Social Responsibility.

19. AUDIT, BALANCE SHEET AND OTHER STATEMENTS

The Balance Sheet, Profit and Loss Account, Profit and Loss Appropriation, Cash flow statement, Schedules and Auditor's report have been included as the part of this annual report.

Profit and Loss Appropriation

In the FY 2015/16, 20% of the net profit i.e. 20% of NPR 1,080.377 Million amounting NPR 216.075 Million has been transferred to General Reserve Fund in line with the requirement of Section 44 of Bank and Financial Institutions Act (BAFIA), 2007. Similarly, the Bank has earned NPR 38.491 Million due to the changes in the foreign exchange rates as such it has transferred NPR 9.623 Million to Foreign Exchange Fund in line with the Section 45 of BAFIA, 2063. An amount of NPR 13.203 Million has been returned from Investment Adjustment Reserve and in order to return the bond issued by the Bank, NPR 100 Million has been separated for Bond Redemption Reserve. The last year tax amounting to NPR 18.263 Million has been recorded as expenses in this year's Profit and Loss Appropriation Account. Out of the Distributable profit of the fiscal year 2015/16, NPR 832.226 Million (last year accumulated profit of NPR 82.67 Million included); cash dividend of NPR 39.59 Million and bonus share of NPR 750.675

Million has been proposed to be distributed. The remaining NPR 42.041 Million has been proposed to be recorded as the accumulated profit for the year.

20. MISCELLANEOUS

The Bank was awarded with Best Presented Annual Report Award for FY 2014/15 by Institute of Chartered Accountants of Nepal.

21. OTHER DETAILS REQUIRED BY SEC 109(4) OF COMPANIES ACT, 2063 HAVE BEEN INCLUDED IN SCHEDULE A OF THIS ANNUAL REPORT.

22. THE DETAILS REQUIRED BY RULE 22(1) OF SECURITIES REGISTRATION AND ISSUE REGULATIONS, 2008 HAS BEEN INCLUDED IN THE SCHEDULE B OF THIS ANNUAL REPORT.

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

Date: 02.10.2016

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

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

Compliance Statement

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

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

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

The statement of Director's Responsibility should be read simultaneously with the Auditor's statement of their responsibilities set out in Auditor's report to shareholders, which provides the shareholders a precise view to distinguish the respective responsibilities of the Directors and of the Auditor in relation to the financial statements.

The directors are primarily responsible for the preparation of the Annual Report comprising the financial statements of the Bank in accordance with applicable laws and regulations. Section 108 along with section 109 of the Companies Act, 2063 explains the

responsibility of Board of Directors for the preparation of Annual Reports.

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

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

The directors are responsible for keeping proper books of account which discloses the financial position of the Bank with reasonable accuracy at any time. Also, the directors ensure that the financial statements comply with the Companies Acts 2063. Reasonable steps are taken for the prevention and detection of fraud and other irregularities for safeguarding of assets. The responsibility of the maintenance and integrity of the corporate and financial information included on the Bank's website also lies with the directors.

On Behalf of Boards of Directors,
Chairman
Dr. Shankar Prasad Sharma

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

STANDARD AND RELIABLE BANKING SERVICES

The focus of the Bank in the previous and the coming years has always been to provide quality standard and highly reliable banking services to the general public. In this regard, the Bank has been able to increase the total number of branches from 54 to 56 in the review year with focus given to urban areas resulting in new branches being opened in Bhaishapati and Damak. Furthermore, the Bank has also been able to mobilize branchless banking, therefore, taking the count of branchless Banking centers to 93 with the Bank's BLB service reaching to 114,281

customers in the review year, representing an increase of 1.76% from the previous year. The Bank also acknowledges the growing trend in the use of electronic banking services as a result of which, the Bank has been able to maintain 54,646 customers of mobile banking service whereas number of internet banking customers has reached 9,247 with an increase of 28.63% and 19.95% in both services respectively. Furthermore, for the convenience and satisfaction of the Bank's valued customers, the Bank has added 4 more ATM's to increase the number of ATM's to 49 and therefore maintains a compassionate figure of 1,166 card holders per ATM.

Development of Industrial, Trade and Agricultural Sectors of the Country

Sector	AMOUNT IN NPR MILLION		
	2014/15	2015/16	Growth
Industry	6,213.35	7,055.08	14%
Trade	6,631.83	10,453.70	58%
Agriculture	2,180.03	2,948.82	35%
Others	14,174.88	20,108.21	42%
Total	29,200.10	40,565.82	39%

As can be depicted from the table above, the Bank stands firm on its objective to associate itself with the growth in the economy, with growing amounts of investment in all the sectors and an increase of 39% in the amounts invested in each sector. The highest increase can be seen in the trade sector than others, industry or agriculture which saw

loans increase by 35% whereas the industry sector has seen the lowest growth of 14%. An example of the Bank's commitment can be seen with the latest loan product 'Fast Track Loan' which aims to focus an increase in investment in the agricultural sector and thus help in the development of agronomy in the country

To Support employment oriented businesses and render support to alleviate poverty

Sector	NUMBER OF CUSTOMERS		
	2014/15	2015/16	Growth
Industry	444	559	26%
Trade	1,320	1,702	29%
Agriculture	256	388	52%
Others	13,654	17,428	28%
Total	15,674	20,077	28%

The growth trend is also reflected in the numbers as the highest increase is seen in the agriculture category where customers has increased by 132 and lowest is seen in Industry sector where loan files has increased by 115 files. Therefore, in total, the Bank has invested in 4,403 new businesses, which represents an increase in 28% from the previous year, reflecting the drive to support employment generating businesses and therefore lend a helping hand in alleviating poverty from the country.

Provide Financial Intermediary Services

The Bank has been playing the intermediary role since the beginning and still continues to move forward in that path by increasing its services in the form of domestic as well as international remittance, dematerialization service, Market maker, branchless banking, utility payments and services, undertaking government projects and even escrow account management during the review year. In this regard, the Bank has entered into agreements with international remittance companies and one domestic remittance companies during the review year in order to further provide seamless remittance service from more parts of the world and the country itself. Moreover, the Bank aims to promote the stock market where it provides dematerialization service to the general public starting from the review year. Furthermore, the Bank has increased its reach to more areas of the country with ever increasing branchless banking service providing services to customers even in areas where no branches operate. In addition, during the review year,

the Bank has continued to provide utility payment services such as NTC bill payment, Dish Home recharge and QFX Cinema online ticket purchase, and further aims to add more to the list for the convenience of the customers. Furthermore, the Bank has also continued with the escrow account management service so that the clients of such service can easily and conveniently handle and manage their funds.

Similarly, the Bank has made foray into the merchant banking services with investment in CBIL Capital Limited, a licensed merchant banking company holding its majority stake and making it subsidiary of the Bank. With alliance of CBIL Capital Limited, the Bank aims to integrate demat service being provided by the Bank with RTA services, portfolio management services being provided by subsidiary of the Bank. Therefore, with new and continued services as mentioned above being provided by the Bank, it has been able to successfully maintain the financial intermediary role.

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

CFO'S STATEMENT

Increasing shareholder's value is our foremost concern, but the Bank is equally concerned about the risk management and good corporate governance practices in its operation that is evident from our in depth financial reports.

The Bank is in growth phase today. Deposit has increased by 32.45% to NPR 47.39 billion, loans and advances by 38.92% to NPR 40.56 billion and net profit by 49.99% to NPR 1.08 billion resulting in increase in Balance sheet size by 32.84% to NPR 55.06 billion. Similarly, Return on Equity has increased to 20.36% (previously 19.26%) and Shareholder's Fund is now NPR 5.304 billion from NPR 3.693 billion in the previous year.

The challenges lie ahead to sustain growth and provide fair return to the shareholders on increased share capital but the commitment of better return to the shareholders remains intact. Hence, the Bank has taken up the strategy to increase its business, to diversify revenue sources and to manage business more efficiently to improve profitability.

Increasing shareholder's value is our foremost concern, but the Bank is equally concerned about the risk management and good corporate governance practices in its operation that is evident from our in depth financial reports. The Bank's management is committed to effective financial management, prudent risk management and high standard of governance and transparency in communication with all shareholders.

The independent auditor has reported qualified opinion that the Bank's Financial Statements give a true and fair view, in all material respects for the year 2015/16 in accordance with Nepalese Financial Reporting Standards (NFRS) except for few accounting

standards of NFRS. However, the financial statements comply with the prevailing laws, directives from Nepal Rastra Bank, Company Act 2063, Banks and Financial Institutions Act so far as applicable.

To address the concern evident in auditor's report and to prepare for the inevitable ensuing change in Accounting Standard and adoption of Nepalese Financial Reporting Standards (NFRS), the Bank is committed to get unqualified opinion in the next year. The ensuing adoption of NFRS is expected to impact the financial results materially. Hence, to envisage the likely impact and to prepare technically for NFRS adoption, the Bank has prepared NFRS Compliant Financial Statement as special purpose financial statement and included it in Notes to Accounts of the Financial Statement approved for shareholder's information.

Lastly, I would like to thank all the concerned people who have shown their interest in our FY 2015/16 Annual Report.

Pramesh Raj Kayastha
Chief Finance Officer



INFORMATION FOR UNDERSTANDING FINANCIAL STATEMENT

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

2. These financial statements include the following components:

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

3. Equity

- Equity is the residual interest of the equity holders in the assets after deducting all its liabilities. It comprises of all funds contributed by equity holders, retained earnings and reserves representing appropriation of retained earnings.
- As per Section 44 of Bank and Financial Institutions Act 2007, all licensed institutions must maintain a general reserve fund. It is required to transfer minimum 20% of net profit after tax to the General Reserve until it becomes double of paid up capital. The Bank consistently transfers the fund from the profit to the General Reserve to comply with this requirement.

- As per Section 45 of the Bank and Financial Institutions Act 2007, all licensed institutions are required to transfer minimum 25% of the Total Revaluation Gain (except gain from revaluation of Indian Currency) in the Exchange Fluctuation Reserve Fund. The Bank consistently maintains the Reserve by transferring the fund from the profit to comply with this requirement.
- The Bank has to maintain an Investment Adjustment Reserve for Available for Sale Investment
- Investment adjustment reserves created as a cushion for adverse price movements in the Bank's investments falling under "Available for Sale" category. These investments should be marked to market on a regular basis and the difference to be adjusted through reserves.

4. Staff loans comprise of housing loan facility, personal loan facility and vehicle loan facility and are presented under "Staff Loans and Advances" in Schedule 16 "Other Assets" of the Financial Statements.

5. Interest Receivables

- Interest receivable consists of interest accrued on loans and investments which are recognized on daily basis based on the outstanding balance at the end of the day.
- Interest receivables on investments are stated at full value.
- Interest receivables on loans (except staff loans) are stated at full value and are disclosed net of interest suspense under "Accrued Interest on Loan" in Schedule 16 of the Financial Statements. Similarly, Interest receivables on staff loans are presented under "Others" in the same Schedule.

6. Prepaid Expenses

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

7. Liabilities

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

a. Borrowings

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



b. Deposits

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



c. Bills Payable

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



d. Dividend Payable

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



e. Interest Accruals

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



f. Unearned Income

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



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

Other fees and commission income are recognized on cash basis

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

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

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

9. Provision on Investments

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

In case of unquoted investments, recoverable amount of an investment is determined on an equity basis. Impairment loss is recognized if the recoverable amount so calculated on an equity basis is less than the cost of an investment.

10. Impairment on Fixed Assets

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

11. Write Off Expense

During the review year no loans and advances were written off.

12. Earnings Per Share

Earnings per share, also called net income per share, is a market prospect ratio that measures the amount of net income earned per share of stock outstanding. In other words, this is the amount of money each share of stock would receive if all of the profits were distributed to the outstanding shares at the end of the year. It is calculated by dividing profit or loss attributable to ordinary equity

holders by the average number of ordinary shares outstanding during the period.

The earnings attributable to the ordinary equity holders consists of the earnings of the Bank after deduction of all expenses, tax expense and preference dividends, differences arising on the settlement of preference shares, and other similar effects of preference shares classified as equity.

Ordinary Shares

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

Simple average number of ordinary shares

The simple average of outstanding shares is a calculation that incorporates any changes in the amount of outstanding shares over a reporting period. It is an important number, as it is used to calculate key financial measures such as Earnings per share (EPS) for the time period.

13. Basis of Interest Computation

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

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

14. Events after the Balance Sheet Date

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

15. Chronology of stock issuance

Since the establishment, the Bank has increased its paid up equity capital to NPR 4,401,315,379.00 from initial level of NPR 560,000,000.00.

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

16. Related Party Disclosure

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

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

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

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) Any entity is an associate or joint venture of the other entity (or an associate or

joint venture of a member of a group of which the other entity is a member).

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

17. Staff loans and advances

Presented in financial statements under Schedule 16 "Other Assets", Staff Loans

and Advances are extended in line with the integrated staff loan policy of the Bank. Eligibility criteria for availing staff loans are directly linked to the period of service under permanent payroll of the Bank and the HR Policy.

The staff loans and advances have been increased during the year 2015/16 since many staffs have been recruited, annual increment in their grades and salaries.

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

Particulars	2015/16	2014/15
Staff Loan	49,044,720	39,951,763
Staff Loan Home	190,670,835	169,660,011
Employee's Advance	1,120,203	3,390,751
Staff Overdraft	27,387,511	15,385,942
Total	268,223,269	228,388,467

The Staff Loans and Advances are included in the Schedule 16 "Other Assets" which is NPR 268,223,269 of 2015/16 and 228,388,467 of 2014/15.

18. Deposit Insurance

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

19. Impairment Loss

During the year no any impairment loss has been recorded.

20. Internal Audit

The Bank has formed an internal audit team. The Internal audit of the Bank is independent from the management and directly reports to the board level committee called Audit Committee.

Internal Audit formulates audit plan on risk based approach which is duly approved

by the board level committee. The internal audit team performs activities considering the level of operation and size of the branch or department of the Bank and suggests for necessary actions to minimize/mitigate the risks involved.

21. Rounding off

All figures have been rounded off to the nearest rupee.

22. Cash and Cash Equivalents

Cash and cash equivalents comprises of cash and bank balances.

23. Provision for Taxation

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



FINANCIAL STATEMENTS



**INDEPENDENT AUDITOR'S REPORT
ON CONSOLIDATED FINANCIAL STATEMENT
TO THE SHAREHOLDERS OF
M/s CITIZENS BANK INTERNATIONAL LIMITED.**

We have audited the accompanying consolidated Financial Statements of **M/s Citizens Bank International Limited and its subsidiary**, which comprise the consolidated Balance Sheet as at **Ashad 31, 2073 (July 15, 2016)**, the consolidated Income Statement, consolidated Statement of Changes in Equity, consolidated Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Nepal Financial Reporting Standards (NFRS). This includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statement that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Nepal Standards on Auditing. Those standards require that we comply with ethical requirement and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves examining, on test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall

presentation of the financial statement. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion and on consideration of reports of other auditors on separate financial statement, the consolidated financial statements give a true and fair view, in all material respect of the financial position of M/s Citizens Bank International Limited and its subsidiary as at Ashad 31, 2073 (July 15, 2016) and its financial performance, statement of changes in equity and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards (except NFRS 09 on classifying and measuring carrying value of Loans, Advances and Non- Banking Assets, NAS 18 on recognizing interest income on Loans and Advances, NFRS 10 on consolidation of financial statement, NAS 17 on Leases, NAS 28 on Investments in Associates, NAS 36 on Impairment of Assets, NAS 10 on Events after the Reporting Period, NAS 34 on Interim Financial Reporting, NFRS 08 on Operating Segments and NFRS 01 on First Time Adoption) so far as applicable in compliance with the prevailing laws, Directives from Nepal Rastra Bank, Company Act 2063, Banks and Financial Institutions Act, 2063.

Report on other Legal and Regulatory Requirement

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

- i. We have obtained all the information and explanations, which were considered necessary for the purpose for our audit,
- ii. Financial statement including consolidated Balance Sheet, Profit and Loss Account, Cash Flow Statement and attached schedules have been prepared in accordance with the

- methods and format specified by Directives of Nepal Rastra Bank and are in agreement with the books of account maintained by the Bank,
- iii. So far as it appears from our examination, books of accounts are properly maintained in accordance with the prevailing laws,
 - iv. So far as it appears from our examination, we have not come across cases where the Board of Directors or any member thereof or any representative or any office holder or any employee of the Bank has acted contrary to the provisions of law or caused loss or damage to the Bank or committed any misappropriation or violated Directives of Nepal Rastra Bank,
 - v. The operations of the Bank were within its jurisdiction,
 - vi. So far as it appears from our examination, the Bank has maintained adequate capital fund and risk bearing fund and has maintained adequate provisions for possible impairment of assets,
 - vii. The Bank has not acted in a manner to jeopardize the interest and security of the depositors and investors,
 - viii. The returns received from branches of the Bank though the statements are independently not audited were adequate for the purpose of our audit, and
 - ix. We have not come across any fraudulence in the accounts, so far as it appeared from our examination of the book of accounts.

Date : August 29, 2016
Place: Kathmandu


 CA. Keshab Kumar Budhathoki
 Proprietor
 KK Budhathoki & Associates
 Chartered Accountants



CONSOLIDATED BALANCE SHEET

AS AT JULY 15, 2016 (ASHADH 31, 2073)

Capital & Liabilities	Current Year NPR	Previous Year NPR
1. Share Capital	4,401,315,379	3,065,233,817
2. Reserves and Funds	911,820,427	632,052,250
3. Non- Controlling Interest	36,860,871	-
4. Debentures & Bonds	500,000,000	500,000,000
5. Borrowings	1,119,046,010	902,000,000
6. Deposit Accounts	47,392,945,271	35,782,148,764
7. Bills Payable	93,281,715	15,526,487
8. Proposed Cash Dividend	39,509,251	26,888,016
9. Income Tax Liabilities	-	-
10. Other Liabilities	623,565,751	526,670,683
Total Capital & Liabilities	55,118,344,675	41,450,520,017

Assets	Current Year NPR	Previous Year NPR
1. Cash Balance	1,884,370,645	1,462,489,942
2. Balance with Nepal Rastra Bank	3,149,515,238	2,850,444,255
3. Balance with Banks/Financial Institutions	859,995,176	1,372,994,801
4. Money at Call and Short Notice	247,448,846	95,424,114
5. Investments	7,529,423,745	5,577,365,883
6. Loans, Advances and Bills Purchased	39,635,465,293	28,480,534,681
7. Fixed Assets	1,109,647,578	907,012,867
8. Non- Banking Assets	-	-
9. Other Assets	702,478,154	704,253,474
Total Assets	55,118,344,675	41,450,520,017

Pramesh Raj Kayastha
Chief Finance Officer

Rajan Singh Bhandari
Chief Executive Officer

Dr. Shankar Prasad Sharma
Chairman

Bal Krishna Prasai
Director

Manohar Das Mool
Director

Prakash Chandra Mainali
Director

Pabitra Kumar Karki
Director

Bijaya Dhoj Karki
Director

Chandra Tandan
Director

Dr. Chanda Karki
Director

As per our report of even date

Date:- August 29, 2016
Place:- Kamaladi, Kathmandu

CA Keshab Kumar Budhathoki
Proprietor
K. K. Budhathoki & Associates
Chartered Accountants

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE PERIOD FROM JULY 17, 2015 TO JULY 15, 2016 (SHRAWAN 1, 2072 TO ASHADH 31, 2073)

Particulars	Current Year NPR	Previous Year NPR
1. Interest Income	3,445,228,762	2,766,920,009
2. Interest Expenses	1,823,683,077	1,498,517,165
Net Interest Income	1,621,545,685	1,268,402,844
3. Commission & Discount	97,670,368	62,456,717
4. Other Operating Incomes	292,087,427	181,212,064
5. Exchange Fluctuation Income (Trading Gain)	143,294,226	98,668,337
Total Operating Income	2,154,597,806	1,610,739,962
6. Staff Expenses	296,695,846	247,880,296
7. Other Operating Expenses	376,685,026	334,467,602
8. Exchange Fluctuation Loss	-	-
Operating Profit Before Provision for Possible Loss	1,479,986,834	1,028,392,064
9. Provision for Possible Losses	355,120,007	235,882,945
Operating Profit	1,124,866,827	792,509,119
10. Non - Operating Income/Expenses	143,490,397	45,928,720
11. Provision for Possible Losses Written Back	431,739,372	237,398,568
Profit from Regular Operations	1,701,326,596	1,075,836,407
12. Profit/Loss from Extra-Ordinary Activities	6,712,100	47,608,198
Profit after considering all activities	1,708,038,696	1,123,444,605
13. Provision for Staff Bonus	153,886,400	102,131,328
14. Provision for Income Tax	462,385,873	301,004,775
Current Year's Tax Provision	468,674,096	146,447,003
Prior Period Taxation	-	1,204,417
Deferred Tax (Income)/ Expenses	(6,288,223)	153,353,355
Net Profit/ (Loss)	1,091,766,423	720,308,502
Share of Non- Controlling Interest on Profit of Subsidiary	3,758,345	
Net Profit/ (Loss) after Share of Non- Controlling Interest	1,088,008,078	720,308,502

Pramesh Raj Kayastha
Chief Finance Officer

Rajan Singh Bhandari
Chief Executive Officer

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Prakash Chandra Mainali
Director

Pabitra Kumar Karki
Director

Bijaya Dhoj Karki
Director

Chandra Tandan
Director

Dr. Chanda Karki
Director

As per our report of even date

Date:- August 29, 2016
Place:- Kamaladi, Kathmandu

CA Keshab Kumar Budhathoki
Proprietor
K. K. Budhathoki & Associates
Chartered Accountants

CONSOLIDATED PROFIT AND LOSS APPROPRIATION ACCOUNT

FOR THE PERIOD FROM JULY 17, 2015 TO JULY 15, 2016 (SHRAWAN 1, 2072 TO ASHADH 31, 2073)

Particulars	Current Year NPR	Previous Year NPR
Income		
1. Accumulated Profit upto Last Year	82,815,452	(34,499,915)
2. Current Year's Profit	1,088,008,078	720,308,502
3. Exchange Fluctuation Fund		
4. Deferred Tax Reserve Fund		
5. Capital Reserve Fund		113,257,918
5. Investment Adjustment Reserve	13,524,000	
Total	1,184,347,530	799,066,505
Expenses		
1. Accumulated Loss upto Last Year		
2. Current Year's Loss		
3. General Reserve Fund	216,075,500	144,061,701
4. Contingent Reserve		
5. Institutional Development Fund		
6. Dividend Equalization Fund		
7. Employees' Related Fund		
8. Proposed Dividend	39,509,251	26,888,016
9. Proposed Issue of Bonus Share	750,675,762	510,872,303
10. Special Reserve Fund		
11. Exchange Fluctuation Fund	9,622,914	5,364,077
12. Bond/Debentures Redemption Reserve Fund	100,000,000	
13. Capital Adjustment Fund		
14. Adjustment of Prior Period Item		
15. Deferred Tax Reserve Fund		
16. Investment Adjustment Reserve	320,886	29,273,114
17. Prior Period Expenses	18,263,046	
18. Capital Reserve	2,137,849	
Total	1,136,605,208	716,459,211
19. Accumulated Profit/(Loss)	47,742,322	82,607,294

Pramesh Raj Kayastha
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Director

Pabitra Kumar Karki
Director

Bijaya Dhoj Karki
Director

Chandra Tandan
Director

Dr. Chanda Karki
Director

As per our report of even date

Date:- August 29, 2016
Place:- Kamaladi, Kathmandu

CA Keshab Kumar Budhathoki
Proprietor
K. K. Budhathoki & Associates
Chartered Accountants

CONSOLIDATED CASH FLOW STATEMENT

FOR THE PERIOD FROM JULY 17, 2015 TO JULY 15, 2016 (SHRAWAN 1, 2072 TO ASHADH 31, 2073)

Particulars	Current Year NPR	Previous Year NPR
(A) Cash Flow from Operation	1,101,841,341	2,049,165,464
1. Cash Receipts	4,186,106,921	3,047,939,369
1.1 Interest Income	3,364,057,185	2,664,667,829
1.2 Commission and Discount Income	92,209,592	66,441,404
1.3 Gain on Trading of Foreign Exchange	104,802,570	77,212,029
1.4 Recovery of Write off Loan	6,712,100	47,608,198
1.5 Other Income	618,325,474	192,009,909
2. Cash Payments	2,901,700,499	2,072,424,506
2.1 Interest Expenses	1,780,609,832	1,480,056,235
2.2 Staff Expenses	379,610,950	182,714,298
2.3 Office Overhead Expenses	303,776,355	255,168,557
2.4 Payment of Income Tax	437,703,362	154,485,416
2.5 Other Expenses	-	-
Cash Flow Before Working Capital Activities	1,284,406,422	975,514,863
Decrease/(Increase) in Current Asset from Operating Activities	(12,416,373,190)	(7,351,244,040)
1. Changes in Money at Call and Short Notice	(152,024,732)	25,827,136
2. Changes in Other Short Term Investments	(526,521,661)	(724,235,231)
3. Changes in Loans, Advances and Bills Purchased	(11,393,290,478)	(6,026,250,647)
4. Changes in Other Assets	(344,536,319)	(626,585,298)
Increase/(Decrease) in Current Liability from Operating Activities	12,233,808,109	8,424,894,641
1. Changes in Deposits	11,610,796,507	7,818,694,169
2. Changes in Certificate of Deposits	-	-
3. Changes in Short Term Borrowings	516,296,010	595,881,000
4. Changes in Other Liabilities	106,715,592	10,319,472
(B) Cash Flow from Investing Activities	(1,138,330,919)	(1,935,167,460)
1. Changes in Long Term Investments (Increase)/Decrease	(1,384,773,591)	(2,170,940,956)
2. Changes in Fixed Assets (Increase)/Decrease	(278,098,979)	(60,718,055)
3. Interest Income from Long Term Investments	123,183,468	78,367,105
4. Dividend Income	671,769	743,522
5. Others (Sale of Non Banking Assets)	400,686,414	75,107,125
6. Others (Cash & Bank balance increased during acquisition)	-	142,273,799
(C) Cash Flow from Financial Sources	205,281,420	(322,991,313)
1. Long Term Borrowings (Bond ,Debenture) Increase/(Decrease)	-	-
2. Paid Up Capital Increase/(Decrease)	585,405,800	4,460,600
3. Other Liabilities Increase/(Decrease)	-	-
4. Refinance / soft loan from Nepal Rastra Bank Increase/(Decrease)	(299,250,000)	(151,125,800)
5. Interest Paid on Bonds	(45,304,233)	(48,560,382)
6. Dividend Paid	(35,570,147)	(127,765,731)
(D) Income/(Expense) Due to Fluctuation in Exchange rate of Cash and Bank Balance	38,491,656	21,621,342
(E) Net Cash Flow of the Year	207,283,500	187,362,212
(F) Opening Cash and Bank Balance	5,686,597,559	5,873,291,210
(G) Closing Cash and Bank Balance	5,893,881,059	5,685,929,998

Pramesh Raj Kayastha
Chief Finance Officer

Rajan Singh Bhandari
Chief Executive Officer

Dr. Shankar Prasad Sharma
Chairman

Bal Krishna Prasai
Director

Manohar Das Mool
Director

Prakash Chandra Mainali
Director

Pabitra Kumar Karki
Director

Bijaya Dhoj Karki
Director

Chandra Tandan
Director

Dr. Chanda Karki
Director

As per our report of even date

Date:- August 29, 2016
Place:- Kamaladi, Kathmandu

CA Keshab Kumar Budhathoki
Proprietor
K. K. Budhathoki & Associates
Chartered Accountants

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FISCAL YEAR 2015/2016 (2072/2073)

Particulars	AMOUNT IN NPR						
	Share Capital	Accumulated Profit/Loss	General Reserve	Capital Redemption Reserve	Share Premium	Exchange Fluctuation Fund	Other Reserve Fund
Opening Balance as at July 17, 2015	3,065,233,817	82,815,452	479,801,547	-	2,971,617	8,484,797	58,186,995
Adjustment During the year							
Right Share Issue							-
Fraction Share Adjustment							-
Calls in Advance	585,405,800						585,405,800
Net Profit for the Year		1,088,008,078					1,088,008,078
Capital Reserve on Equity Investment on Subsidiary		(2,137,849)					2,137,849
Transfer to General Reserve		(216,075,500)	216,075,500				-
Capital Redemption Reserve		(100,000,000)		100,000,000			-
Declaration of Dividend		(39,509,251)					(39,509,251)
Issue of Bonus Share	750,675,762	(750,675,762)					-
Exchange Fluctuation Fund		(9,622,914)				9,622,914	-
Prior Period Expenses		(18,263,046)					(18,263,046)
Investment Adjustment Reserve		13,203,114					(13,203,114)
Closing Balance as at July 15, 2016	4,401,315,379	47,742,322	695,877,047	100,000,000	2,971,617	18,107,711	47,121,730
							5,313,135,806

Pramesh Raj Kayastha
Chief Finance Officer

Rajan Singh Bhandari
Chief Executive Officer

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Chairman

Bal Krishna Prasai
Director

Manohar Das Mool
Director

Prakash Chandra Mainali
Director

Pabitra Kumar Karki
Director

Bijaya Dhoj Karki
Director

Chandra Tandan
Director

Dr. Chanda Karki
Director

As per our report of even date

Date:- August 29, 2016

Place:- Kamaladi, Kathmandu

CA Keshab Kumar Budhathoki
Proprietor
K. K. Budhathoki & Associates
Chartered Accountants

**INDEPENDENT AUDITOR'S REPORT
ON CONSOLIDATED FINANCIAL STATEMENT****TO THE SHAREHOLDERS OF
M/s CITIZENS BANK INTERNATIONAL LIMITED.**

We have audited the accompanying Financial Statements of **M/s Citizens Bank International Limited**, which comprise the Balance Sheet as at **Ashad 31, 2073 (July 15, 2016)**, the Income Statement, Statement of Changes in Equity, Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Nepal Financial Reporting Standards (NFRS). This includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statement that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Nepal Standards on Auditing. Those standards require that we comply with ethical requirement and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves examining, on test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view, in all material respect of the financial position of **M/s Citizens Bank International Limited** as at **Ashad 31, 2073 (July 15, 2016)** and its financial performance, statement of changes in equity and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards (except NFRS 09 on classifying and measuring carrying value of Loans,

Advances and Non- Banking Assets, NAS 18 on recognizing interest income on Loans and Advances, NAS 17 on Leases, NAS 28 on Investments in Associates, NAS 36 on Impairment of Assets, NAS 10 on Events after the Reporting Period, NAS 34 on Interim Financial Reporting, NFRS 08 on Operating Segments and NFRS 01 on First Time Adoption) so far as applicable in compliance with the prevailing laws, Directives from Nepal Rastra Bank, Company Act 2063, Banks and Financial Institutions Act, 2063.

Report on other Legal and Regulatory Requirement

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

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

Date : August 29, 2016
Place: Kathmandu


CA. Keshab Kumar Budhathoki
Proprietor
KK Budhathoki & Associates
Chartered Accountants

Balance Sheet

As at July 15, 2016 (Ashadh 31, 2073)

Capital & Liabilities	Schedule	Current Year NPR	Previous Year NPR
1. Share Capital	1	4,401,315,379	3,065,233,817
2. Reserves and Funds	2	903,981,689	632,052,250
3. Debentures & Bonds	3	500,000,000	500,000,000
4. Borrowings	4	1,119,046,010	902,000,000
5. Deposit Accounts	5	47,393,500,968	35,782,148,764
6. Bills Payable	6	93,281,715	15,526,487
7. Proposed Cash Dividend		39,509,251	26,888,016
8. Income Tax Liabilities		-	-
9. Other Liabilities	7	611,380,608	526,670,683
Total Capital & Liabilities		55,062,015,620	41,450,520,017

Assets	Schedule	Current Year NPR	Previous Year NPR
1. Cash Balance	8	1,884,360,876	1,462,489,942
2. Balance with Nepal Rastra Bank	9	3,149,515,238	2,850,444,255
3. Balance with Banks/Financial Institutions	10	859,317,987	1,372,994,801
4. Money at Call and Short Notice	11	247,448,846	95,424,114
5. Investments	12	7,478,036,913	5,577,365,883
6. Loans, Advances and Bills Purchased	13	39,635,465,293	28,480,534,681
7. Fixed Assets	14	1,107,847,373	907,012,867
8. Non- Banking Assets	15	-	-
9. Other Assets	16	700,023,094	704,253,474
Total Assets		55,062,015,620	41,450,520,017

Contingent Liabilities	Schedule 17	Principal Financial Indicators	Schedule 31
Directors' Declaration	Schedule 29	Principal Accounting Policies	Schedule 32
Capital Adequacy Table	Schedule 30 (A1)	Notes to Accounts	Schedule 33
Risk Weighted Assets Table	Schedule 30(B)	Loans to Promoters	Schedule 34
Credit Risk Mitigation (CRM) Table	Schedule 30(C)	Comparision of Audited and Unaudited Financial Statements	Schedule 35
Operation Risk Table	Schedule 30(D)	Unaudited Financial Statement	Schedule 36
Market Risk Table	Schedule 30(E)		

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

Pramesh Raj Kayastha
Chief Finance Officer

Rajan Singh Bhandari
Chief Executive Officer

Dr. Shankar Prasad Sharma
Chairman

Bal Krishna Prasai
Director

Manohar Das Mool
Director

Prakash Chandra Mainali
Director

Pabitra Kumar Karki
Director

Bijaya Dhoj Karki
Director

Chandra Tandan
Director

Dr. Chanda Karki
Director

As per our report of even date

Date:- August 29, 2016
Place:- Kamaladi, Kathmandu

CA Keshab Kumar Budhathoki
Proprietor
K. K. Budhathoki & Associates
Chartered Accountants

Profit and Loss Account

For the period from July 17, 2015 to July 15, 2016 (Shrawan 1, 2072 To Ashadh 31, 2073)

Particulars	Schedule	Current Year NPR	Previous Year NPR
1. Interest Income	18	3,443,472,897	2,766,920,009
2. Interest Expenses	19	1,823,705,606	1,498,517,165
Net Interest Income		1,619,767,291	1,268,402,844
3. Commission & Discount	20	97,670,368	62,456,717
4. Other Operating Incomes	21	272,238,862	181,212,064
5. Exchange Fluctuation Income (Trading Gain)	22	143,294,226	98,668,337
Total Operating Income		2,132,970,747	1,610,739,962
6. Staff Expenses	23	295,202,178	247,880,296
7. Other Operating Expenses	24	372,822,535	334,467,602
8. Exchange Fluctuation Loss	22	-	-
Operating Profit Before Provision for Possible Loss		1,464,946,034	1,028,392,064
9. Provision for Possible Losses	25	355,120,007	235,882,945
Operating Profit		1,109,826,027	792,509,119
10. Non - Operating Income/Expenses	26	144,472,897	45,928,720
11. Provision for Possible Losses Written Back	27	431,739,372	237,398,568
Profit from Regular Operations		1,686,038,296	1,075,836,407
12. Profit/Loss from Extra-Ordinary Activities	28	6,712,100	47,608,198
Profit after considering all activities		1,692,750,396	1,123,444,605
13. Provision for Staff Bonus		153,886,400	102,131,328
14. Provision for Income Tax		458,486,498	301,004,775
Current Year's Tax Provision		464,827,021	146,447,003
Prior Period Taxation		-	1,204,417
Deferred Tax (Income)/ Expenses		(6,340,523)	153,353,355
Net Profit/ (Loss)		1,080,377,498	720,308,502

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

Pramesh Raj Kayastha
Chief Finance Officer

Rajan Singh Bhandari
Chief Executive Officer

Dr. Shankar Prasad Sharma
Chairman

Bal Krishna Prasai
Director

Manohar Das Mool
Director

Prakash Chandra Mainali
Director

Pabitra Kumar Karki
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Bijaya Dhoj Karki
Director

Chandra Tandan
Director

Dr. Chanda Karki
Director

As per our report of even date

Date:- August 29, 2016
Place:- Kamaladi, Kathmandu

CA Keshab Kumar Budhathoki
Proprietor
K. K. Budhathoki & Associates
Chartered Accountants

Profit and Loss Appropriation Account

For the period from July 17, 2015 to July 15, 2016 (Shrawan 1, 2072 To Ashadh 31, 2073)

Particulars	Schedule	Current Year NPR	Previous Year NPR
Income			
1. Accumulated Profit upto Last Year		82,607,294	(34,499,915)
2. Current Year's Profit		1,080,377,498	720,308,502
3. Exchange Fluctuation Fund			
4. Deferred Tax Reserve Fund			
5. Capital Reserve Fund			113,257,918
6. Investment Adjustment Reserve		13,524,000	
Total		1,176,508,792	799,066,505
Expenses			
1. Accumulated Loss upto Last Year			
2. Current Year's Loss			
3. General Reserve Fund		216,075,500	144,061,701
4. Contingent Reserve			
5. Institutional Development Fund			
6. Dividend Equalization Fund			
7. Employees' Related Fund			
8. Proposed Dividend		39,509,251	26,888,016
9. Proposed Issue of Bonus Share		750,675,762	510,872,303
10. Special Reserve Fund			
11. Exchange Fluctuation Fund		9,622,914	5,364,077
12. Bond/Debentures Redemption Reserve Fund		100,000,000	
13. Capital Adjustment Fund			
14. Adjustment of Prior Period Item			
15. Deferred Tax Reserve Fund			
16. Investment Adjustment Reserve		320,886	29,273,114
17. Prior Period Expenses		18,263,046	
Total		1,134,467,359	716,459,211
18. Accumulated Profit/(Loss)		42,041,433	82,607,294

Pramesh Raj Kayastha
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Chairman

Bal Krishna Prasai
Director

Manohar Das Mool
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Prakash Chandra Mainali
Director

Pabitra Kumar Karki
Director

Bijaya Dhoj Karki
Director

Chandra Tandan
Director

Dr. Chanda Karki
Director

As per our report of even date

Date:- August 29, 2016
Place:- Kamaladi, Kathmandu

CA Keshab Kumar Budhathoki
Proprietor
K. K. Budhathoki & Associates
Chartered Accountants

Cash Flow Statement

For the period from July 17, 2015 to July 15, 2016 (Shrawan 1, 2072 To Ashadh 31, 2073)

Particulars	Current Year NPR	Previous Year NPR
(A) Cash Flow from Operation	1,089,313,066	2,049,165,464
1. Cash Receipts	4,174,622,425	3,047,939,369
1.1 Interest Income	3,352,291,074	2,664,667,829
1.2 Commission and Discount Income	92,209,592	66,441,404
1.3 Gain on Trading of Foreign Exchange	104,802,570	77,212,029
1.4 Recovery of Write off Loan	6,712,100	47,608,198
1.5 Other Income	618,607,089	192,009,909
2. Cash Payments	2,896,435,197	2,072,424,506
2.1 Interest Expenses	1,780,632,361	1,480,056,235
2.2 Staff Expenses	378,117,282	182,714,298
2.3 Office Overhead Expenses	300,065,914	255,168,557
2.4 Payment of Income Tax	437,619,640	154,485,416
2.5 Other Expenses		
Cash Flow Before Working Capital Activities	1,278,187,228	975,514,863
Decrease/(Increase) in Current Asset from Operating Activities	(12,415,923,657)	(7,351,244,040)
1. Changes in Money at Call and Short Notice	(152,024,732)	25,827,136
2. Changes in Other Short Term Investments	(526,521,661)	(724,235,231)
3. Changes in Loans, Advances and Bills Purchased	(11,393,290,478)	(6,026,250,647)
4. Changes in Other Assets	(344,086,786)	(626,585,298)
Increase/(Decrease) in Current Liability from Operating Activities	12,227,049,495	8,424,894,641
1. Changes in Deposits	11,611,352,204	7,818,694,169
2. Changes in Certificate of Deposits		-
3. Changes in Short Term Borrowings	516,296,010	595,881,000
4. Changes in Other Liabilities	99,401,281	10,319,472
(B) Cash Flow from Investing Activities	(1,125,821,041)	(1,935,167,460)
1. Changes in Long Term Investments (Increase)/Decrease	(1,374,149,369)	(2,170,940,956)
2. Changes in Fixed Assets (Increase)/Decrease	(276,213,323)	(60,718,055)
3. Interest Income from Long Term Investments	123,183,468	78,367,105
4. Dividend Income	671,769	743,522
5. Others (Sale of Non Banking Assets)	400,686,414	75,107,125
6. Others (Cash & Bank balance increased during acquisition)		142,273,799
(C) Cash Flow from Financial Sources	205,281,420	(322,991,313)
1. Long Term Borrowings (Bond ,Debenture) Increase/(Decrease)	-	-
2. Paid Up Capital Increase/(Decrease)	585,405,800	4,460,600
3. Other Liabilities Increase/(Decrease)		
4. Refinance / soft loan from Nepal Rastra Bank Increase/(Decrease)	(299,250,000)	(151,125,800)
5. Interest Paid on Bonds	(45,304,233)	(48,560,382)
6. Dividend Paid	(35,570,147)	(127,765,731)
(D) Income/(Expense) Due to Fluctuation in Exchange rate of Cash and Bank Balance	38,491,656	21,621,342
(E) Net Cash Flow of the Year	207,265,103	(187,362,212)
(F) Opening Cash and Bank Balance	5,685,928,998	5,873,291,210
(G) Closing Cash and Bank Balance	5,893,194,101	5,685,928,998

Pramesh Raj Kayastha
Chief Finance Officer

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Chief Executive Officer

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Chairman

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Dr. Chanda Karki
Director

As per our report of even date

Date:- August 29, 2016
Place:- Kamaladi, Kathmandu

CA Keshab Kumar Budhathoki
Proprietor
K. K. Budhathoki & Associates
Chartered Accountants

Statement of Changes in Equity

Fiscal Year 2015/2016 (2072/2073)

Particulars	Share Capital	Accumulated Profit/Loss	General Reserve	Capital Redemption Reserve	Share Premium	Exchange Fluctuation Fund	Other Reserve Fund	Total Amount
Opening Balance as at July 17, 2015	3,065,233,817	82,607,294	479,801,547	-	2,971,617	8,484,797	58,186,995	3,739,882,549
Adjustment During the year								
Right Share Issue								-
Fraction Share Adjustment								-
Calls in Advance	585,405,800							585,405,800
Transfer from Share Premium								-
Net Profit for the Year		1,080,377,498						1,080,377,498
Transfer to General Reserve		(216,075,500)	216,075,500					-
Capital Redemption Reserve		(100,000,000)		100,000,000				-
Declaration of Dividend		(39,509,251)						(39,509,251)
Issue of Bonus Share	750,675,762	(750,675,762)						-
Exchange Fluctuation Fund		(9,622,914)				9,622,914		-
Prior Period Expenses		(18,263,046)						(18,263,046)
Investment Adjustment Reserve		13,203,114					(13,203,114)	-
Closing Balance as at July 15, 2016	4,401,315,379	42,041,433	695,877,047	100,000,000	2,971,617	18,107,711	44,983,881	5,305,297,068

Pramesh Raj Kayastha Chief Finance Officer	Rajan Singh Bhandari Chief Executive Officer	Dr. Shankar Prasad Sharma Chairman	Bal Krishna Prasai Director
Manohar Das Mool Director	Prakash Chandra Mainali Director	Pabitra Kumar Karki Director	
Bijaya Dhoj Karki Director	Chandra Tandan Director	Dr. Chanda Karki Director	<i>As per our report of even date</i>

Date:- August 29, 2016
Place:- Kamaladi, Kathmandu

CA Keshab Kumar Budhathoki
Proprietor
K. K. Budhathoki & Associates
Chartered Accountants

Share Capital & Ownership

As at July 15, 2016 (Ashadh 31, 2073)

Schedule 1

Particulars	Current Year NPR	Previous Year NPR
1. Share Capital		
1.1 Authorised Capital	10,000,000,000	5,000,000,000
a) 100,000,000 Ordinary Shares of Rs 100 each	10,000,000,000	5,000,000,000
b) Non-Redeemable Preference Shares of Rs _ each	-	-
c) Redeemable Preference Shares of Rs _ each	-	-
1.2 Issued Capital	4,809,116,900	2,554,361,514
a) 48,091,169 Ordinary Shares of Rs 100 each (Previous Year Issued Capital of 25,543,615.14 Ordinary Shares of NPR 100 each)	4,809,116,900	2,554,361,514
b) Non-Redeemable Preference Shares of Rs _ each		
c) Redeemable Preference Shares of Rs _ each		
1.3 Paid Up Capital	3,065,233,817	2,554,361,514
a) 30,652,338.17 Ordinary Shares of Rs 100 each (Previous Year Issued Capital of 25,543,615.14 Ordinary Shares of NPR 100 each)	3,065,233,817	2,554,361,514
b) Non-Redeemable Preference Shares of Rs _ each		
c) Redeemable Preference Shares of Rs _ each		
1.4 Proposed Bonus Share	750,675,762	510,872,303
1.5 Calls in Advance	585,405,800	
Total Amount	4,401,315,379	3,065,233,817

Particulars of Share Ownership	Current Year		Previous Year	
	%	Share Capital NPR	%	Share Capital NPR
1. Local Ownership	100.00%	3,065,233,817	100.00%	2,554,361,514
1.1 Government of Nepal				
1.2 "Ka" Class Licensed Institutions				
1.3 Other Licensed Institutions				
1.4 Organised Institutions (Promoters)	5.74%	176,063,028	6.08%	155,215,700
1.5 General Public	48.72%	1,493,418,089	48.72%	1,244,513,105
1.6 Others (Promoters)	45.54%	1,395,752,700	45.20%	1,154,632,709
2. Foreign Ownership				
Total	100.00%	3,065,233,817	100.00%	2,554,361,514

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

Shareholders holding 0.5% or more shares

As at July 15, 2016 (Ashadh 31, 2073)

Schedule 1 (A)

SN	Name	Number of Shares held	Paid Up Value NPR	% of Shareholding
1	Nagarik Lagani kosh	1,357,307	135,730,700	4.43
2	Urmila Pandey	1,272,561	127,256,100	4.15
3	Janak Bista	1,237,230	123,723,000	4.04
4	Bijen Joshi	714,029	71,402,900	2.33
5	Manohar Das Mool	574,795	57,479,500	1.88
6	Sabitri Sharma	484,576	48,457,600	1.58
7	Pavitra Kumar Karki	390,452	39,045,200	1.27
8	Rabindra Man Singh Pradhan	390,452	39,045,200	1.27
9	Sony Joshi	390,452	39,045,200	1.27
10	Ramesh Sharma	312,363	31,236,300	1.02
11	S R Hydro and Investment Pvt. Ltd.	297,717	29,771,700	0.97
12	Dr. Shankar Prasad Sharma	261,879	26,187,900	0.85
13	Anil Kumar Dhungel	208,191	20,819,100	0.68
14	Arjun Prasad Sharma	208,191	20,819,100	0.68
15	Jagan Nath Gyawali	208,148	20,814,800	0.68
16	Narendra Kumar Deo Bhatta	208,240	20,824,000	0.68
17	Prem Bahadur Shrestha	207,493	20,749,300	0.68
18	Sulochan Raj Rajbhandari	208,240	20,824,000	0.68
19	Anin Rajbhandari	199,428	19,942,800	0.65
20	Badri Kumar Shrestha	195,226	19,522,600	0.64
21	Dhurba Kumar Shrestha	195,226	19,522,600	0.64
22	NLG Insurance Co. Ltd.	197,588	19,758,800	0.64
23	Pratap Jung Pandey	179,608	17,960,800	0.59
24	Babu Ram Pokharel	156,181	15,618,100	0.51
25	Pradip Kumar Shrestha	156,033	15,603,300	0.51
26	Rajesh Khadka	156,181	15,618,100	0.51
27	Ram Prasad Shrestha	156,076	15,607,600	0.51
28	Usha Kiran Shrestha	156,555	15,655,500	0.51
Grand Total		10,680,418	1,068,041,800	34.85

Reserves and Funds

As at July 15, 2016 (Ashadh 31, 2073)

Schedule 2

Particulars	Current Year NPR	Previous Year NPR
1. General/ Statutory Reserve Fund	695,877,047	479,801,547
2. Share Premium	2,971,617	2,971,617
3. Capital Redemption Reserve	100,000,000	-
4. Capital Reserve Fund		
5. Other Reserve Fund		
5.1. Contingent Reserve		
5.2. Institutional Development Fund		
5.3. Dividend Equalization Fund		
5.4. Special Reserve Fund		
5.5. Assets Revaluation Reserve		
5.6. Deferred Tax Reserve		
5.7. Other Free Reserve		
a. Deferred Tax Reserve	27,367,881	27,367,881
b. Investment Adjustment Reserve	17,616,000	30,819,114
6. Accumulated Profit	42,041,433	82,607,294
7. Exchange Fluctuation Reserve	18,107,711	8,484,797
Total	903,981,689	632,052,250

Debenture and Bonds

As at July 15, 2016 (Ashadh 31, 2073)

Schedule 3

Particulars	Current Year NPR	Previous Year NPR
1. 500,000 8.5% Citizens Bank Bond 2077 of NPR 1,000 each Issued in Poush 2070 and Maturity in Poush 2077 (Redemption Reserve till date : - NPR: 100,000,000)	500,000,000	500,000,000
2. ...% Bond/Debenture per Bonds/ Debenture of ... Issued onand Maturity on (Redemption Reserve till date : - Rs.....)		
3.		
Total	500,000,000	500,000,000

Borrowings

As at July 15, 2016 (Ashadh 31, 2073)

Schedule 4

Particulars	Current Year NPR	Previous Year NPR
A. Local		
1. Government of Nepal		
2. Nepal Rastra Bank	2,750,000	302,000,000
3. Repo Liability		
4. Inter-bank and Financial Institutions	1,100,000,000	600,000,000
5. Other Financial Institutions		
Total	1,102,750,000	902,000,000
B. Foreign		
1. Banks	16,296,010	-
2. Others		
Total	16,296,010	-
Total (A+B)	1,119,046,010	902,000,000

Deposit Liability

As at July 15, 2016 (Ashadh 31, 2073)

Schedule 5 (A)

Particulars	Current Year NPR	Previous Year NPR
1. Non-Interest Bearing Accounts		
A. Current Deposits	1,369,295,850	1,123,753,939
1. Local Currency	1,289,340,395	981,690,045
1.1 Government of Nepal	49,337,085	38,487,710
1.2 "A" Class Licensed Institutions	636,140	3,059,240
1.3 Other Licensed Financial Institutions	253,667,072	207,671,403
1.4 Other Organized Institutions	655,166,791	561,301,692
1.5 Individuals	330,533,307	171,170,000
1.6 Others	-	-
2. Foreign Currency	79,955,455	142,063,894
2.1 Government of Nepal	-	-
2.2 "A" Class Licensed Institutions	-	-
2.3 Other Licensed Financial Institutions	-	-
2.4 Other Organized Institutions	60,174,779	130,200,523
2.5 Individuals	19,780,676	11,863,371
2.6 Others	-	-
B. Margin Deposits	302,746,087	167,150,025
1. Employees' Guarantee	-	-
2. Guarantee Margin	99,854,682	71,278,497
3. Letters of Credit Margin	146,880,863	91,305,843
4. Others	56,010,542	4,565,685
C. Others	-	-
1. Local Currency	-	-
1.1 Financial Institutions	-	-
1.2 Other Organised Institutions	-	-
1.3 Individuals	-	-
2. Foreign Currency	-	-
2.1 Financial Institutions	-	-
2.2 Other Organized Institutions	-	-
2.3 Individuals	-	-
Total of Non-Interest Bearing Accounts	1,672,041,936	1,290,903,964

Deposit Liability

As at July 15, 2016 (Ashadh 31, 2073)

Schedule 5 (B)

Particulars	Current Year NPR	Previous Year NPR
2. Interest Bearing Accounts		
A. Savings Deposits	9,684,567,020	7,568,628,044
1. Local Currency	9,586,318,704	7,504,432,827
1.1 Institutions	8,112,759	7,177,846
1.2 Individuals	9,578,205,945	7,497,254,981
1.3 Others	-	-
2. Foreign Currency	98,248,316	64,195,217
2.1 Institutions	4,060	2,960
2.2 Individuals	98,244,256	64,192,257
2.3 Others	-	-
B. Fixed Deposits	25,939,304,541	19,122,699,169
1. Local Currency	25,778,488,636	18,499,233,563
1.1 Institutions	19,953,464,204	14,372,555,636
1.2 Individuals	5,825,024,432	4,125,468,927
1.3 Others	-	1,209,000
2. Foreign Currency	160,815,905	623,465,606
2.1 Institutions	156,784,000	618,540,000
2.2 Individuals	4,031,905	4,925,606
2.3 Others	-	-
C. Call Deposits	10,097,587,472	7,799,917,587
1. Local Currency	10,055,263,276	7,783,946,136
1.1 "A" Class Licensed Institutions	867,629	8,060,167
1.2 Other Licensed Financial Institutions	3,670,928,024	3,727,064,453
1.3 Other Organised Institutions	5,248,769,284	3,070,733,440
1.4 Individuals	1,121,788,971	977,955,295
1.5 Others	12,909,368	132,781
2. Foreign Currency	42,324,196	15,971,451
2.1 "A" Class Licensed Institutions	-	-
2.2 Other Licensed Financial Institutions	9,132,993	6,407,985
2.3 Other Organised Institutions	33,180,187	9,331,082
2.4 Individuals	11,016	232,384
2.5 Others	-	-
D. Certificate of Deposits	-	-
1. Organised Institutions	-	-
2. Individuals	-	-
3. Others	-	-
Total of Interest Bearing Accounts	45,721,459,032	34,491,244,800
Total Deposits (1+2)	47,393,500,968	35,782,148,764

Bills Payable

As at July 15, 2016 (Ashadh 31, 2073)

Schedule 6

Particulars	Current Year NPR	Previous Year NPR
1. Local Currency	43,659,982	15,526,487
2. Foreign Currency	49,621,733	-
Total	93,281,715	15,526,487

Other Liabilities

As at July 15, 2016 (Ashadh 31, 2073)

Schedule 7

Particulars	Current Year NPR	Previous Year NPR
1. Gratuity and Leave Fund	81,783,314	57,413,175
2. Employees' Provident Fund	6,276	30,363
3. Employees' Welfare Fund	-	-
4. Provision for Staff Bonus	153,886,400	107,261,156
5. Interest Payable on Deposits	28,279,063	24,749,642
6. Interest Payable on Borrowings	11,530,000	14,486,174
7. Unearned Discount and Commission	20,164,728	14,703,952
8. Sundry Creditors	6,569,554	3,562,420
9. Branch Adjustment Account	-	-
10. Deferred Tax Liability	-	-
11. Unpaid Dividend	46,601,094	55,283,225
12. Others	262,560,179	249,180,576
a. Audit Fees Payable	1,186,500	310,750
b. Debit Card Payable	14,075,961	9,033,857
c. Account Payable Others	180,105,742	185,361,062
d. Tax Deducted At Source	48,069,523	39,936,041
e. Retention Money	8,817,609	5,142,470
f. Provision for Expenses	10,304,844	9,396,396
Total	611,380,608	526,670,683

Cash Balance

As at July 15, 2016 (Ashadh 31, 2073)

Schedule 8

Particulars	Current Year NPR	Previous Year NPR
1. Local Currency (Including Coins and Gold)	1,859,787,144	1,429,804,947
2. Foreign Currency	24,573,732	32,684,995
Total	1,884,360,876	1,462,489,942

Balance at Nepal Rastra Bank

As at July 15, 2016 (Ashadh 31, 2073)

Schedule 9

Particulars	Local Currency NPR	Foreign Currency Equivalent in NPR			Current Year NPR	Previous Year NPR
		INR	Convertible Foreign Currency	Total		
1. Nepal Rastra Bank	3,143,678,294	-	5,836,944	5,836,944	3,149,515,238	2,850,444,255
a. Current Account	3,143,678,294	-	5,836,944	5,836,944	3,149,515,238	2,850,444,255
b. Other Account	-	-	-	-	-	-

Note: Total Bank Balance as per the balance confirmation from Nepal Rastra Bank NPR. 3,259,381,646.

Balance at Nepal Rastra Bank

As at July 15, 2016 (Ashadh 31, 2073)

Schedule 10

Particulars	Local Currency NPR	Foreign Currency Equivalent in NPR			Current Year NPR	Previous Year NPR
		INR	Convertible Foreign Currency	Total		
1. Local Licenced Institution	356,773,144	-	784,550	784,550	357,557,694	286,566,465
a. Current Account	356,773,144	-	784,550	784,550	357,557,694	286,566,465
b. Other Account	-	-	-	-	-	-
2. Foreign Banks	-	38,385,058	463,375,235	501,760,293	501,760,293	1,086,428,336
a. Current Account	-	38,385,058	463,375,235	501,760,293	501,760,293	1,086,428,336
b. Other Account	-	-	-	-	-	-
Total	356,773,144	38,385,058	464,159,785	502,544,843	859,317,987	1,372,994,801

Note: Total Bank Balance as per the balance confirmation from Bank/ Financial Institution NPR. 907,243,666.

Money at Call and Short Notice

As at July 15, 2016 (Ashadh 31, 2073)

Schedule 11

Particulars	Current Year NPR	Previous Year NPR
1. Local Currency	-	-
2. Foreign Currency	247,448,846	95,424,114
Total	247,448,846	95,424,114

Investments

As at July 15, 2016 (Ashadh 31, 2073)

Schedule 12

Particulars	Purpose		Current Year NPR	Previous Year NPR
	Trading NPR	Others NPR		
1. Nepal Government's Treasury Bills		1,343,461,611	1,343,461,611	1,064,182,050
2. Nepal Government's Savings Bonds		-		
3. Nepal Government's Others Securities		3,970,200,000	3,970,200,000	3,693,391,074
4. Nepal Rastra Bank Bonds		1,081,025,000	1,081,025,000	-
5. Foreign Securities		-		
6. Local Licenced Institutions		42,115,250	42,115,250	48,874,800
7. Foreign Banks		934,433,924	934,433,924	680,432,274
8. Corporate Shares	6,079,627	100,721,500	106,801,128	90,485,685
9. Corporate Bonds & Debentures		-		
10. Other Investments		-	-	
Total Investment	6,079,627.00	7,471,957,285	7,478,036,913	5,577,365,883
Less: Investment Adjustment Reserve**	-	17,616,000	17,616,000	30,819,114
Net Investment	6,079,627.00	7,454,341,285	7,460,420,913	5,546,546,769

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

Investment in Shares, Debentures and Bonds

As at July 15, 2016 (Ashadh 31, 2073)

Schedule 12 (A)

Particulars	Cost Price NPR	Market Value NPR	Provision NPR	Current Year NPR	Previous Year NPR
1. Investment in Shares	103,979,684	106,801,127	-	106,801,127	84,677,206
1.1 Soaltee Hotel Ltd (A)				-	2,590,035
1.2 Oriental Hotel Ltd (A)	137,249	139,920		139,920	136,400
240 Equity Shares (including 40 bonus shares)					
1.3 Prime Life Insurance Co. (A)				-	3,286,925
1.4 Asian Life Insurance Co. (A)				-	4,248,316
1.5 Neco Insurance Ltd (A)					3,545,850
1.6 Prabhu Insurance (A)	-	1,623,560		1,623,560	
8,776 bonus Shares					
1.7 National Life Insurance Co. Ltd (A)				-	6,074,225
1.8 Chilime Hydropower Company Ltd (A)	1,139,300	1,060,776		1,060,776	8,265,213
736.65 bonus Rs 100 each Fully Paid Up 100					
1.9 Butwal Power Company Ltd (A)					3,198,528
1.10 Ridi Hydropower Development Co. Ltd (A)	752,887	662,075		662,075	532,373
1,775 Shares (including 119.5 bonus shares)					
1.11 Sanima Mai Hydropower Co Ltd (A)				-	699,300
1.12 Nepal Telecom (A)				-	4,189,298
1.13 First Micro Finance Development Bank Ltd (A)				-	1,740,535
1.14 Deprosc Development Bank Ltd (A)				-	1,053,558
1.15 Chhimek Laghubitta Bikash Bank (A)				-	1,353,658
1.16 Swabalamban Bikash Bank (A)				-	1,493,860
1.17 Nirdhan Utthan Bank (A)				-	701,032
1.18 Nerude Laghubitta Bikash Bank (A)	1,228,748	2,593,296		2,593,296	887,710
960.48 Equity Shares (including 239.5 bonus shares) @ Rs 100 each Fully Paid Up					
1.19 NMB Mutual Fund (A)				-	5,219,990
1.20 NIBL Samriddhi Fund 1 (A)				-	1,738,900
1.21 National Banking Institute Limited (NBI) (B)					
12,000 Equity Shares @ Rs 100 each Fully Paid Up	1,200,000	1,200,000		1,200,000	1,200,000
1.22 Nepal Clearing House Limited (B)					
26,000 Equity Shares @ Rs 100 each Fully Paid Up	2,600,000	2,600,000		2,600,000	2,600,000
1.23 Mero Microfinance Bittiya Sanstha Limited (B)					
138,000 Equity Shares @ Rs 100 each Fully Paid Up	13,800,000	13,800,000		13,800,000	13,800,000
1.24 Nepal Electronic Payment System Limited (B)					
150,000 Equity Shares @ Rs 100 each Fully Paid Up	15,000,000	15,000,000		15,000,000	15,000,000
1.25 Credit Information Bureau * (B)					
3,850 Equity Shares (including 2635 bonus shares) @ Rs 100 each Fully Paid Up	121,500	121,500		121,500	121,500
1.26 Growmore Merchant Bank Ltd * (B)					
10000 Equity Shares @ Rs 100 each Fully Paid Up	1,000,000	1,000,000		1,000,000	1,000,000
1.27 CBIL Capital Ltd (B)					
670,000 Equity Shares @ Rs 100 each Fully Paid Up	67,000,000	67,000,000		67,000,000	
2. Investment in Debentures and Bonds					
2.1					
2.3					
Total Investment	103,979,684	106,801,127	-	106,801,127	84,677,206
3. Investment Adjustment Reserve					
3.1 Upto Previous Year				30,819,114	1,546,000
3.2 Addition/Write Back				(13,203,114)	29,273,114
Total Provision			-	17,616,000	30,819,114
Net Investment				89,185,127	53,858,092

Note:

- Shares of National Banking Institute Limited (NBI), Nepal Clearing House Limited, Credit Information Bureau, Nepal Electronic Payment System Limited, Growmore Merchant Bank Ltd and CBIL Capital Ltd are not listed in Nepal Stock Exchange
- Shares marked as (A) are categorised as shares held for trading and shares marked as (B) are Categorised as Available for sale.

Held For Trading

As at July 15, 2016 (Ashadh 31, 2073)

Schedule 12.1

Particulars	Cost Price	Last Market Price (A)	Current Market Price (B)	Current Year Profit/(Loss)	Previous Year Profit/ (Loss)	Remarks
1. Nepal Government's Treasury bills						
2. Nepal Government's Savings Bonds						
3. Nepal Government's Others Securities						
4. Nepal Rastra Bank Bonds						
5. Foreign Securities						
6. Local Licenced Institutions's Share	3,258,184	56,764,185	6,079,627	50,684,558	6,276,545	
7. Local Licenced Institutions's Corporate Bonds & Debentures						
8. Local Organised Institutions's Share , Debenture and Bonds						
9. Foreign Placement						
10. Interbank Lending						
11. Other Investments						
Total Investment	3,258,184	56,764,185	6,079,627	50,684,558	6,276,545	

Held to Maturity

As at July 15, 2016 (Ashadh 31, 2073)

Schedule 12.2

Particulars	Cost Price (A)	Loss Till Date (B)	Loss During The Year (C) (A-B-C)	Current Year Profit/ (Loss)	Previous Year Profit/ (Loss)	Remarks
1. Nepal Government's Treasury bills	1,343,461,611					
2. Nepal Government's Savings Bonds						
3. Nepal Government's Others Securities	3,970,200,000					
4. Nepal Rastra Bank Bonds	1,081,025,000					
5. Foreign Securities						
6. Local Licenced Institutions's Share						
7. Local Licenced Institutions's Bonds & Debentures						
8. Local Organised Institutions's Debenture and Bonds						
9. Foreign Placement	934,433,924					
10. Other Investments	42,115,250					
Total Investment	7,371,235,785					

Available for Sale

As at July 15, 2016 (Ashadh 31, 2073)

Schedule 12.3

Particulars	Cost Price	Last Market Price (A)	Current Market Price (B)	Current Year Fund Adjustment Amount	Previous Year Profit/ (Loss)	Remarks
1. Nepal Government's Treasury bills						
2. Nepal Government's Savings Bonds						
3. Nepal Government's Others Securities						
4. Nepal Rastra Bank Bonds						
5. Foreign Securities						
6. Local Licenced Institutions's Share						
7. Local Licenced Institutions's Bonds & Debentures						
8. Local Organised Institutions's Shares, Debenture and Bonds	100,721,500	100,721,500	100,721,500			
9. Foreign Placement						
10. Other Investments	-					
Total Investment	100,721,500	100,721,500	100,721,500			

Classification of Loans, Advances and Bills Purchased and Provisions

(As at July 15, 2016 (Ashadh 31, 2073))

Schedule 13

Particulars	Loans and Advances in NPR					Bills Purchased and Discounted in NPR			Current Year NPR	Previous Year NPR
	Domestic		Foreign	Total	Local	Foreign	Total			
	Deprived Sector									
	Insured	Un-Insured								
1. Performing Loan										
1.1 Pass	-	1,699,330,921	38,208,876,959	-	39,908,207,880	727,500	96,280,011	97,007,511	40,005,215,391	28,752,342,630
1.2 Watch List	-	1,699,330,921	36,260,613,757	-	37,959,944,678	727,500	-	727,500	37,960,672,178	25,965,170,647
	-		1,948,263,202		1,948,263,202	-	96,280,011	96,280,011	2,044,543,213	2,787,171,983
2. Non Performing Loan										
2.1 Restructured/Re-scheduled	-	-	531,006,103	-	531,006,103	29,600,000	-	29,600,000	560,606,103	447,565,386
2.2 Sub Standard	-	-	94,667,651	-	94,667,651	-	-	-	-	-
2.3 Doubtful	-	-	50,697,584	-	50,697,584	-	-	-	94,667,651	57,398,821
2.4 Loss	-	-	385,640,868	-	385,640,868	29,600,000	-	29,600,000	50,697,584	53,313,272
Total Loan (A)	-	1,699,330,921	38,739,883,062	-	40,439,213,983	30,327,500	96,280,011	126,607,511	415,240,868	336,853,293
3. Loan Loss Provision										
3.1 Pass	-	16,993,309	366,199,474	-	383,192,783	7,275	-	7,275	383,200,058	278,352,371
3.2 Watch List	-	-	79,048,370	-	79,048,370	-	3,851,200	3,851,200	82,899,570	63,161,330
3.3 Restructured /Re-scheduled	-	-	-	-	-	-	-	-	-	-
3.4 Sub Standard	-	-	23,666,913	-	23,666,913	-	-	-	23,666,913	14,349,705
3.5 Doubtful	-	-	25,348,792	-	25,348,792	-	-	-	25,348,792	26,656,636
3.6 Loss	-	-	385,640,868	-	385,640,868	29,600,000	-	29,600,000	415,240,868	336,853,293
Total Provisions (B)	-	16,993,309	879,904,417	-	896,897,726	29,607,275	3,851,200	33,458,475	930,356,201	719,373,335
4. Provision upto Previous year										
4.1 Pass	-	12,052,959	265,609,462	-	277,662,421	689,950	-	689,950	278,352,371	236,335,626
4.2 Watch List	-	-	63,161,330	-	63,161,330	-	-	-	63,161,330	3,555,284
4.3 Restructured /Re-scheduled	-	-	-	-	-	-	-	-	-	-
4.4 Sub Standard	-	-	14,349,705	-	14,349,705	-	-	-	14,349,705	52,449,937
4.5 Doubtful	-	-	26,656,636	-	26,656,636	-	-	-	26,656,636	216,801,798
4.6 Loss	-	-	307,253,293	-	307,253,293	29,600,000	-	29,600,000	336,853,293	260,521,435
Total Provision upto Previous year (C)	-	12,052,959	677,030,426	-	689,083,385	30,289,950	-	30,289,950	719,373,335	769,664,080
Written Back from Previous Year's Provision (D)			(121,091,092)		(121,091,092)			-	(121,091,092)	(162,291,443)
Additional Provision of current Year (E)	-	4,940,350	323,965,083	-	328,905,433	(682,675)	3,851,200	3,168,525	332,073,958	112,000,697
Net change in this Year (F)	-	4,940,350	202,873,991	-	207,814,341	(682,675)	3,851,200	3,168,525	210,982,866	(50,290,746)
Net Loan (A-B)	-	1,682,337,612	37,859,978,645	-	39,542,316,257	720,225	92,428,811	93,149,036	39,635,465,293	28,480,534,681

Securities Against Loans, Advances and Bills Purchased

As at July 15, 2016 (Ashadh 31, 2073)

Schedule 13 (A)

Particulars	Current Year NPR	Previous Year NPR
(A) Secured	40,565,821,494	29,199,908,016
1. Collateral of Movable/Immovable Assets	33,606,373,841	11,012,073,234
2. Guarantee of Local Licensed Institutions		
3. Guarantee of Government of Nepal		
4. Guarantee of Internationally Rated Banks		
5. Export Documents	80,000,000	76,103,046
6. Fixed Deposit Receipts	209,153,852	74,660,068
(a) Own FDR	207,754,474	74,660,068
(b) FDR of Other Licensed Institution	1,399,378	
7. Government Bonds	2,289,342	
8. Counter Guarantees		
9. Personal Guarantee	72,111,791	-
10. Other Securities	6,595,892,668	12,010,821,021
(B) Unsecured		
Total	40,565,821,494	29,199,908,016

Fixed Assets

As at July 15, 2016 (Ashadh 31, 2073)

Schedule 14

Amount in NPR

Particulars	Building	Vehicles	Assets Machinery	Office Equipment	Others	Current Year	Previous Year
1. Cost Price							
a. Previous year's balance	88,966,345	42,430,599	-	300,085,867	26,997,493	458,480,305	373,453,457
b. Addition during the year	10,634,716	21,603,345		58,762,289	4,983,244	95,983,594	113,447,695
c. Revaluation/Written back this year						-	-
d. Sold /disposed off during the year		(910,126)		(3,686,989)		(4,597,115)	(28,420,846)
e. Written off during the year						-	-
Total Cost (a+b+c-d-e)	99,601,061	63,123,818	-	355,161,167	31,980,736	549,866,783	458,480,305
2. Depreciation							
a. Upto previous year	7,105,215	12,402,845	-	204,892,905	22,716,771	247,117,736	223,820,855
b. For this year	4,828,313	8,387,493		39,748,999	3,370,726	56,335,530	48,460,954
c. Depreciation on revaluation/Written back						-	-
d. Depreciation on Assets sold/Disposed off		(790,824)		(3,586,840)		(4,377,664)	(25,164,075)
Total Depreciation (a+b+c-d)	11,933,528	19,999,513	-	241,056,130	26,087,496	299,076,666	247,117,735
3. Written Down Value (1-2)	87,667,533	43,124,305	-	114,105,037	5,893,240	250,790,116	211,362,569
4. Land					581,388,007	581,388,007	
5. Capital Construction (to be Capitalised)						201,069,141	52,996,808
6. Leasehold Assets (Net of Amortisation)						74,600,109	61,265,483
Total (3+4+5+6)	87,667,533	43,124,305	-	114,105,037	5,893,240	1,107,847,373	907,012,867

Non Banking Assets

As at July 15, 2016 (Ashadh 31, 2073)

Schedule 15

Name & Address of Borrower	Date of assuming Non Banking Assets	Gross Non Banking Assets NPR	Less : Provisions %	Net Non Banking Assets NPR	Previous Year NPR
Shree Nil Saraswati Suppliers Private Limited Siddhartha Banasthali, Balaju, Kathmandu	13.01.2013	6,890,000	100%	6,890,000	-
MANDIP THAPA Mechinagar Municipality, Jhapa	30.03.2015	8,721,656	100%	8,721,656	-
M. M. CONSTRUCTION GROUP Pokharichauri-02, Kavre	08.07.2015	30,329,855	100%	30,329,855	-
Chhabi Lal Sunar Jorpati, Kathmandu	09.08.2001	594,166	100%	594,166	-
Maiya Shrestha Danchhi, Kathmandu	21.06.2013	1,266,017	100%	1,266,017	-
Bishnu Narayan Pradhan Dlokha	25.06.2013	4,399,943	100%	4,399,943	-
Mitthu Oli Dolkha	30.11.2013	3,017,932	100%	3,017,932	-
Shangrila Investmen Pvt. Sundhara, KTM.	24.12.2014	31,631,427	100%	31,631,427	-
Nanu Maya Joshi Gorakhkali	24.12.2014	3,242,893	100%	3,242,893	-
Hum Singh Giri Kirtipur Municipality	24.12.2014	3,217,020	100%	3,217,020	-
Ramesh Prasad Mishra Dhumbarahi#4, Kathmandu, BAGMATI	24.12.2014	2,786,345	100%	2,786,345	-
Sarswoti Dhungana Patle khet#5 Kabhrepalanchowk, BAGMATI	24.12.2014	2,765,003	100%	2,765,003	-
Pramila Basnet Phak phuk#4, Illam , MECHI	24.12.2014	2,819,954	100%	2,819,954	-
Anil Pradhan Koteshwor#35, Kathmandu , BAGMATI	24.12.2014	2,766,021	100%	2,766,021	-
Gyanu pulami Basundhara#9,Kathmandu BAGMATI	24.12.2014	2,765,003	100%	2,765,003	-
Sunil Badal Patleket#5 Kavre, BAGMATI	24.12.2014	2,765,512	100%	2,765,512	-
Ishori Devi Pulami Dharampur#8, Jhapa , MECHI	24.12.2014	2,795,475	100%	2,795,475	-
Nabin Kumar Chauhan Panchami#7, Pachthar MECHI	24.12.2014	2,796,495	100%	2,796,495	-
Ganga Prasad Gautam Mahendranagar#4, Sunsari, KOSHI	24.12.2014	2,813,000	100%	2,813,000	-
Bhuban kumar basnet Janakpur Sindhuli 2	24.12.2014	2,856,388	100%	2,856,388	-
Manta Subba Chahabil #7, Kathmandu , BAGMATI	24.12.2014	2,954,925	100%	2,954,925	-
Lal Bahadur Tamang Kapan Milan Chowk Kathmandu , BAGMATI	24.12.2014	2,924,765	100%	2,924,765	-
Siddhi Ganesh Investment Ka.Ma.Na.Pa. Lal Durbar, KTM.	24.12.2014	46,509,817	100%	46,509,817	-
Purna Chandra Pradhan New Coloney, Sukedhara	12.01.2015	18,289,883	100%	18,289,883	-
Mahakali Kastha Udhayog Sitapaila, Kathmandu	12.01.2015	15,251,363	100%	15,251,363	-
Hareram Timilsina Dharmasthali, Kathmandu	12.01.2015	2,663,194	100%	2,663,194	-
Punya Maya Chouhan Panchami Pachthar MECHI	12.01.2015	2,800,988	100%	2,800,988	-
Sapana Kharel Gaushala 9	12.01.2015	2,793,923	100%	2,793,923	-
Rita Shrestha Ward no 7, Sifal, Ktm	12.01.2015	2,807,954	100%	2,807,954	-
Ganesh Kharel Battisputali, Kathmandu	12.01.2015	2,754,035	100%	2,754,035	-
Shree Ganesh Art Battisputali, Kathmandu	12.01.2015	7,941,531	100%	7,941,531	-
Hom Narayan Shrestha Gorkha, Dhuwakot-5 (Gongabu, Kathmandu)	26.12.2014	2,169,000	100%	2,169,000	-

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Non Banking Assets

As at July 15, 2016 (Ashadh 31, 2073)

Schedule 15

Name & Address of Borrower	Date of assuming Non Banking Assets	Gross Non Banking Assets NPR	Less : Provisions %	Provisions NPR	Net Non Banking Assets NPR	Previous Year NPR
Rim Kumari Pradhan Tanahu, Bhanu VDC-5 (Gongabu, Kathmandu)	26.12.2014	1,434,911	100%	1,434,911	-	
Tirtha Raj Niroula Mahendranagar-2 Sunsari (Koteswor, Kathmandu)	26.12.2014	3,032,696	100%	3,032,696	-	
Niru Rana Dharampur VDC-9, Jhapa (Kapan, Kathmandu)	26.12.2014	3,032,696	100%	3,032,696	-	
Roshna Raj Bhandari Satashidham-2, Jhapa (Koteswor, Kathmandu)	26.12.2014	3,032,696	100%	3,032,696	-	
Bal Bdr. Rai Jhalthal-2, Jhapa (Kapan, Kathmandu)	26.12.2014	3,032,696	100%	3,032,696	-	
Santosh Chamling Rai Batse-5, Khotang(Kapan, kathmandu)	26.12.2014	3,032,696	100%	3,032,696	-	
Naba Raj Shrestha Bhimeswor-2, Dolkha	26.12.2014	705,331	100%	705,331	-	
Dhana Maya Biswokarma Anaikot VDC-5, Kavre (Boudha, Kathmandu)	26.12.2014	493,916	100%	493,916	-	
Naya Kumar Rana Magar Sifal#6,Kathmandu BAGMATI	18.02.2015	2,868,503	100%	2,868,503	-	
Nirmal Raman Kharel PHATTEPUR#3, Saptari , SAGARMATHA	18.02.2015	4,354,361	100%	4,354,361	-	
Cisco Trading Copmany Ward No 13, Kathmandu TERM # 1957	18.02.2015	28,125,968	100%	28,125,968	-	
Jaya Ram Narsinghju Dhulikhel, Kavre	18.02.2015	4,088,791	100%	4,088,791	-	
Saraswoti Maya Khadka Solukhumbhu, Nele Tusal, Boudha	18.02.2015	2,835,561	100%	2,835,561	-	
Guru Pd. Siwakoti Bishnu#2 budanilkhantha, BAGMATI	18.02.2015	2,964,262	100%	2,964,262	-	
Dirgha Bdr. Singh Sneha Builders Pvt Ltd	18.02.2015	2,953,868	100%	2,953,868	-	
Argghauli- 9, Nawalparasi, LUMBINI	26.08.2013	4,308,052	100%	4,308,052	-	
Saphal Chundhunga Udhog Pvt.Ltd. Tinthana Kathmandu BAGMATI	09.10.2013	13,511,978	100%	13,511,978	-	
Mansorabar Chundhunga Udhog Pvt.Ltd Ward#2, Dahachowk GBS Kt Kathmandu BAGMATI	29.10.2013	11,669,256	100%	11,669,256	-	
Satyam Builders Ward#22 Kathmandu Kathmandu BAGMATI	29.10.2013	151,142	100%	151,142	-	
Devyani Builders Pvt Ltd Debu Lal Neupane Ward#10 Kathmandu Kathmandu BAGMATI	29.10.2013	72,739	100%	72,739	-	
Smarika Property Dealers(Netra Prasad) Ward#11 Kathmandu Kathmandu BAGMATI	30.10.2013	3,887,273	100%	3,887,273	-	
Gharana Housing Pvt Ltd Yub Raj Upadhaya Ward#6,Naya Naikap	30.10.2013	5,086,133	100%	5,086,133	-	
Bhagyaswori Housing Pvt Ltd(Prakash Aryal) Nawalparasi LUMBINI	30.10.2013	3,994,682	100%	3,994,682	-	
Ruru Kanya Housing Lokmani Aryal Ward#10,Kathmandu	30.10.2013	2,000	100%	2,000	-	
Tuteshwor Nath Housing Gunjamani Bhattarai Ward#6,Naya Naikap	30.10.2013	7,820,543	100%	7,820,543	-	
Dev Gopal Housing Gopal Bdr Nepali Ward#7,Dhapasi	30.10.2013	60,166	100%	60,166	-	
Shristi Binayak Housing Govind Panthi Dahachok-2 Kathmandu BAGMATI	30.10.2013	7,194,474	100%	7,194,474	-	
Teen Devi Property Deale Ward#11,Kathmandu	31.10.2013	4,575,846	100%	4,575,846	-	
Gateway Housing Jangi Lal Loniya Ward#6,Naya Naikap	31.10.2013	3,426,952	100%	3,426,952	-	
C.K. Laxmi Developers Ram Sariwan Yadav Ward#14,Kathmandu	31.10.2013	3,346,297	100%	3,346,297	-	
Suryadaya Resort Pvt Ltd Naya Naikap Kathmandu BAGMATI	31.10.2013	9,244,402	100%	9,244,402	-	
Poudel Housing Naya Naikap-6 Kathmandu BAGMATI	31.10.2013	406,557	100%	406,557	-	

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Non Banking Assets

As at July 15, 2016 (Ashadh 31, 2073)

Schedule 15

Name & Address of Borrower	Date of assuming Non Banking Assets	Gross Non Banking Assets NPR	Less : Provisions %	Net Non Banking Assets NPR	Previous Year NPR
Govinda Housing (GovindaPrasadParajuli) Ward#6,Naya Naikap,Ktm	31.10.2013	2,189,734	100%	2,189,734	-
Adhikari Housing (Kamal Raj Adhikari) Ward#6,Naya Naikap,Ktm	31.10.2013	2,206,537	100%	2,206,537	-
Total		380,245,197	100%	380,245,197	

Other Assets

As at July 15, 2016 (Ashadh 31, 2073)

Schedule 16

Particulars	Current Year NPR	Previous Year NPR
1. Stock of Stationery	6,325,998	16,243,004
2. Income Receivable on Investments	26,221,538	16,278,118
3. Accrued Interest on Loans	228,592,310	206,534,085
Less: Interest Suspense	(228,592,310)	(206,534,085)
4. Commision Receivable	-	-
5. Sundry Debtors	3,621,981	17,819,187
6. Staff Loans and Advances	268,223,269	228,588,467
7. Prepayments	38,968,544	19,193,664
8. Cash-in-Transit	-	-
9. Other Transit Items (including cheques)	-	-
10. Drafts Paid Without Notice		
11. Expenses not Written off		
12. Branch Adjustment Accounts	-	-
13. Deferred Tax Asset	66,275,084	59,934,561
14. Others	290,386,680	346,196,473
a. Account Receivables Others	229,842,360	198,839,804
b. ATM Cards	111,136	111,136
c. Security Deposit	1,045,140	1,041,390
d. Advance Income Tax	3,160,374	42,179,097
e. Debit Card Receivable	6,270,579	2,968,652
f. Premium on Development Bonds	-	-
g. Tax Deposit	7,623,483	10,571,644
h. Other Assets	42,333,608	90,484,750
Total	700,023,094	704,253,474

Other Assets (Additional Statement)

As at July 15, 2016 (Ashadh 31, 2073)

Schedule 16 (A)

Particulars	Current Year NPR			Total	Previous Year NPR
	Upto 1 year	1 to 3 years	Above 3 years		
1. Accrued Interest on Loans	170,256,102	7,890,272	50,445,936	228,592,310	206,534,085
2. Draft Paid without Notice				-	-
3. Branch Adjustment Account				-	-
4. Domestic/ Foreign Agency Account	157,792,087			157,792,087	65,577,910

Contingent Liabilities

As at July 15, 2016 (Ashadh 31, 2073)

Schedule 17

Particulars	Current Year NPR	Previous Year NPR
1. Claims on Institution but not Accepted by the Institutions		
2. Letters of Credit (Full Amount)	1,295,527,019	1,000,290,127
a. Letter of Credit With Maturity of Less than 6 Months	609,793,432	634,928,331
b. Letter of Credit With Maturity of More than 6 Months	685,733,588	365,361,796
3. Rediscounted Bills		
4. Unmatured Guarantees/Bonds	1,503,410,946	1,353,688,612
a. Bid Bonds	242,473,200	184,786,644
b. Performance Bonds	1,260,937,746	1,168,901,968
c. Other Guarantee/Bonds		
5. Unpaid Investment in Shares	-	-
6. Forward Exchange Contract Liabilities	-	14,449,860
7. Bills under Collection	29,593,146	12,263,726
8. Acceptances and Endorsements	510,517,719	251,190,967
9. Underwriting Commitments		
10. Irrevocable Loan Commitments	12,757,909,288	5,877,708,359
11. Guarantees issued against Counter Guarantee of Internationally Rated Foreign Banks		
12. Advance Payment Guarantees	597,687,521	356,339,845
13. Financial Guarantees		
14. Contingent Liabilities on Income Tax	33,369,331	41,068,908
15. Others	12,763,000	
Total	16,740,777,970	8,907,000,404

Interest Income

For the period from July 17, 2015 to July 15, 2016 (Shrawan 1, 2072 To Ashadh 31, 2073)

Schedule 18

Particulars	Current Year NPR	Previous Year NPR
A. On Loans, Advances and Overdrafts	3,28,13,64,563	2,667,736,887
1. Loans and Advances	2,384,537,659	1,901,242,094
2. Overdrafts	896,826,904	766,494,793
B. On Investment	158,315,013	97,991,996
1. Nepal Government Securities	140,241,309	91,500,349
a. Treasury Bills	14,747,038	6,065,220
b. Development Bonds	125,494,271	85,435,129
c. National Savings Certificates		
2. Foreign Securities		
a.		
b.		
3. Nepal Rastra Bank Bonds		
4. Debentures and Bonds		
5. Inter Bank Investment	18,073,704	6,491,647
a. Banks/Financial Institutions	18,073,704	6,442,480
b. Foreign Banks		49,167
C. On Agency Balances	348,6073	871,424
1. Domestic Banks/ Financial Institution	1,057	1,313
2. Foreign Banks	3,485,016	870,111
D. On Money at Call and Short Notice	307,248	319,702
1. Domestic Banks/ Financial Institution	307,248	318,386
2. Foreign Banks	-	1,316
E. On Others	-	-
1. Certificates of Deposit	-	-
2. Income from Inter-Bank Loan		
3. Others		
Total	3,443,472,897	2,766,920,009

Interest Expenses

For the period from July 17, 2015 to July 15, 2016 (Shrawan 1, 2072 To Ashadh 31, 2073)

Schedule 19

Particulars	Current Year NPR	Previous Year NPR
A. On Deposit Liabilities	1,758,502,367	1,448,558,465
1. Fixed Deposits	1,265,050,712	951,762,640
1.1 Local Currency	1,261,541,993	944,290,787
1.2 Foreign Currency	3,508,719	7,471,853
2. Savings Deposits	162,467,304	151,335,597
2.1 Local Currency	161,005,023	150,063,335
2.2 Foreign Currency	1,462,281	1,272,262
3. Call Deposits	330,984,351	345,460,228
3.1 Local Currency	330,893,475	345,406,594
3.2 Foreign Currency	90,876	53,634
4. Certificate of Deposits	-	-
B. On Borrowings	65,203,239	49,958,700
1. Debentures & Bonds	42,499,998	42,499,998
2. Loan from Nepal Rastra Bank	1,843,481	3,090,852
3. Inter Bank/Financial Institutions Borrowings	20,859,760	4,367,850
4. Other Organised Institutions	-	-
5. Other Loans	-	-
C. On Others	-	-
Total	1,823,705,606	1,498,517,165

Commission and Discounts

For the period from July 17, 2015 to July 15, 2016 (Shrawan 1, 2072 To Ashadh 31, 2073)

Schedule 20

Particulars	Current Year NPR	Previous Year NPR
A. Bills Purchased and Discounted	1,736,359	4,693,159
1. Local	1,736,359	4,693,159
2. Foreign	-	-
B. Commission	61,126,515	38,153,053
1. Letters of Credit	20,926,548	14,096,751
2. Guarantees	23,840,175	15,644,491
3. Collection Fees	27,4718	118,556
4. Remittance Fees	15,596,510	8,293,255
5. Credit Cards	488,564	-
6. Share Underwriting /Issues	-	-
7. Government Transactions	-	-
8. Licenced Institution's Commission	-	-
9. Exchange Fee	-	-
C. Others	34,807,494	19,610,505
1. ATM Commission	26,601,285	10,372,843
2. Other Commissions of Loan	5,350,644	6,607,788
3. Other Fee -Trade Operation	2,738,003	2,363,672
4. Other Miscellaneous	11,7562	266,202
Total	97,670,368	62,456,717

Other Operating Income

For the period from July 17, 2015 to July 15, 2016 (Shrawan 1, 2072 To Ashadh 31, 2073)

Schedule 21

Particulars	Current Year NPR	Previous Year NPR
1. Rental on Safe Deposit Lockers	2,983,925	2,588,250
2. Issue and Renewal of Credit Cards	15,000	-
3. Issue and Renewal of ATM Cards	19,332,512	14,420,082
4. Telex/ T. T.	3,499,954	2,659,416
5. Service Charges	198,841,909	130,370,282
Loan Documentation fee	41,000	4,574,411
Loan Processing Fee	182,849,886	115,667,999
Management fee	14,464,998	9,333,947
Balance Certificate Issuance Charge	1,165,575	514,750
Good For Payment	320,450	279,175
6. Loan Renewal Fees	14,734,733	12,261,972
7. Others	32,830,829	18,912,062
SMS Banking Fee	5,335,581	4,166,953
ABBS Income	2,919,882	1,200,195
Income from Foreign Outward Remitta	2,752,579	1,453,425
Cheque Return Fee	1,985,731	1,599,118
Sakchyam Project	6,649,844	
Other Income	13,187,212	10,492,371
Total	272,238,862	181,212,064

Exchange Fluctuation Gain/(Loss)

For the period from July 17, 2015 to July 15, 2016 (Shrawan 1, 2072 To Ashadh 31, 2073)

Schedule 22

Particulars	Current Year NPR	Previous Year NPR
A. Revaluation Gain/ (Loss)	38,491,656	21,456,308
B. Trading Gain/ (Loss) (Excluding exchange fee)	104,802,570	77,212,029
Total	143,294,226	98,668,337

Staff Expenses

For the period from July 17, 2015 to July 15, 2016 (Shrawan 1, 2072 To Ashadh 31, 2073)

Schedule 23

Particulars	Current Year NPR	Previous Year NPR
1. Salary	122,797,133	110,440,932
2. Allowances	111,430,859	88,535,501
3. Contribution to Provident Fund	9,087,405	7,159,068
4. Training Expenses	4,666,202	748,820
5. Uniform	4,096,399	4,280,358
6. Medical		
7. Insurance	2,360,560	2,639,161
8. Gratuity and Leave Expenses	32,829,468	30,253,144
9. Others	7,934,152	3,823,312
Staff Welfare Fund	7,508,366	3,480,375
Recruitment Expenses	425,786	342,937
Total	295,202,178	247,880,296

Other Operating Expenses

For the period from July 17, 2015 to July 15, 2016 (Shrawan 1, 2072 To Ashadh 31, 2073)

Schedule 24

Particulars	NPR	Current Year NPR	Previous Year NPR
1. House Rent		47,104,761	38,698,823
2. Electricity, Water & Fuel		22,151,419	23,106,457
3. Repairs and Maintenance		18,963,571	12,610,248
a. Leasehold Premises	5,917,231		734,320
b. Vehicles	1,497,089		1,557,042
c. Other Assets	11,549,251		10,318,886
4. Insurance Premium		8,605,601	7,334,351
5. Postage, Telex, Telephone, Fax		26,287,159	24,823,589
6. Office Equipment & Furniture Repair (Consumable Capital Goods)		1,524,399	1,359,574
7. Travelling Allowance and Expenses		4,593,447	3,285,444
8. Stationery and Printing		25,276,439	17,069,234
9. Periodicals and Books		257,781	122,140
10. Advertisements		9,624,636	9,732,744
11. Legal Expenses		604,250	435,498
12. Donations			-
13. Expenses Relating to Board of Directors		3,694,759	3,020,224
a. Meeting Fees	2,440,000		1,760,000
b. Other Expenses	1,254,759		1,260,224
14. Annual General Meeting Expenses		915,582	923,372
15. Expenses Relating to Audit		1,635,732	1,031,687
a. Audit Fees	1,186,500		310,750
b. Other Expenses	449,232		720,937
16. Fund Transfer Charge		892,752	937,943
17. Depreciation on Fixed Assets		56,335,530	48,460,955
18. Amortization of Pre-Operating Expenses			
19. Share/ Bond Issuance Expenses		9,142,729	778,674
20. Technical Services Fees		650,700	529,200
21. Entertainment		122,208	8,420
22. Amortization Expenses		19,043,287	18,264,833
23. Security Expenses		34,934,738	32,851,168
24. Deposit/Credit Guarantee Premium		9,140,152	6,972,024
25. Commission and Discount		5,751,798	12,789,017
26. Others Expenses		65,569,105	69,321,983
a. Membership, Fees and Taxes	4,198,860		23,728,943
b. Anniversary Expense	2,415,220		1,150,563
c. Credit Information Charges	5,205,240		3,836,400
d. Cleaning Expenses	3,958,231		3,766,867
e. Corporate Social Responsibility	1,059,466		10,747,822
f. Transportation Expenses	934,003		149,057
g. Bank Charges	2,771,214		1,082,196
h. Outsourced Manpower Expenses	15,505,639		10,951,864
i. Debit Card Expenses	19,201,020		6,076,302
j. Miscellaneous Expenses	10,320,212		7,831,969
Total		372,822,535	334,467,602

Provision for Possible Losses

For the period from July 17, 2015 to July 15, 2016 (Shrawan 1, 2072 To Ashadh 31, 2073)

Schedule 25

Particulars	Current Year NPR	Previous Year NPR
1. Increase in Loan Loss Provision	332,073,958	112,000,697
2. Increase in Provision for Loss on Investment		2,335,431
3. Provision for Non Banking Assets	23,046,049	121,546,817
4. Provision for Other Assets		
Total	355,120,007	235,882,945

Non- Operating Income/ (Loss)

For the period from July 17, 2015 to July 15, 2016 (Shrawan 1, 2072 To Ashadh 31, 2073)

Schedule 26

Particulars	Current Year NPR	Previous Year NPR
1. Profit/ (Loss) on Sale of Investments	33,597,065	6,276,545
2. Profit/ (Loss) on Sale of Assets	90,440,420	28,110,808
3. Dividend (net of Tax Deducted at Source)	671,769	743,522
4. Subsidies Received from Nepal Rastra Bank		
a. Reimbursement of Losses of Specified Branches		
b. Interest Subsidy		
c. Exchange Counter		
5. Other Income	19,763,643	10,797,845
Total Non-operating Income/ (Loss)	144,472,897	45,928,720

Provisions for Possible Lossess Written Back

For the period from July 17, 2015 to July 15, 2016 (Shrawan 1, 2072 To Ashadh 31, 2073)

Schedule 27

Particulars	Current Year NPR	Previous Year NPR
1. Loan Loss Provision Written Back	121,091,092	162,291,443
2. Provision against Non Banking Assets Written Back	310,648,280	75,107,125
3. Provision against Investment Written Back	-	-
4. Provision against Other Assets Written Back	-	-
Total	431,739,372	237,398,568

Income/(Expenses) from Extraordinary Items

For the period from July 17, 2015 to July 15, 2016 (Shrawan 1, 2072 To Ashadh 31, 2073)

Schedule 28

Particulars	Current Year NPR	Previous Year NPR
1. Recovery of Loan Written off	6,712,100	47,608,198
2. Voluntary Retirement Scheme Expenses	-	-
3. Loan Write Offs (28 (a))	-	-
4. Other Expense/Income		
Total	6,712,100	47,608,198

Detail of Write off Loan

Fiscal Year 2015/2016 (2072/2073)

Schedule 28 (A)

S. N.	Loan Type	Amount Write off NPR	Type of Security	Basis of Valuation	Loan approved by Name/Designation authority	Initiations made for Recovery	Remarks
Total							

Note: During the FY 2015/16, none of the loans and advances have been written off.

Statement of Loans & Advances Extended to Directors/ Chief Executive/ Promoters/ Employees and Shareholders

As at July 15, 2016 (Ashadh 31, 2073)

Schedule 29

Name of Promoter /Director/ Chief Executive	Last Year's Balance		This Year's Recovery		This Year's Disbursed NPR	Balance as at July 15, 2016	
	Principal NPR	Interest NPR	Principal NPR	Interest NPR		Principal NPR	Interest NPR
(A) Directors							
1.							
2.							
(B) Chief Executive							
1.							
2.							
(C) Promoters							
1. Manita Bhattarai					150,000	150,000	
2. Rabindra Man Singh Pradhan					7,200,000	7,200,000	
(D) Employees							
1. Ramdhan Shrestha	3,336,145	43,213	3,336,145	43,213	3,548,000	3,548,000	
2. Anit Sapkota	2,257		2,257	2,269	499,797	499,797	
3. Pramesh Raj Kayastha					210,000	210,000	
4. Sunil Maharjan			82,000		336,000	254,000	
5. Ritu Shakya			162,000	10,431	1,010,431	848,431	
6. Dipika Agrawal			5,000		53,000	48,000	
7. Dipak Chitrakar			425,000	20,602	425,000	415,738	
8. Raj Kumar Thapa			259,000	14,599	655,499	396,499	
9. Shrijana Neupane					81,000	81,000	
10. Pravin Upadhyay					900,000	900,000	
(E) Shareholders							
1							
2							
Total	3,338,402	43,213	4,271,402	91,114	15,068,727	14,551,465	-

Note:-

- Loans and Advances to employees provided as per employee byelaws of the bank are accounted in Schedule 16 Other Assets.
- Bank has not extended any credit facility to BOD member, promoters, employees, shareholders and Chief Executive Officer in FY 2015/16 other than Loan against Gold/ Fixed Deposit as permitted by NRB Directives.

Capital Adequacy Table

As at July 15, 2016 (Ashadh 31, 2073)

Schedule 30 (A1)

Amount in NPR '000

1.1 RISK WEIGHTED EXPOSURES	Mid July 2016	Mid July 2015
a Risk Weighted Exposure for Credit Risk	44,819,052	3,08,71,322
b Risk Weighted Exposure for Operational Risk	2,187,990	17,52,520
c Risk Weighted Exposure for Market Risk	10,748	44,390
Total Risk Weighted Exposures (Before adjustments of Pillar II)	47,017,790	3,26,68,232
ADJUSTMENT UNDER PILLAR II	-	-
SRP 6.4a (5) ALM policies & practices are not satisfactory, add 1% of net interest income to RWE	-	-
SRP 6.4a (6) Add% of the total deposit due to insufficient Liquid Assets	-	-
SRP 6.4a (7) Add RWE equivalent to reciprocal of capital charge of 3 % of gross income	482,022	4,38,941
SRP 6.4a (9) Overall risk management policies and procedures are not satisfactory. Add 2% of RWE	940,356	653,365
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)	48,440,168	33,760,538
1.2 CAPITAL		
Core Capital (Tier I)	5,121,298	3,625,003
a. Paid up Equity Share Capital	3,650,640	2,554,362
b. Irredeemable Non-cumulative preference shares	-	-
c. Share Premium	2,972	2,972
d. Proposed Bonus Equity Shares	750,676	510,872
e. Statutory General Reserves	695,876	479,801
f. Retained Earnings	42,041	125,204
g. Un-audited current year cumulative profit/(loss)	-	-
h. Capital Redemption Reserve	100,000	-
i. Capital Adjustment Reserve	-	-
j Dividend Equalization Reserves	-	-
k Debenture Redemption Reserves	-	-
l Deferred Tax Reserve	27,368	27,368
m Other Free Reserve	-	-
Less:	-	-
a Goodwill	-	-
b Fictitious Assets	-	(641)
c Deferred Tax Assets	(66,275)	(59,935)
d Investment in equity in licensed Financial Institutions	-	-
e Investment in equity of institutions with financial interests	(82,000)	(15,000)
f Investment in equity of institutions in excess of limits	-	-
g Investments arising out of underwriting commitments	-	-
h Reciprocal cross holdings	-	-
i Purchase of land & building in excess of limit and unutilized	-	-
j Other Deductions	-	-
ADJUSTMENT UNDER PILLAR II		
SRP 6.4a (1) Less: Shortfall in Provision	-	-
SRP 6.4a (2) Less: Loans & Facilities extended to related parties and restricted lending	-	-
Supplementary Capital (Tier II)	885,548	854,699
a Cumulative and/or Redeemable Preference Share	-	-
b Subordinated Term Debt	400,000	500,000
c Hybrid Capital Instruments	-	-
d General Loan Loss Provision	466,100	315,395
e Exchange Equalization Reserve	18,108	8,485
f Investment Adjustment Reserve	1,340	30,819
g Assets Revaluation Reserve	-	-
h Other Reserves	-	-
Total Capital Fund (Tier I and Tier II)	6,006,846	4,479,702
1.3 CAPITAL ADEQUACY RATIOS		
Tier I Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	10.57%	10.74%
Tier I and Tier II Capital to Total Risk Weighted Exposures(After Bank's adjustments of Pillar II)	12.40%	13.27%

Risk Weighted Exposure for Credit Risk

As at July 15, 2016 (Ashadh 31, 2073)

Schedule 30 (B)

Amount in NPR '000

A. Balance Sheet Exposures	Mid July 2016					Risk Weighted Exposures f=d*e	Mid July 2015	
	Book Value a	Specific Provision b	Eligible CRM c	Net Value d=a-b-c	Risk Weight e		Net Value	Risk Weighted Exposures
Cash Balance	1,884,361	-	-	1,884,361	0%	-	1,462,490	-
Balance with Nepal Rastra Bank	3,149,515	-	-	3,149,515	0%	-	2,850,444	-
Gold	42,246	-	-	42,246	0%	-	83,098	-
Investment in Nepalese Government Securities	6,394,687	-	-	6,394,687	0%	-	4,757,573	-
All Claims on Government of Nepal	86,537	-	-	86,537	0%	-	86,537	-
Investment in Nepal Rastra Bank	-	-	-	-	0%	-	-	-
All Claims on Nepal Rastra Bank	-	-	-	-	0%	-	-	-
Claims on Foreign Government & Central Banks (ECA Rating 0-1)	-	-	-	-	0%	-	-	-
Claims on Foreign Government & Central Banks (ECA Rating -2)	-	-	-	-	20%	-	-	-
Claims on Foreign Government & Central Banks (ECA Rating -3)	-	-	-	-	50%	-	-	-
Claims on Foreign Government & Central Banks (ECA Rating 4-6)	-	-	-	-	100%	-	-	-
Claims on Foreign Government & Central Banks (ECA Rating -7)	-	-	-	-	150%	-	-	-
Claims on BIS, IMF, ECB, EC and Multilateral Development Banks (MDB's) recognized by the framework	-	-	-	-	0%	-	-	-
Claims on Other Multilateral Development Banks	-	-	-	-	100%	-	-	-
Claims on Public Sector Entity (ECA Rating 0-1)	-	-	-	-	20%	-	-	-
Claims on Public Sector Entity (ECA Rating 2)	-	-	-	-	50%	-	-	-
Claims on Public Sector Entity (ECA Rating 3-6)	-	-	-	-	100%	-	368,742	368,742
Claims on Public Sector Entity (ECA Rating 7)	-	-	-	-	150%	-	-	-
Claims on domestic banks that meet capital adequacy requirements	243,551	-	-	243,551	20%	48,710	213,469	42,694
Claims on domestic banks that do not meet capital adequacy requirements	156,122	-	-	156,122	100%	1,56,122	121,973	121,973
Claims on foreign bank (ECA Rating 0-1)	766,203	-	-	766,203	20%	1,53,241	1,350,877	270,175
Claims on foreign bank (ECA Rating 2)	876,915	-	-	876,915	50%	4,38,458	455,387	227,694
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	40,524	-	-	40,524	20%	8105	56,020	11,204
Claims on Domestic Corporates	19,658,508	-	-	19,658,508	100%	19,658,508	14,550,234	14,550,234
Claims on Foreign Corporates (ECA Rating 0-1)	-	-	-	-	20%	-	-	-
Claims on Foreign Corporates (ECA Rating 2)	-	-	-	-	50%	-	-	-
Claims on Foreign Corporates (ECA Rating 3-6)	-	-	-	-	100%	-	-	-
Claims on Foreign Corporates (ECA Rating 7)	-	-	-	-	150%	-	-	-
Regulatory Retail Portfolio (Not Overdue)	7,918,290	-	-	7,918,290	75%	5,938,718	6,594,689	4,946,017
Claims fulfilling all criterion of regulatory retail portfolio except for granularity	-	-	-	-	100%	-	-	-
Claims secured by residential properties	2,134,907	-	-	2,134,907	60%	1,280,944	1,647,949	988,769
Claims not fully secured by residential properties	-	-	-	-	150%	-	-	-
Claims secured by residential properties (Overdue)	53,921	13,612	-	40,309	100%	40,309	11,767	11,767
Claims secured by commercial real estate	2,560,025	-	-	2,560,025	100%	2,560,025	2,044,290	2,044,290
Past due claims (except for claim secured by residential properties)	917,976	450,644	-	467,332	150%	700,998	57,940	86,910
High Risk Claims	7,235,744	-	24,03,475	4,832,269	150%	7,248,404	1,919,083	2,878,625
Investments in equity and other capital instruments of institutions listed in the stock exchange	88,080	-	-	88,080	100%	88,080	56,764	56,764
Investments in equity and other capital instruments of institutions not listed in the stock exchange	18,722	-	-	18,722	150%	28,083	33,722	50,583
Staff loan secured by residential property	190,671	-	-	190,671	60%	114,403	169,660	10,1796
Interest Receivable/claim on government securities	21,846	-	-	21,846	0%	-	13,438	-
Cash in transit and other cash items in the process of collection	-	-	-	-	20%	-	-	-
Other Assets	2,498,458	1,011,713	-	1,486,745	100%	1,486,745	1,380,280	13,80,280
TOTAL	56,937,809	1,475,969	2,403,475	53,058,365		39,949,853	40,286,426	28,138,517

Risk Weighted Exposure for Credit Risk

As at July 15, 2016 (Ashadh 31, 2073)

Schedule 30 (B)

Amount in NPR '000

B. Off Balance Sheet Exposures	Gross Book Value a	Specific Provision b	Eligible CRM c	Net Value d=a-b-c	Risk Weight e	Risk Weighted Exposures f=d*e	Net Value	Risk Weighted Exposures
Revocable Commitments	-	-	-	-	0%	-	-	-
Bills Under Collection	29,593	-	-	29,593	0%	-	12,264	-
Forward Exchange Contract Liabilities	-	-	-	-	10%	-	14,450	1,445
LC Commitments With Original Maturity Upto 6 months domestic counterparty	609,793	-	38,454	571,339	20%	114,268	565,511	113,102
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	685,734	-	40,343	645,390	50%	322,695	346,537	173,269
Foreign counterparty (ECA Rating 0-1)	-	-	-	-	20%	-	-	-
Foreign counterparty (ECA Rating 2)	-	-	-	-	50%	-	-	-
Foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-	-	-
Foreign counterparty (ECA Rating 7)	-	-	-	-	150%	-	-	-
Bid Bond, Performance Bond and Counter guarantee domestic counterparty	1,503,411	-	76,306	1,427,105	50%	713,553	1,305,339	652,670
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	597,688	-	-	597,688	100%	597,688	356,340	356,340
Financial Guarantee	-	-	-	-	100%	-	-	-
Acceptances and Endorsements	510,518	-	-	510,518	100%	510,518	251,191	251,191
Unpaid portion of Partly paid shares and Securities	-	-	-	-	100%	-	-	-
Irrevocable Credit commitments (short term)	12,757,909	-	-	12,757,909	20%	2,551,582	5,877,708	1,175,542
Irrevocable Credit commitments (long term)	-	-	-	-	50%	-	-	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	-	-	-	-	20%	-	-	-
Other Contingent Liabilities	33,369	-	-	33,369	100%	33,369	-	-
Unpaid Guarantee Claims	12,763	-	-	12,763	200%	25,526	4,623	9,246
TOTAL (B)	16,740,778	-	155,103	16,585,674		4,869,199	87,33,963	2,732,805
Total RWE for Credit Risk Before Adjustment (A) + (B)	73,678,587	1,475,969	2,558,578	69,644,039		44,819,052	49,020,389	30,871,322
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	73,678,587	1,475,969	2,558,578	69,644,039	-	44,819,052	49,020,389	30,871,322

Eligible Credit Risk Mitigants

As at July 15, 2016 (Ashadh 31, 2073)

Schedule 30 (c)
Amount in NPR '000

Credit Exposures	Deposits with Bank	Deposits with other banks/FI	Gold	Nepal Government & NRB Securities	G'tee of Govt. of Nepal	Sec/G'tee of Other Sovereigns	G'tee of domestic banks	G'tee of MDBs	Sec/G'tee of Foreign Banks	Total
	a	b	c	d	e	f	g	h	i	
A. Balance sheet Exposure										
Claims on Foreign Government & Central Banks (ECA Rating -2)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Government & Central Banks (ECA Rating -3)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Government & Central Banks (ECA Rating 4-6)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Government & Central Banks (ECA Rating -7)	-	-	-	-	-	-	-	-	-	-
Claims on Other Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 2)	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity (ECA3-6)	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 7)	-	-	-	-	-	-	-	-	-	-
Claims on domestic banks that meet capital adequacy requirements	-	-	-	-	-	-	-	-	-	-
Claims on domestic banks that do not meet capital adequacy requirements	-	-	-	-	-	-	-	-	-	-
Claims on Foreign bank (ECA Rating 0-1)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign bank (ECA Rating 2)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign bank (ECA Rating 3-6)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign bank (ECA Rating 7)	-	-	-	-	-	-	-	-	-	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	-	-	-	-	-	-	-	-	-	-
Claims on Domestic Corporates	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Corporates (ECA 0-1)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Corporates (ECA 2)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Corporates (ECA 3-6)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Corporates (ECA 7)	-	-	-	-	-	-	-	-	-	-
Regulatory Retail Portfolio (Not Overdue)	-	-	-	-	-	-	-	-	-	-
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	-	-	-	-	-	-
Claims secured by residential properties	-	-	-	-	-	-	-	-	-	-
Claims not fully secured by residential properties	-	-	-	-	-	-	-	-	-	-
Claims secured by residential properties (Overdue)	-	-	-	-	-	-	-	-	-	-
Claims secured by commercial real estate	-	-	-	-	-	-	-	-	-	-
Past due claims (expect for claim secured by residential properties)	-	-	-	-	-	-	-	-	-	-
High Risk claims	213,177	-	2,190,298	-	-	-	-	-	-	2,403,475
Investments in equity and other capital instruments of institutions listed in the stock exchange.	-	-	-	-	-	-	-	-	-	-
Investments in equity and other capital instruments of institutions not listed in the stock exchange.	-	-	-	-	-	-	-	-	-	-
Other Assets (as per attachment)	-	-	-	-	-	-	-	-	-	-
Total Balance Sheet Exposure	213,177	-	2,190,298	-	-	-	-	-	-	2,403,475

cont...

cont...

Eligible Credit Risk Mitigants

As at July 15, 2016 (Ashadh 31, 2073)

Schedule 30 (c)
Amount in NPR '000

Credit Exposures	Deposits with Bank	Deposits with other banks/FI	Gold	Nepal Government & NRB Securities	G'tee of Govt. of Nepal	Sec/G'tee of Other Sovereigns	G'tee of domestic banks	G'tee of MDBs	Sec/G'tee of Foreign Banks	Total
	a	b	c	d	e	f	g	h	i	
B. Off Balance Sheet Exposures										
Forward Exchange Contract Liabilities	-	-	-	-	-	-	-	-	-	-
LC Commitments with Original Maturity up to 6 Months (domestic counterparty)	38,454	-	-	-	-	-	-	-	-	-
Foreign Counterparty (ECA Rating 0-1)	-	-	-	-	-	-	-	-	-	-
Foreign Counterparty (ECA Rating 2)	-	-	-	-	-	-	-	-	-	-
Foreign Counterparty(ECA Rating 3-6)	-	-	-	-	-	-	-	-	-	-
Foreign Counterparty(ECA Rating 7)	-	-	-	-	-	-	-	-	-	-
LC Commitments with Original Maturity over 6 Months (domestic counterparty)	40,343	-	-	-	-	-	-	-	-	-
Foreign Counterparty (ECA Rating 0-1)	-	-	-	-	-	-	-	-	-	-
Foreign Counterparty (ECA Rating 2)	-	-	-	-	-	-	-	-	-	-
Foreign Counterparty(ECA Rating 3-6)	-	-	-	-	-	-	-	-	-	-
Foreign Counterparty(ECA Rating 7)	-	-	-	-	-	-	-	-	-	-
Bid Bond, Performance Bond and Counter Guarantee(domestic counterparty)	76,306	-	-	-	-	-	-	-	-	76,306
Foreign Counterparty (ECA Rating 0-1)	-	-	-	-	-	-	-	-	-	-
Foreign Counterparty (ECA Rating 2)	-	-	-	-	-	-	-	-	-	-
Foreign Counterparty(ECA Rating 3-6)	-	-	-	-	-	-	-	-	-	-
Foreign Counterparty(ECA Rating 7)	-	-	-	-	-	-	-	-	-	-
Underwriting commitments	-	-	-	-	-	-	-	-	-	-
Lending of Bank's securities or posting of securities as collateral	-	-	-	-	-	-	-	-	-	-
Repurchase Agreements, Assets sale with recourse (including repo/reverse repo)	-	-	-	-	-	-	-	-	-	-
Advance Payment Guarantee	-	-	-	-	-	-	-	-	-	-
Financial Guarantee	-	-	-	-	-	-	-	-	-	-
Acceptances and Endorsements	-	-	-	-	-	-	-	-	-	-
Unpaid portion of partly paid shares and securities	-	-	-	-	-	-	-	-	-	-
Irrevocable Credit commitments Short Term	-	-	-	-	-	-	-	-	-	-
Irrevocable Credit commitments Long Term	-	-	-	-	-	-	-	-	-	-
Other Contingent Liabilities	-	-	-	-	-	-	-	-	-	-
Total Off Balance Sheet Exposure	155,103	-	-	-	-	-	-	-	-	155,103
Grand Total	368,280	-	2,190,298	-	-	-	-	-	-	2,558,578

Risk Weighted Exposure for Operational Risk

As at July 15, 2016 (Ashadh 31, 2073)

Schedule 30 (D)

Amount in NPR '000

S.N. Particulars	Previous Year of Mid July 2016			Mid July 2015
	2012/13	Fiscal Year 2013/14	2014/15	
1 Net Interest Income	1,035,071	1,073,127	1,268,403	
2 Commission and Discount Income	52,569	54,742	62,457	
3 Other Operating Income	134,436	206,170	181,212	
4 Exchange Fluctuation Income	27,171	75,833	98,668	
5 Addition/Deduction in Interest Suspense during the period	56,849	53,265	(3,999)	
6 Gross income (a)	1,306,096	1,463,137	1,606,741	
7 Alfa (b)	15%	15%	15%	
8 Fixed Percentage of Gross Income [c=(a×b)]	195,914	219,471	241,011	
9 Capital Requirement for operational risk (d) (average of c)			218,799	175,252
10 Risk Weight (reciprocal of capital requirement of 10%) in times (e)			10	10
11 Equivalent Risk Weight Exposure [f=(d×e)]			2,187,990	1,752,520
SRP 6.4a (8) Adjustments under Pillar II (If Gross Income for the last three years is negative)				
1 Total Credit and Investment (net of Specific Provision)			-	
2 Capital Requirement for Operational Risk (5% of net credit and investment)			-	
3 Risk Weight (reciprocal of capital requirement of 10%) in times				
4 Equivalent Risk Weight Exposure (g)			-	
5 Equivalent Risk Weight Exposure [h=f*g]			2,187,990	1,752,520

Risk Weighted Exposure for Market Risk

As at July 15, 2016 (Ashadh 31, 2073)

Schedule 30 (E)

Amount in NPR '000

S.No.	Currency	Mid July 2016		Relevant Open Position	Mid July 2015 Relevant Open Position
		Open Position (FCY)	Open Position (NPR)		
1	INR	4,387	7,023	7,023	62,156
2	USD	18	1,952	1,952	8,673
3	GBP	5	734	734	6,686
4	AUD	53	4,353	4,353	1,450
5	CAD	10	860	860	401
6	CHF	4	422	422	655
7	SGD	4	308	308	1,121
8	JPY	759	768	768	1,772
9	SEK	-	5	5	4
10	DKK	20	326	326	23
11	HKD	9	118	118	69
12	SAR	54	1,534	1,534	2,292
13	QAR	31	898	898	481
14	AED	18	521	521	1,142
15	THB	3	10	10	16
16	EUR	5	549	549	589
17	MYR	28	768	768	982
18	CNY	2	39	39	51
19	KWD	1	251	251	193
20	BHD	-	57	57	27
(a) Total Open Position				214,960	88,783
(b) Fixed Percentage				5%	5%
(c) Capital Charge for Market Risk (=a×b)				1,075	4,439
(d) Risk Weight (reciprocal of capital requirement of 10%) in times				10	10
(e) Equivalent Risk Weight Exposure (=c×d)				10,748	44,390

Risk Weighted Exposure for Operational Risk

As at July 15, 2016 (Ashadh 31, 2073)

Schedule 31

Indicators		Fiscal Year 2011/12	Fiscal Year 2012/13	Fiscal Year 2013/14	Fiscal Year 2014/15	Fiscal Year 2015/16
1. Net Profit / Gross Income	Percent	10.57	16.84	17.81	23.17	27.31
2. Earning Per Share (Average share outstanding)	NPR	10.70	19.66	23.70	30.94	35.25
3. Market Value Per Share	NPR	230	267	539	489	680
4. Price Earning Ratio	Times	21.50	13.58	22.74	15.80	19.29
5. Dividend (including bonus) on Share Capital	Percent	8.42	15.00	18.95	21.05	25.78
6. Cash Dividend on Share Capital	Percent	8.42	15.00	5.95	1.05	1.29
7. Interest Income / Loans and Advances	Percent	13.94	13.07	11.44	10.19	9.41
8. Staff Expenses / Total Operating Expenses	Percent	33.84	37.06	38.11	42.57	44.19
9. Interest Expenses / Total Deposits and Borrowings	Percent	8.86	5.81	5.37	4.60	4.38
10. Exchange Gain / Total Income	Percent	0.03	1.11	2.71	3.17	3.62
11. Staff Bonus / Total Staff Expenses	Percent	29.69	39.47	40.56	41.20	52.13
12. Net Profit / Loans and Advances	Percent	1.67	2.55	2.42	2.75	3.10
13. Return on Total Assets	Percent	1.22	1.79	1.71	1.95	2.24
14. Total Credit / Deposits	Percent	83.06	78.97	82.87	81.60	85.59
15. Total Operating Expenses / Total Assets	Percent	1.74	1.69	1.49	1.58	1.38
16. Adequacy of Capital Fund on Risk Weighted Assets	Percent	14.47	11.89	12.99	13.27	12.40
Core Capital	Percent	13.58	11.05	10.26	10.74	10.57
Supplementary Capital	Percent	0.90	0.84	2.73	2.53	1.83
17. Liquidity (CRR)	Percent	17.53	13.24	11.48	8.20	6.74
18. Non-Performing Loans / Total Loans	Percent	2.01	2.01	3.40	1.53	1.38
19. Weighted Average Interest Rate Spread	Percent	3.87	4.82	4.99	4.22	3.96
20. Book Net Worth Per Share	NPR	109	113	116	121	121
21. Number of Equity Shares (At Year End)	Nos.	21,018,400	21,018,400	21,018,400	25,543,615	30,652,338
22. Number of Permanent Staffs	Nos.	301	330	399	532	652
23. Return on Equity	Percent	9.85	17.37	18.09	19.26	20.36
24. Dividend Pay Out Ratio	Percent	78.74	76.29	25.10	3.73	3.66
25. Earnings Yield	Percent	4.65	5.67	1.17	5.25	4.36
26. Dividend Yield	Percent	3.66	5.62	3.52	4.30	3.79
27. Cost to Operating Income Ratio	Percent	45.30	30.52	30.72	36.15	31.32
28. Total Assets to Shareholder' Fund	Times	8.80	10.92	11.70	11.09	10.38
29. Shareholders' Fund to Total Liability including Contingent Liability	Percent	9.56	7.98	7.38	7.42	7.39
30. Base Rate	Percent		9.72	8.16	7.30	6.06
31. CCD Ratio as per NRB Directives	Percent	74.98	72.38	75.45	74.95	77.63
32. Number of Branches	Nos.	33	34	42	54	56
33. Number of ATMs	Nos.	31	35	38	44	49
34. Net Profit per staff	NPR	746,824	1,252,258	1,248,353	1,353,963	1,657,021
35. Per employee staff cost	NPR	361,507	437,683	414,959	465,940	452,764
36. Diluted Earning Per Share	NPR					24.55

Note.

- Gross Income in S.N. 1 comprises of Interest Income, Commission and Discount, Other Operating Income and Exchange Income.
- EPS in S.No.2 is restated in line with Nepal Accounting Standard (NAS) 26 Earning Per Share that requires computation of EPS dividing earnings attributable to equity holders by weighted average number of shares. Average number of shares during the year is considered as weighted average number of shares. Bank's basic diluted EPS in S.N. 36 is different as there are potential ordinary shares outstanding as on the balance sheet date.
- Market Value per Share in S.N. 3 is the closing price quoted in Nepal Stock Exchange on Friday, the 15th July 2016, being last time trading for the year
- Dividend in S.N. 5 is based on paid up capital NPR 3,065,233.817 as on July 15, 2016
- The Interest Income in S. N. 7 is the interest income from loans and advances (excluding staff loans). The loans and advances are the average loans and advances for the entire financial year.
- Total Operating Expense in S.N. 8 comprises Interest Expense, Staff Expense and Other Operating Expense.
- The Deposits and Borrowings in S.N.9 are the average deposits and borrowings for the entire financial year.
- Total Income in S.N. 10 is same as Gross Income in S.N. 1 comprising of Interest Income, Commission and Discount, Other Operating Income and Exchange Income
- The Loans and Advances in S.N. 12 is same as Loans and Advances in S.N. 7 and is the average balance for the entire financial year.
- Total Assets in S.N 13 and S.N. 15 are average balance of assets computed by averaging outstanding balance of previous financial year and current financial year.
- Credit and Deposit in S.N. 14 is the outstanding balance as of balance sheet date.
- CRR in the S.N. 17 is computed on the basis of cash and cash equivalents and deposits outstanding on the balance sheet date. The CRR (as per NRB Directives) for the last week of the current financial year was 7.52%.
- NPA in S.N. 18 also includes restructured / rescheduled loans.
- Equity in SN 23 and shareholder's fund in 28 & 29 comprises share capital and reserve funds.
- Earnings Yield represent earnings (attributable to equityholders) per market value of share.
- Dividend Yield represent dividend per market value of share.

PRINCIPLE ACCOUNTING POLICIES

For the period of July 17, 2015 to July 15, 2016

Schedule 32

1. Overview

Reporting Entity

Citizens Bank International Limited (the 'Bank' or 'CBIL') is a publicly held bank engaged in providing a wide range of banking and financial services. CBIL is a banking company governed by the Bank and Financial Institution Act, 2063. The Bank has its Corporate Office at Narayanhiti Path, Kathmandu and was incorporated as a limited company under the Companies Act, 2063. The Bank received the license to commence banking operations from the Nepal Rastra Bank on April 20, 2007 (Baishakh 7, 2064). CBIL is an "A" class Commercial Bank. Its Equity Shares are listed in Nepal Stock Exchange.

On April 8, 2015 (Baisakh 25, 2072), the Bank acquired two "C" class financial institutions Nepal Housing & Merchant Finance Limited and People's Finance Limited as per final approval for acquisition received from Nepal Rastra Bank on April 9, 2015 (Chaitra 26, 2071).

The principal activities of the Bank is to provide all commercial banking services including agency services, trade finance services, e-commerce services and trading of gold and silver, etc. to its customers through head office, branches, branchless banking units and ATMs.

Subsidiary

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

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

2. Statement of Compliance

The financial statements have been prepared in accordance with requirements prescribed

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

3. Basis of Preparation

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

4. Use of Estimates

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

5. Significant Accounting Policies

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

a. Revenue Recognition

Revenue comprises of interest income, fees and commission, foreign exchange income, cards income, disposal income etc. Revenue is recognized to the extent it is probable that the

economic benefits will flow to the Bank and the revenue can be reliably measured.

- Interest income is recognized in the profit and loss account on accrual basis, except in the case of loans & advances as per NRB Directives.
- Interest suspense on Loans and Advances as on fiscal year closing that are received within 15th of Shrawan of subsequent fiscal year is recognized as interest income in the books of accounts as per NRB Directives.
- Interest on loans & advances is recognized on cash basis as prescribed by NRB Directives, which is not in accordance with NAS that prescribes recognition of interest on accrual basis considering the effective interest method. The practice followed by the Bank as per NRB Directives is more conservative.
- Commission on guarantees issued by the Bank is recognized as income over the period of the guarantee, except for guarantee commission not exceeding Rs 10 thousands, which is recognized at the time of issue of the guarantee.
- Commission on Letters of Credit (LC) issued by the Bank is recognized as income at the time of issue of the LC. However, income from usance LC is accounted for on the basis of period of LC on accrual basis.

- Income on discounted instruments like bills purchased, documents negotiation is recognized at the time of discounting.
- Other fees and commission income are recognized on accrual basis.
- Cash dividend declared by resident company is recognized when the right to receive payment is established at net of withholding tax. Bonus dividend declared is not recognized as income. The quantity of shares received as bonus dividend is disclosed in Schedule 12 (A) of the financial statements.

b. Interest Expense

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

c. Fixed Assets, Depreciation & Amortization Policy

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

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

However,

- For income tax calculation purpose, depreciation is calculated as per the rate and procedures defined in Income Tax Act 2058.
- The expenses of leasehold improvements are amortized over the lease period or a maximum of 10 year period whichever is lower.
- The capitalized value of Software Purchase and installation costs are amortized over

a maximum 5 year period or within the ownership period.

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

d. Investments

Classification and valuation of the Bank's investments are carried out in accordance with

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

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

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

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

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

Investment held to maturity shall have to be evaluated at the amortized costs. Write off costs shall be calculated having deducted impairment from cost price. Impairment shall be included in the profit/loss account of the concerned period.

3- Investment available for sale: All investment not falling under the held for trading and held

to maturity shall have to be placed under this class. Such investment shall have to be marked to market on regular basis and the difference shall have to be adjusted through reserves. In case of the investment held for trading and available for sales which have not been enlisted in the stock exchange market and having no active market, they shall be written off at the cost price and the actual investment therefore shall be presented in the balance sheet having made provision of investment adjustment reserve pursuant to Nepal Rastra Bank Directives. Bank creates investment adjustment reserve at 2% of investment classified as available for sale except on investment on shares specifically allowed by Nepal Rastra Bank. Moreover, in case bonus shares are acquired, only the number of shares has to be added and it will not be accounted as an income.

e. Non-Banking Assets

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

f. Loans and advances including Bills Purchases

Loans and advances including bills purchased include direct finance provided to the customers such as bank overdrafts, credit card, personal loans, term loans, hire purchase finance and loans to deprived sector. Advances are classified as performing and non-performing based on the relevant NRB Directives. Advances are stated net of specific loan loss provisions, interest suspense (if capitalized), export credit guarantee corporations claims received, inter-bank participation certificates issued and bills rediscounted. Specific loan loss provisions in respect of non-performing advances are made

based on management's assessment of the degree of impairment of the advances, subject to the minimum provisioning level prescribed in relevant NRB Directives. Provision is made for possible losses on loans and advances, overdraft and bills purchased at 1% to 100% on the basis of classification of loans and advances, overdraft and bills purchased in accordance with the directives of Nepal Rastra Bank.

g. Loans and advances Write offs

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

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

h. Staff Loans

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

i. Stationery

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

j. Transactions involving Foreign Exchange

Monetary foreign currency assets and liabilities are translated at the balance sheet date at mid- exchange rates published by the bank at the end of each day. The resulting profits or losses are recognized in the profit and loss account. Income and expenditure in foreign currency are accounted for at exchange rates prevalent on the date of the transaction. Profit or loss realized from the difference between buying and selling rates of foreign currencies are accounted for as "Trading Gain or Loss on Foreign Exchange". Profit or Loss arising from fluctuations in exchange rates of foreign currencies are accounted

for as "Revaluation Gain or Loss on Foreign Exchange". At the annual closing, if the revaluation loss is reported, the same is charged to Profit and Loss Account and if revaluation profit is reported, such amount is shown as income in Profit and loss Account and 25 percent of such profit is appropriated to Exchange Fluctuation Reserve through Profit and Loss Appropriation Account as required by NRB Directives.

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

k. Retirement and Employee Benefits

Leave salary

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

Gratuity

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

Provident fund

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

I. Income Tax Provision

Income tax expense comprises current tax provision (i.e. the amount of tax for the period determined in accordance with the prevailing Income Tax Act, 2058 and the rules framed there under) and the net change in the deferred tax asset or liability in the year.

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

In addition to the exhibition of regular tax expenses as "Current Tax" under Income Tax Provisions in Profit and Loss account, the current year's deferred tax is also accounted under the heading of "Deferred Taxation". Deferred Tax Reserve is earmarked to the extent of outstanding balance of Deferred Tax Assets as per NRB Directives.

m. Provisions and Contingent Assets/ Liabilities

Bank creates a provision when there is a

present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for contingent liability is made when there is a possible obligation or a present obligation that may but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed. Contingent assets are not recognized in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the period in which the change occurs.

Liabilities on account of derivative contracts are reported under Contingent Liabilities under sub- heading Outstanding Liabilities for Forward Exchange Contract. These include notional principal on outstanding forward rate agreements and currency swap transactions. The profit or loss that arise from Forward Exchange Contract is recognized at the time of settlement.

NOTES TO THE ACCOUNTS

As at July 15, 2016 (Ashadh 31, 2073)

Schedule 33

1. Details of Paid Up Capital of the Bank

Fiscal Year	Total Paid Up Capital NPR	Remarks
2006/07	560,000,000	Promoter's Share Capital
2007/08	560,000,000	No change.
2008/09	1,000,000,000	Additional NPR 14 Crore Promoter Share and NPR 30 Crore Public Share Issued
2009/10	2,000,000,000	Issuance of 1:1 Right Share
2010/11	21,000,00,000	5 % Bonus Shares Issued
2011/12	2,101,840,000	Fraction Share Adjustment in promoter share to maintain the ratio between promoter and public shareholders
2012/13	2,101,840,000	No change.
2013/14	2,375,079,200	13% Bonus Shares Issued
2014/15	2,554,361,514	After acquisition of NHMFL & PEFIL and fraction share adjustment.
2015/16	4,401,315,379	Proposed Bonus Shares, Calls in Advance with reference to Right Share Issued at the ratio of 100:55.

2. Investments

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

Particulars	Classification	Amount NPR	Investment Adjustment Reserve NPR	Net Investment NPR
Investment in Equity Shares	Available for Sale	106,801,128	17,616,000	89,185,128
Investment in Treasury Bills	Held To Maturity	1,343,461,611		1,343,461,611
Investment in Government Bonds	Held To Maturity	3,970,200,000		3,970,200,000
Nepal Rastra Bank Bond	Held To Maturity	1,081,025,000		1,081,025,000
Placements In banks	Held To Maturity	976,549,174		976,549,174
Total		7,478,036,913	17,616,000	7,460,420,913

The details with reference to Investment in Subsidiary is disclosed in Schedule 32 "Principal Accounting Policies" and Notes to Accounts 32(d) Related Party Disclosures.

3. Capital Redemption Reserve (Bond Redemption Reserve)

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

Redemption Reserve. The Bank has set aside NPR 100,000,000 to Capital Redemption Reserve in the FY 2015/16.

4. Capital Reserve on Investment in CBIL Capital Limited

The Bank has invested in equity share capital of CBIL Capital Limited, Merchant Banking Company amount to NPR 67,000,000 and owns its 67% of share capital making it subsidiary of the Bank. The gain on bargain purchase on Investment in Subsidiary has been calculated as below:

Details	Book Value (NPR)	Fair Value as on 13/03/2016 (NPR)
Assets		
Fixed Assets	55,500	55,500
Investment		
Fixed Deposit	19,000,000	19,000,000
Investment in shares	15,320,382	15,456,696
Cash Balance	6,158	6,158
Bank Balance	67,312,911	67,312,911
Deferred Tax Assets	52,300	52,300
Current Assests, Loan & Advances	3,036,670	3,036,670
Trade and Other Receivables	375,745	375,745
Total Assets		105,295,980
Liabilities		
Current Liabilities and Provisions	993,707	993,707
Provisions	1,111,455	1,111,455
Total Liabilities		2,105,162
Fair Value of identifiable assets and Liabilities		103,190,818
Acquirer's Interest 67% of the Total Share Capital		69,137,848
Consideration Transferred		67,000,000
Capital Reserve in Consolidated Balance Sheet		2,137,848

5. Interest Income Recognition on Loans and Advances

Interest on loans & advances is recognized on cash basis as prescribed by NRB Directive 4. Similarly, the same Directive has also allowed BFIs to recognize interest income, interest that has accrued at year end but has been subsequently recovered in cash within 15 days after year-end date. However, the Bank has not recognized such interest income received in cash within 15 days after year end as income in the current year.

6. Events after Balance Sheet Date

"The Bank received final approval from Nepal Rastra Bank to acquire 'C' class financial institution Premier Finance Limited on July 4, 2016 (2073/03/20) via letter Bai. Bi. Ni. Bi./ Merger- 319/ 072/073. The Bank has decided to commence joint operation after acquisition

of Premier Finance Limited from July 17, 2016 (2073/04/02). The acquisition of Premier Finance Limited has no financial impact in the financial status as on Mid July 2016.

There are no other events after Balance Sheet Date affecting financial status as on Mid July 2016."

7. Proposed Bonus Share in Current Fiscal Year 2015/16

The Board of Directors has proposed Bonus Share of NPR 750,675,762.

8. Proposed Dividend for Current Fiscal Year 2015/16

The Board of Directors has proposed Cash Dividend of NPR 39,509,251.

9. Unpaid Dividend

Dividend declared to the shareholders but not collected till the end date of the reported fiscal year 2015/16 are as below:

1.	Dividend payable for FY 2008/09	NPR 2,651,655.00
2.	Dividend payable for FY 2009/10	NPR 4,071,109.00
3.	Dividend payable for FY 2010/11	NPR 3,091,851.02
4.	Dividend payable for FY 2011/12	NPR 6,717,536.00
5.	Dividend payable for FY 2012/13	NPR 13,537,668.03
6.	Dividend payable for FY 2013/14	NPR 7,552,316.51
7.	Dividend payable for FY 2014/15	NPR 6,725,986.41
7.	Dividend payable for FY 2009/10- NHMFL	NPR 243,104.60
8.	Dividend payable for FY 2010/11- NHMFL	NPR 148,179.25
9.	Dividend payable for FY 2009/10- PEFIL	NPR 1,379,918.12
10.	Unclaimed Dividend FY 2003/04 & 2004/05 - PEFIL	NPR 481,770.00

10. General Reserve Fund

As per section 44 of Bank and Financial Institutions Act (BAFIA) 2063, 20% of the Current Year's Profit NPR 216,075,500 has been transferred to General Reserve Fund.

11. Exchange Fluctuation Reserve Fund

The Bank has appropriated NPR 9,622,914 to Exchange Fluctuation Reserve out of the Revaluation Gain of NPR 38,491,656 made during the year.

12. Income Taxes

Income Tax Provision has been made at the rate of 30% on Taxable Profit. During financial year 2015/16, the Bank deposited total income tax of NPR 420 million to the Large Tax Payer's Office. Similarly, bank has also deposited NPR 59.47 million on account of tax deducted on various payments.

In the current fiscal year, tax office has initiated the tax assessment of the Bank of FY 2011/12. Similarly, tax assessment of acquired institution Nepal Housing Merchange Finance Limited of FY 2011/12 has been completed with additional income tax demand of NPR 3.45 million. Bank has filed for the administrative review for additional income tax demand of the Nepal

Housing and Merchant Finance Limited of FY 2011/12.

Similarly, tax assessment of the Bank of FY 2010/11 has been completed with additional income tax demand of NPR 2.89 million and acquired institution People's Finance Limited of FY 2010/11 is under Administrative Review with an additional Tax demand of NPR 21 million.

In case of FY 2008/09, additional income tax demand of NPR 7.70 million and additional TDS demand of NPR 2.17 million and for FY 2009/10 with additional income tax demand of NPR 2.79 million and NPR 3.69 million on account of TDS, bank has settled the disputed amount of tax with Tax Settlement Commission with an agreed amount of NPR 12.1 million including tax payable and disputed tax of FY 1994/95, FY 1998/99, FY 1999/2000 and FY 2008/09 of acquired institution People's Finance Limited. Similarly, in case of FY 2006/07 and 2007/08, bank has filed for petition with Supreme Court which is yet to be decided. The disputed tax amount is NPR 7.13 million of FY 2006/07 and 2007/08.

Bank has disclosed the disputed tax amount of NPR 33.37 million as contingent liability in Schedule 17.

a. Current Tax Liability Computation

Particulars	NPR	Current Year NPR
Profit Before Tax		1,538,863,996
Income Tax @30%		461,659,199
Adjustments		
Increase in tax liability due to less expense allowable than expense incurred		
Depreciation & Amortization	5,774,358	
Gratuity & Leave Expense Provision	24,370,140	
Capital Items Cost Upto NPR 5,000 Written off	1,524,399	
Unabsorbed Software maintenance expenses capitalized	1,338,576	
Staff Bonus pertaining to Final Dividend	67,177	
Other Expense	-	
Total	33,074,650	9,922,395
Decrease in tax liability as the incomes are not taxable		
Provision Expenses on Non- Banking Assets and Loan	4,331,181	
Profit on Sale of Fixed Asset	402,286	
Dividend Income	671,769	
Carried Forward Unabsorbed Lossess of NHMFL and PEFIL	18,656,345	
Total	24,061,581	7,218,474
Income Tax Prior to Adjustment		464,363,120
Interest U/S 118		463,902
Prior Period Taxation		-
Deferred Tax Adjustment		(6,340,523)
Total Income Tax Expenses		458,486,499

b. Deffered Tax

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

Particulars	Accounting Base	Tax Base	Difference	Amount in NPR		
				Deferred Tax Assets (Liability) of This Year	Deferred Tax Assets (Liability) of Last Year	Deferred Tax Income (Expenses) of Last Year
Fixed Assets	1,107,847,373	1,153,699,276	45,851,903	13,755,571	9,236,559	4,519,012
Provision for Gratuity	31,783,372	-	31,783,372	9,535,012	4,995,615	4,539,397
Provision for Leave encashment	49,999,942	-	49,999,942	14,999,983	12,228,338	2,771,645
Unabsorbed Losses	-	93,281,725	93,281,725	27,984,518	33,474,049	(5,489,531)
Total	1,189,630,687	1,246,981,001	220,916,942	66,275,084	59,934,561	6,340,523

13. Gratuity and Leave Fund

Bank has provided NPR 15,131,323 for Gratuity (Previous Year NPR 9,080,474) and NPR 32,638,981 for Annual Leave (Previous Year NPR 21,120,047) as per Actuarial Valuation in Current Fiscal Year 2015/16 (2072/73) which has been credited to Gratuity and Leave Fund.

Particulars	Amount in NPR '000		
	Gratuity	Annual & Sick Leave	Total
Opening Balance	16,652	40,761	57,413
Additions during the Year	15,131	9,239	24,370
Payment during the Year	(715)	(7,744)	(8,459)
Investment during the Year	-	-	-
Balance as on 15 July 2016	31,783	50,000	81,783

14. Provision for Bonus to Employees

Provision for staff bonus has been made as per Bonus Act 2030, calculated at 10% of net profit after bonus. For the FY 2015/16 (2072/73), the Bank has made provision of NPR 153,886,400 towards Staff Bonus.

15. Provision for Employees Housing

As per the terms of service of the staff provision for providing housing loans to eligible staff, a separate housing fund has not been created as required by Labor Act, 2049.

16. Fixed Assets, Depreciation and Amortization

1. Depreciation for the year is NPR 56,335,530. Expenses for office furnishing are capitalized as Fixed Assets and depreciated over a maximum 5 years period. Similarly, Software Purchase and installation costs are also capitalised as Fixed Assets and depreciated over a maximum 5 years period or within the ownership period.

2. The expenses of leasehold improvements are amortized over a maximum of 10 years period or the lease rental period, whichever is earlier. As such, during the fiscal year 2015/16 NPR 19,043,287 is amortized as expenses and balance NPR 74,600,110 will be amortized in coming year.

3. Net Profit on sale of Fixed Assets is NPR 402,285.76 and Net Profit on sale of Non-Banking Assets is NPR 90,038,133.94 which have been shown in Schedule 25.

17. a. Particulars of Loans disbursed, Recovered and Principal Written off during the Fiscal Year:

Particulars	Amount in NPR '000	
	Amount	
Balance of Loans and Advances as on 17 July 2015	29,199,908	
Loan Disbursed during the Year	36,799,077	
Loan Recovered during the Year	(25,433,163)	
Loans Written Off during the year	-	
Balance of Loans and Advances as on 15 July 2016	40,565,822	

17. b. Particulars of Interest Accrued, Recovered and Written off of Loan during the Fiscal Year:

Particulars	Amount in NPR '000	
	Amount	
Balance of Interest Accrued as on 17 July 2015	206,534	
Interest Accrued during the Year	(3,282,417)	
Interest Recovered during the Year	3,281,365	
Interest Written Off	23,110	
Balance of Interest Accrued as on 15 July 2016	228,592	

The total interest income on loan accrued during the year is NPR 3,282 million which should be shown as income as per NAS 07. However, the Bank has shown the interest income on cash basis as per the NRB Unified Directives, as a result the interest income on loans and advances shown in Profit and Loss Account has been undercasted by NPR 1.052 million.

18. Summary of changes in Loans & Advances:

Particulars	Amount in NPR '000		
	Current Year 15.07.2016	Last Year 16.07.2015	Changes
Loans & Advances	40,439,214	29,101,313	38.96%
Bills Purchased & Discounted	126,608	98,595	28.41%
Accrued Interest Receivables	228,592	206,534	10.68%

19. Summary of changes in Deposit Liabilities :

Particulars	Amount in NPR '000		
	Current Year 15.07.2016	Last Year 16.07.2015	Changes
Current and Margin Accounts	1,672,042	1,290,904	29.52%
Savings Bank Account	9,684,567	7,568,628	27.96%
Call Deposits	10,097,587	7,799,918	29.46%
Fixed Deposits	25,939,305	19,122,699	35.65%
Interest Payables on Deposits	28,279	24,750	14.26%

20. Weighted Average Interest Spread (as per NRB Directives)

Particulars	Percentage
Average Rate of Loan and Advances & Investment in Government Securities	8.09%
Average Rate of Local Currency Deposits	4.41%
Net Spread	3.68%

21. Summary of Concentration of Exposure:

Amount in NPR '000

Particulars	Loans, Advances & Bills Purchased	Deposits & Borrowings	Off Balance Sheet
Total Amount as on 16 July 2015	40,565,821	48,512,547	16,740,778
Highest Exposure to a Single Unit	853,830	2,876,803.65	267,931
Highest % of Exposure to a Single Unit	2.10%	5.93%	1.60%
Core Capital	5,121,298		

22. Matching Assets and Liabilities: Liquidity Profile/ Structural Liquidity Table As on Ashad End 2073

Amount in NPR '000

Particulars	1-7 days	8-30 days	31-90 days	91-180 days	181-270 days	271-365 days	More than 1 year	Total
Assets								
1 Cash Balance	1,884,361	-	-	-	-	-	-	1,884,361
2 Balance with Banks & FIs	4,008,833	-	-	-	-	-	-	4,008,833
3 Investment in Foreign Banks	247,449	-	53,650	107,300	429,200	344,284	-	1,181,883
4 Call Money	-	-	-	-	-	-	-	-
5 Government Securities	-	-	238,764	867,243	-	1,318,479	3,970,200	6,394,686
6 Nepal Rastra Bank Bonds	-	-	-	-	-	-	-	-
7 Inter Bank & FI Lending	-	-	-	30,044	12,071	-	-	42,115
8 Loans & Advances	569,985	1,733,169	4,034,177	5,525,045	7,310,765	6,221,616	15,171,063	40,565,820
9 Interest Receivable	160,712	128	2,616	13,579	1,037	2,157	74,584	254,813
10 Reverse Repo	-	-	-	-	-	-	-	-
11 Acceptance Receivable	-	-	-	-	-	-	-	-
12 Payments under S.No. 20,21 & 22	1,868,553	1,160,050	1,758,670	3,741,315	2,844,462	4,756,721	535,282	16,665,053
13 Others	316,493	42,246	236,168	-	-	1,045	1,286,177	1,882,129
Total (A)	9,056,386	2,935,593	6,324,045	10,284,526	10,597,535	12,644,302	21,037,306	72,879,693
Liabilities								
14 Current Deposits	83,602	250,806	167,204	418,010	418,010	334,408	-	1,672,040
15 Saving Deposits (including call)	3,008,625	3,492,854	1,978,215	2,987,974	1,493,987	1,493,987	5,326,512	19,782,154
16 Fixed Deposits	770,454	1,618,927	3,041,631	5,399,592	4,774,803	8,943,836	1,390,061	25,939,304
17 Debentures/Bonds	-	-	-	-	-	-	500,000	500,000
18 Borrowings	1,113,257	3,039	-	-	-	2,750	-	1,119,046
Call/Short Notice	-	-	-	-	-	-	-	-
Inter-bank/Financial Institutions	1,113,257	3,039	-	-	-	-	-	1,116,296
Refinance	-	-	-	-	-	2,750	-	2,750
Others	-	-	-	-	-	-	-	-
19 Other Liabilities and Provisions	468,993	-	-	153,886	-	-	81,783	704,662
Sundry Creditors	6,570	-	-	-	-	-	-	6,570
Bills Payable	93,282	-	-	-	-	-	-	93,282
Interest Payable	39,809	-	-	-	-	-	-	39,809
Provisions	-	-	-	-	-	-	-	-
Others	329,332	-	-	15,3886	-	-	81,783	565,001
20 Acceptance Liabilities	46,069	152,965	270,289	28,005	-	13,191	-	510,519
21 Irrevocable Loan Commitment	1,275,791	637,895	637,895	3,189,477	2,551,582	4,465,268	-	12,757,908
22 Letter of Credit/Guarantee	546,693	369,190	850,486	523,833	292,880	278,262	535,282	3,396,626
23 Repo	-	-	-	-	-	-	-	-
24 Payable under s.no.11	-	-	-	-	-	-	-	-
25 Others	-	-	-	-	-	-	6,275,163	6,275,163
Total (B)	7,313,484	6,525,676	6,945,720	12,700,777	9,531,262	15,531,702	14,108,801	72,657,422
Net Financial Assets (A-B)	1,742,902	(3,590,083)	(621,675)	(2,416,251)	1,066,273	(2,887,400)	6,928,505	222,271
Cumulative Net Financial Assets	1,742,902	(1,847,181)	(2,468,856)	(4,885,107)	(3,818,834)	(6,706,234)	222,271	-

Assumption:

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

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

1. Stationery, Sundry Debtors, Deferred Tax Asset, Account Receivable Others, Security Deposit, Gold/Silver at Vault are assumed to be received in 1-7 days and all other assets are assumed to be received in more than 1 year.
2. Employees Provident Fund, Sundry Creditors, Bills Payable, Unpaid Dividend, Audit Fees Payable, Account Payable Others, Tax deducted at Source and Provision For expenses are assumed to be paid in 1-7 days and all other liabilities are assumed to be paid in more than 1 year.
3. Interest payable within 30 days or maturity period whichever is earlier.
4. Loan Loss Provision, Accumulated Depreciation, Interest Suspense assumed to be more than 1 year.
5. Staff loans are assumed to be received after 1 year, Interest receivable to be realised at maturity or within 30 days (quarter End).

23. Particulars of Secured Borrowings

None.

24. Details of Non Banking Assets

Particulars	Amount in NPR '000
Balance as on 16 July 2015	663,516
Additions during the Year	27,377
Disposals during the Year	310,648
Balance as on 15 July 2016	380,245

During the year there was a net profit of NPR 90,038,134 on disposal of Non- Banking Assets. The profit has been shown under Schedule 25.

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

The Bank has collected NPR 585,405,800 as calls in advance till Mid July 2016 as a result of right share issuance of 100:55 shares.

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

Particulars	Amortization up to Last Year	Amortization for this Year	Amortization for disposed off Assets	Amount in NPR '000 Amortization up to this Year
Leasehold Assets (included in Other Assets of Schedule 14)	84,756	19,043	-	103,799

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

a. Inter Branch Account

There is no unreconciled transaction in Interbranch Accounts as on year end FY 2015/16.

b. Nepal Rastra Bank

Amount in NPR '000

Time Duration	Ledger Debit	Ledger Credit	Statement Debit	Statement Credit
1 month and below		9,740		100,000
1 - 3 months		53		
3 - 6 months		20		
6 - 12 months		53		
1 - 2 years		-		

c. Local Financial Institutions

Amount in NPR '000

Time Duration	Ledger Debit	Ledger Credit	Statement Debit	Statement Credit
1 month and below	7,361	571	3,527	259
1 - 3 months				
3 - 6 months				
6 - 12 months	-	-	-	-
1 - 2 years	-	-	-	-

d. Foreign Bank

Amount in NPR '000

Time Duration	Ledger Debit	Ledger Credit	Statement Debit	Statement Credit
1 month and below		52,899	-	2,712
1 - 3 months		2,678		
3 - 6 months		913		2
6 - 12 months	-	153	-	-
1 - 2 years	-	-	-	-

28. Related Party Disclosure

a. Key Management Persons of the Bank

Dr. Shankar Prasad Sharma	BOD Chairman
Mr. Bal Krishna Prasai	Director
Mr. Manohar Das Mool	Director
Mr. Prakash Chandra Mainali	Director
Mr. Pabitra Kumar Karki	Director
Mr. Bijaya Dhoj Karki	Director
Mr. Chandra Tandon	Director
Dr. Chanda Karki	Director
Mr. Rajan Singh Bhandari	Chief Executive Officer

b. Transactions between the Bank and BOD Members

Particulars	Amount in NPR
Meeting Fees	2,440,000
Other Expenses	1,254,759

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

Amount in NPR '000		
Particular	Chief Executive Officer (NPR)	Management Team (NPR)
1. Short Term Employment Benefits		
a. Salary	6,926	9,648
b. Allowance	4,534	11,915
c. Provident Fund	693	730
d. Staff Bonus and Welfare	5,451	8,418
e. Accumulated Leave Encashment	-	1,020
f. Staff Welfare Fund	1,221	1,362
Total Income	18,825	33,093
Less: Income Tax Paid	6,164	7,308
Net Income	12,661	25,785
2. Telephone/Mobile	As per contract with the Bank	As per Employee Byelaws of the Bank
3. Post Employment Benefit	No	No
4. Other Long Term Benefits	No	No
5. Termination Benefits	No	Yes
6. Shares Based Payments	No	No

Note:

1. Management Team includes Chief Finance Officer and Deputy Manager and above staffs.

2. Chief Executive Officer is entitled for facilities as per Contract of appointment with the Bank, Bonus as per Bonus Act 2033 and vehicle facility.

3. Permanent staffs of the Bank are entitled to gratuity and leave encashment facility as termination benefits.

d. Transactions with Subsidiary

- The Bank entered into a Management Service Agreement (MSA) with Subsidiary for providing management services. Provisions laid in MSA are in line with arms-length principle. Bank has made an investment of NPR 67 million to its subsidiary Company.
- An agreement has been made between the Bank and the Subsidiary Company to provide following facilities to Subsidiary Company by the bank for a monthly fee of NPR 300,000.00
 - Bank has deputed its Senior Manager as CEO to its subsidiary providing, salary allowance and other eligible facilities as per the Bank's Employee Byelaws.
 - The Bank provides technical assistance required for Computer hardware, software and network maintenance
 - Internal audit of the Bank will handle all audit work of its subsidiary and will submit quarterly report to its Audit Committee.
 - Bank has also agreed to provide legal consultancy and vehicle facility to the Subsidiary Company.
- Similarly, bank has rented its building located at ward no.33, Dillibazzar to the Subsidiary Company with the agreement to pay Monthly Rent of NPR 110,000.00, which will be increased by 10% in every 2 year.

The overall transactions with the Subsidiary has been tabulated below;

Particulars	Total Amount NPR
Rental Income	330,000
Management fee-Income	900,000
CEO's remuneration	513,061
Deposit of Subsidiary in Call Deposit	555,697
Interest paid to Subsidiary	22,529
Advances to Subsidiary	1,455,139

- 4 All receipt and payment transactions entered into by the Bank with Subsidiary were made net of TDS. TDS has been duly deposited at Tax Office.
- 5 CBIL Capital Ltd holds a deposit account with the Bank which has a balance of NPR 555,697 as on July 15, 2016.

29. Prepaid Expenses

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

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

Particulars	Amount in NPR	
	2015/16	2014/15
Prepaid House Rent	11,669,994	7,512,686
Prepaid Insurance	7,831,449	6,469,290
Prepaid Communication Exp.	87,974	54,780
Prepaid Fee & Subscription	1,108,806	522,836
Prepaid Insurance-Staff	4,430,227	3,710,637
Prepaid Expenses Others	13,944,054	923,435
Prepaid Expenses Total	39,072,504	19,193,664

30. Comparative Figures

Previous year figures have been reclassified/ re-arranged in financial statements to facilitate fair comparison, wherever necessary for the Bank.

Similarly, in case of consolidated Financial statements previous year figure includes the financials of the Bank only and not comparable with Group.

31. Basel Disclosure

31.1. Capital Structure and Capital Adequacy:

a. Core Capital and its components

Description	Amount in NPR '000
Paid up Equity Share Capital	3,650,640
Statutory General Reserve	695,876
Proposed Bonus Equity Shares	750,676
Retained Earning	42,041
Share Premium	2,972
Capital Redemption Reserve	100,000
Other Free Reserves	27,368
Deductions	
Deferred Tax Assets	(66,275)
Investment in equity of institutions with financial interests	(82,000)
Core Capital (Tier I)	5,121,298

b. Supplementary Capital and its components:

Description	Amount in NPR '000
Subordinated Term Debt	400,000
General Loan Loss Provision	466,100
Exchange Equilisation Reserve	18,108
Investment Adjustment Reserve	1,340
Other Free Reserves	-
Supplementary Capital (Tier II)	885,548

c. Subordinated Term Debt

8.5% Citizens Bank Bond, 2077 issued in Poush 2070	Amount in NPR '000
Outstanding Amount	500,000
Maturity Date	Poush 2077
Amount raised during the year	-
Amount eligible for Tier II Capital Fund (net of redemption reserve)	400,000

d. Deduction from Capital

Description	Amount in NPR '000
i. Deferred Tax Assets	66,275
ii. Investment in equity of institutions with financial interests	82,000

e. Total Qualifying Capital

Description	Amount in NPR '000
Core Capital (Tier I)	5,121,298
Supplementary Capital (Tier II)	885,548
Total Capital Fund	6,006,846

f. Capital Adequacy Ratio

Description	Percentage
Tier I Capital to Total Risk Weighted Exposures	10.57%
Tier II Capital to Total Risk Weighted Exposures	12.40%

g. Summary of the bank's internal approach to assess the adequacy of its capital to support current and future activities, if applicable.

The capital of the Bank stands at NPR 4,401,315,379 which fulfils the capital requirement of the Bank. In compliance with the NRB Circular, the Bank has approved capital plan to make the paid up capital of the Bank NPR 8 billion by Mid July 2017.

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

All the capital of the Bank are unconditional.

The bank has issued Subordinated Debt of 500,000 8.5% Citizens Bank Bond, 2077, the main features of which are as under:

Name	8.5% Citizens Bank Bond, 2077
Amount	NPR 500,000,000.00
Interest Rate	8.5% per annum (before tax) payable quarterly
Type	Unsecured and Redeemable at Maturity No call / convertible feature
Numbers of Debentures	500,000 (Five Hundred Thousand Only)
Face Value	NPR 1,000.00
Maturity Period	7 Years
Priority to Debenture Holders	At the time of liquidation, priority of payment to the debenture Listing holders will be after the depositors and secured creditors
Listing	Listed with Nepal Stock Exchange

31.2 Brief About Risk Assets

a. Risk Weightage Assets

Risk Weightage Assets	Amount in NPR '000
Risk Weighted Exposure for Credit Risk	44,819,052
Risk Weighted Exposure for Operational Risk	2,187,990
Risk Weighted Exposure for Market Risk	10,748
Adjustment Under Pillar- II	
Add: 1% of Net Interest Income as Supervisory Haircut	-
Add: 2% of RWE as Supervisory Haircut	940,356
Add: 3% of Operational Risk as Supervisory Haircut	482,022
Total Risk Weighted Exposures (after bank's adjustments of Pillar II)	48,440,168

b. Categories of Risk Weighted Exposure

Risk Weighted Exposure	Amount in NPR '000
Claims On Government and Central Bank	-
Claims On Other Official Entities	-
Claims On Banks	804,636
Claims on Corporate And Securities Firms	19,658,508
Claims On Regulatory Retail Portfolio	5,938,718
Claims Secured By Residential Properties	1,280,944
Claims Secured By Commercial Real Estate	2,560,025
Past Due Claims	741,307
High Risk Claims	7,276,487
Staff loan secured by residential property	114,403
Interest Receivable/claim on government securities	-
Cash in transit and other cash items in the process of collection	-
Investments in equity and other capital instruments of institutions listed in the stock exchange	88,080
Other Assets	1,486,745
Off Balance Sheet Items	4,869,199
Total Credit Risk Exposures	44,819,052

c. Computation of Capital Adequacy Ratio

Particulars	Amount in NPR '000
Total Risk Weightage Assets	48,440,168
Total Core Capital	5,121,298
Total Capital Fund	6,006,846
Core Capital to Total Risk Weighted Exposures	10.57%
Total Capital Fund to Total Risk Weighted Exposures	12.40%

d. Non Performing Assets

Particulars	Amount NPR	Provision NPR	Net NPL NPR
Rescheduled / Resstructured	-	-	-
Sub Standard	94,667,651	23,666,913	71,000,738
Doubtful	50,697,584	25,348,792	25,348,792
Loss	415,240,868	415,240,868	-
Total	560,606,103	464,256,573	96,349,530

e. Non Performing Assets Ratios

Particulars	Percentage
Total NPL to Total Loans & Advances	1.38%
Net NPL to Net Loans & Advances	0.24%

f. Change in Non Performing Loans

Particulars	Previous Year NPR	Current Year NPR	Change
Rescheduled / Restructured	-	-	
Sub Standard	57,398,821	94,667,651	64.93%
Doubtful	53,313,272	50,697,584	(4.91)%
Loss	336,853,293	415,240,868	23%
Total	447,565,386	560,606,103	25.30%

g. Written Off Loans & Advances

Particulars	Previous Year NPR	Current Year NPR	Change
Loan written off	-	-	-
Interest Receivables written off	32,761,238	103,122,165	215%

h. Details of Additional Loan Loss Provision and Movement in Loan Loss Provisions and Interest Suspense

Particulars	Previous Year NPR	Current Year NPR	Additional Provision in Current Year NPR	Change
Pass Loan	278,352,371	383,200,058	104,847,687	38%
Watch List	63,161,330	82,899,570	19,738,240	31%
Rescheduled / Restructured	-	-	-	-
Sub Standard	14,349,705	23,666,913	9,317,208	65%
Doubtful	26,656,636	25,348,792	(1,307,844)	(5%)
Loss	336,853,293	415,240,868	78,387,575	23%
Total	719,373,335	930,356,201	210,982,866	29%
Interest Suspense	206,534,085	228,592,310	22,058,225	10.68%

* Previous year provision figure includes provision figure carried forward from acquired Nepal Housing and Merchant Finance Limited and People's Finance Limited.

i. Investments

Particulars	Classification	Amount in NPR
Investment in Equity Shares	Available for Sale	106,801,128
Investment in Treasury Bills	Held To Maturity	1,343,461,611
Investment in Government Bonds	Held To Maturity	3,970,200,000
Nepal Rastra Bank Bond	Held To Maturity	1,081,025,000
Placements In banks	Held To Maturity	976,549,174
Other Investments	-	-
Total		7,478,036,913

31.3 Risk Management System

1. Bank recognizes the importance of Risk Management and has accordingly invested in processes, people and a management structure. Overall risk management function of the Bank is supervised by Risk Management Committee and Internal Audit Committee represented by BOD members and Senior Executives. Risk Management Committee reviews the asset quality at frequent intervals and Internal Audit Committee provides assurance on the internal control systems of the Bank in place. The human capital is managed by Human Resource Management and Compensation Committee represented by BOD members and Senior Executives. There is Assets and Liabilities Management Committee (ALCO) represented by Senior Executives of the Bank to monitor the interest rate risk, liquidity risk, exchange

risk, market risk, etc. Authority, responsibility and accountability has been fixed to the executives of the Bank. Product policies and programs are duly approved before any new product launches and are reviewed regularly.

2. Credit Risk Management Department analyzes the inherent risks in a particular product. As such the Bank has drawn a clear demarcation between the Credit Business Unit (CBU) and the Risk Management Unit (RMU). A lending process completes once it undergoes both of these units, one business generating the other risk monitoring and controlling. The Bank has standard Credit Policies Guidelines that defines the bank's credit policies, risk mitigating measures and the single obligor limit.

3. Credit risk mitigants used by the Bank are deposit of the borrower within the Bank and cash margin applying supervisory haircut of 20% for capital adequacy. Such mitigatants have minimum impact on the overall capital adequacy of the Bank.

32. Project Status of "SAHAYOG KO HAATH"

An agreement has been entered between the Bank and Access to Finance for the Poor Programmed in Nepal funded by DFID through its managing consultant The Louis Berger Group Inc. As per the agreement, the Bank has provided various financial services to over 1,423 beneficiaries through 38 Branchless Banking locations in Nuwakot, Dolkha, Kathmandu and Lalitpur. The financial services thus provided has helped the unbanked people to get access to banking facilities and develop banking habits, people affected by earthquake have benefited from soft loans to relocate to new homes, start new business and bring back life to normalcy.

Access to Finance for the Poor Programmed in Nepal funded by DFID

PROJECT NAME	SAHAYOG KO HAATH
PROJECT NUMBER	1-2-058A
PROJECT TENURE	JULY 2015-JULY 2018
BLB POINTS IN DOLAKHA	Sahere, Sailungeshowor, Suspachemawati, Boch
BLB POINTS IN NUWAKOT	Okharpauwa, Kakani, Battar, Charghare, Chaughada, Gerkuhu, Samundratar, Saundradevi, Fikure, Tupche, Gorshyang, Jiling, Bidur, Manokamna, Khadgyabhanjyang, Duipipal, Thanapati, Ganesthan, Thansing, Balkumari, Kharanitar, Khanigaun, Ralukadevi, Bageshwari, Budhsingh, Rautbesi, Thaprek, Sunkhani, Deurali, Taruka, Kabilash, Belkot, Najramandap
BLB POINT IN RASUWA	Lahepauwa

Total Grant Receipts NPR	6,649,844
Total Approved Budget	
Staff Costs NPR	7,080,000
Capital expenses NPR	7,706,000
Other project expenses NPR	800,000
Total Project Expenditures	
Staff Costs NPR	6,585,227
Capital expenses NPR	436,800
Other project expenses NPR	1,092,377
Nos of Branchless Banking Locations	38
Nos of Beneficiaries	1,423
District Covered	Nuwakot, Dolkha and Rasuwa
Deposit (NPR)	2,589,037
Loan disbursed (NPR)	4,505,000

Note: The Capital Expenses incurred for the project has been capitalized as per the accounting policy of the Bank.

33. Prior Period Error

Prior period error of NPR 42,596,482 has been discovered in this fiscal year which relates to short booking of tax liability for the fiscal year 2012/13 (2069/70). As a consequence, retained earning and advance tax are overstated since 2012/13 (2069/70). The errors have been corrected by adjusting this prior year error in this fiscal year. The following table summarises impact of the error on the financial statements:

Statement of Financial Position

	Previously Reported	Adjustment	Restated
Retained Earning NPR	125,203,776	42,596,482	82,607,294
Advance Tax NPR	84,775,579	42,596,482	42,179,097

34. Earnings Per Share

Basic Earning Per Share

Earnings per share, also called net income per share, is a market prospect ratio that measures the amount of net income earned per share of stock outstanding. In other words, this is the amount of money each share of stock would receive if all of the profits were distributed to the outstanding shares at the end of the year. It is calculated by dividing profit or loss attributable to ordinary equity holders by the average number of ordinary shares outstanding during the period.

The earnings attributable to the ordinary equity holders consists of the earnings of the Bank after deduction of all expenses, tax expense and preference dividends, differences arising on the settlement of preference shares, and other similar effects of preference shares classified as equity.

Ordinary Shares

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

Simple Average Number of Ordinary Shares

The simple average of outstanding shares is a calculation that incorporates any changes in the amount of outstanding shares over a reporting period. It is an important number, as it is used to calculate key financial measures such as Earnings per share (EPS) for the time period.

Diluted Shares

Fully diluted shares are the total number of shares that would be outstanding if all possible sources of conversion, such as convertible bonds and stock options, were exercised. Companies often release specific financial figures in terms of fully diluted shares outstanding (such as the company's profits reported on a fully diluted per share basis) to allow investors the ability to properly assess the company's financial situation.

Simple Average Number of Diluted Shares

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

Basic Earning Per Share

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

Amount in NPR		
	2015/16	2014/15
Profit attributable of ordinary shareholders NPR	1,080,377,498	720,308,502
Number of ordinary shares	30,652,338	25,543,615
Basic Earning Per Share NPR	35.25	28.20

Diluted Earning Per Share

The calculation of diluted earning per share has been based on the profit attributable to ordinary shareholders and weighted average number of shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

Amount in NPR		
	2015/16	2014/15
Profit attributable of ordinary shareholders NPR	10,803,77,498	720,308,502
Weighted Average number of ordinary shares	44,013,154	30,652,338
Diluted Earning Per Share NPR	24.55	23.50

35. Staff Loans and advances

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

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

Amount in NPR		
Particulars	2015/16	2014/15
Staff Loan	49,044,720	39,951,763
Staff Loan Home	190,670,835	169,660,011
Employee's Advances	1,120,203	3,390,751
Staff Overdraft	27,387,511	15,385,942
Credit card Receivable	1,004,828	-
Total	269,228,098	228,388,467

The Staff Loans and Advances are included in the Schedule 16 "Other Assets" which is NPR 269,228,097 of FY 2015/16 (2072/73) and NPR 228,388,467 of FY 2014/15 (2071/72)

36. Financial Statements as per NFRS

Consolidated Statement of Financial Position

As at July 15, 2016 (Ashad 31, 2073)

Amount in NPR

Particulars	July 15, 2016	July 16, 2015
Liabilities		
Resources of Central Banks	2,750,000	302,000,000
Deposit From Banks	3,935,231,858	3,952,263,248
Deposit From Customers	43,457,713,413	31,829,885,516
Financial Liabilities at Fair Value Through Profit or Loss	-	-
Debt Securities and Other Borrowings	1,614,031,724	1,097,361,141
Current Tax Liabilities	-	-
Deferred Tax Liabilities	-	-
Provisions	83,628,829	67,701,675
Other Liabilities	631,826,063	475,387,599
Total Liabilities	49,725,181,888	37,724,599,179
Shareholder's Equity		
Share Capital	3,650,639,617	2,554,361,514
Other Reserves	1,929,507,703	1,396,424,403
Non Controlling Interest	36,860,871	
Total Equity	5,617,008,191	3,950,785,917
Total Equities and Liabilities	55,342,190,079	41,675,385,096

Particulars	July 15, 2016	July 16, 2015
Assets		
Cash and Cash Equivalent	6,141,329,905	5,781,353,112
Financial Assets at Fair Value Through Profit or Loss	105,466,460	56,764,185
Financial Assets Measured at Amortized Cost	7,390,235,785	5,494,267,274
Financial Assets Through Other Comprehensive Income	33,721,500	33,721,500
Loans and advances to other Financial Institutions	1,612,793,878	1,118,758,830
Loans and advances to Clients	38,022,671,415	27,361,775,851
Property, Plant and Equipment	1,103,780,826	902,867,929
Inventories	6,325,998	16,243,004
Intangible Assets	5,866,752	4,144,934
Deferred Tax Assets	66,275,084	59,934,561
Other Assets	853,722,476	845,553,916
Non Current Assets Held For Sale		
Total Assets	55,342,190,079	41,675,385,096

The accompanying notes are an integral part of Consolidated Financial Statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended July 15, 2016 (Ashad 31, 2073)

Amount in NPR

Particulars	July 15, 2016	July 16, 2015
Interest Income	3,487,049,840	2,762,921,042
Interest Expense	1,824,057,650	1,499,209,933
Net Interest Income	1,662,992,189	1,263,711,109
Fees and Commission Income	118,596,442	62,456,717
Fees and Commission Expense	10,057,038	16,625,417
Net Fees and Commission Income	108,539,404	45,831,300
Net Trading Income	144,242,711	98,668,337
Other Operating Income	422,193,759	274,748,981
Total Operating Income	2,337,968,063	1,682,959,726
Impairment Loss on Financial Assets	355,120,007	235,882,945
Reversal of Impairment Loss on Financial Assets	431,739,372	237,398,568
Net Impairment Loss (Reversal gain) on Financial Assets	(76,619,365)	(1,515,623)
Net Operating Income	2,414,587,428	1,684,475,349
Personnel Expenses	457,111,957	350,011,624
Operating Lease Expenses	53,841,512	38,698,823
Depreciation and Amortization	75,530,867	66,725,788
Other Operating Expenses	244,322,360	212,417,574
Gain on Bargain Purchase		113,257,918
Operating Profit before Tax	1,583,780,731	1,129,879,458
Income Tax Expense	462,385,873	301,004,775
Profit from continued Operation	1,121,394,858	828,874,683
Share of Non- Controlling Interest on Profit of Subsidiary	3,758,345	
Profit for the year	1,117,636,513	828,874,683
Other Comprehensive Income		
Actuarial Gains/ (Losses) on Defined Benefit Pension Plan	13,858,476	
Revaluation Gains / (Losses) on Property, Plant and Equipment		
Net Movement on Cash Flow Hedge		
Exchange Differences on Translating Foreign Operation		
Net Gain/ (Loss) on Revaluation of Financial Asset Through OCI		
Income Tax relating to Component of Other Comprehensive Income		
Total Comprehensive Income for the Period	1,131,494,989	828,874,683
Earning Per Share		
Basic Earning Per Share	36.91	32.45
Diluted Earning Per Share	30.99	32.45

The accompanying notes are an integral part of Consolidated Financial Statements.

Consolidated Cash Flow Statement

For the period from July 17, 2015 to July 15, 2016 (Shrawan 1, 2072 To Ashadh 31, 2073)

Amount in NPR

Particulars	Current Year	Previous Year
(A) Cash Flow from Operation	1,253,866,075	2,023,338,328
1. Cash Receipts	4,186,106,924	3,047,939,369
1.1 Interest Income	3,364,057,185	2,664,667,829
1.2 Commission and Discount Income	92,209,592	66,441,404
1.3 Gain on Trading of Foreign Exchange	104,802,570	77,212,029
1.4 Recovery of Write off Loan	6,712,100	47,608,198
1.5 Other Income	618,325,477	192,009,909
2. Cash Payments	2,901,700,500	2,072,424,506
2.1 Interest Expenses	1,780,609,832	1,480,056,235
2.2 Personnel Expenses	379,610,950	182,714,298
2.3 Office Overhead Expenses	303,776,355	255,168,557
2.4 Payment of Income Tax	437,703,362	154,485,416
2.5 Other Expenses	-	-
Cash Flow Before Working Capital Activities	1,284,406,424	975,514,863
Decrease/(Increase) in Current Asset from Operating Activities	(12,264,348,458)	(7,377,071,176)
1. Changes in Money at Call and Short Notice	-	-
2. Changes in Other Short Term Investments	(526,521,661)	(724,235,231)
3. Changes in Loans, Advances and Bills Purchased	(11,393,290,478)	(6,026,250,647)
4. Changes in Other Assets	(344,536,319)	(626,585,298)
Increase/(Decrease) in Current Liability from Operating Activities	12,233,808,109	8,424,894,641
1. Changes in Deposits	11,610,796,507	7,818,694,169
2. Changes in Certificate of Deposits	-	-
3. Changes in Short Term Borrowings	516,296,010	595,881,000
4. Changes in Other Liabilities	106,715,592	10,319,472
(B) Cash Flow from Investing Activities	(1,205,330,919)	(1,935,167,460)
1. Changes in Long Term Investments (Increase)/Decrease	(1,138,330,919)	(2,170,940,956)
2. Changes in Property, Plant and Equipments (Increase)/Decrease	(278,098,979)	(60,718,055)
3. Interest Income from Long Term Investments	123,183,468	78,367,105
4. Dividend Income	671,769	743,522
5. Others (Sale of Non Banking Assets)	400,686,414	75,107,125
6. Others (Cash & Bank balance increased during acquisition)	-	142,273,799
(C) Cash Flow from Financial Sources	205,281,420	(322,991,313)
1. Long Term Borrowings (Bond ,Debenture) Increase/(Decrease)	-	-
2. Paid Up Capital Increase/(Decrease)	585,405,800	4,460,600
3. Other Liabilities Increase/(Decrease)	-	-
4. Refinance / soft loan from Nepal Rastra Bank Increase/(Decrease)	(299,250,000)	(151,125,800)
5. Interest Paid on Bonds	(45,304,233)	(48,560,382)
6. Dividend Paid	(35,570,147)	(127,765,731)
(D) Income/(Expense) Due to Fluctuation in Exchange rate of Cash and Bank Balance	38,491,656	21,621,342
(E) Net Cash Flow of the Year	359,308,232	(213,189,348)
(F) Opening Cash and Bank Balance	5,782,021,673	5,994,542,460
(G) Closing Cash and Bank Balance	6,141,329,905	5,781,353,112

The accompanying notes are an integral part of Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

For the year ended July 15, 2016 (Ashad 31, 2073)

Particulars	Share Capital	Retained Earning	Share Premium	General Reserve	Capital Redemption Reserve	Exchange Fluctuation Fund	Other Reserve	Amount in NPR
Balance as at July 17, 2015	2554,361,514	804,591,123	2,971,617	479,801,547	-	8,484,797	58,186,995	3,908,397,593
Profit for the period		1,117,636,513						1,117,636,513
Other comprehensive income		13,858,476						13,858,476
Total comprehensive income		1,131,494,989						1,131,494,989
Issue of share capital								-
Issue of bonus share	510,872,303	(510,872,303)						-
Calls in Advance	585,405,800							585,405,800
Dividend Paid		(26,888,016)						(26,888,016)
Transfer to general reserve		(216,075,500)		216,075,500				-
Capital reserve on equity investment on subsidiary		(2,137,849)					2,137,849	-
Investment Adjustment Reserve								-
Exchange Fluctuation Fund		(9,622,914)				9,622,914		-
Debenture/ Bond Redemption Reserve		(100,000,000)			100,000,000			-
Movements in revaluation reserve in respect of available-for-sale financial assets								-
Adjustment for 8.5% Citizens Bank Bond								-
Prior Period Expenses		(18,263,046)						(18,263,046)
Other Reserves		13,203,114					(13,203,114)	-
Total Transaction	1,096,278,103	(870,656,514)	-	216,075,500	100,000,000	9,622,914	(11,065,265)	540,254,738
Balance as at July 15, 2016	3,650,639,617	1,065,429,598	2,971,617	695,877,047	100,000,000	18,107,711	47,121,730	5,580,147,320

The accompanying notes are an integral part of Consolidated Financial Statements.

Statement of Financial Position

As at July 15, 2016 (Ashad 31, 2073)

Amount in NPR

Particulars	Schedule	July 15,2016	July 16,2015	July 17,2014
Liabilities				
Resources Of Central Banks	A	2,750,000	302,000,000	453,125,800
Deposit From Banks	B	3,935,231,858	3,952,263,248	3,222,535,802
Deposit From Customers	C	43,458,269,110	31,829,885,516	24,740,918,793
Financial Liabilities At Fair Value Through Profit Or Loss	D	-		
Debt Securities And Other Borrowings	E	1,614,031,724	1,097,361,141	491,732,757
Current Tax Liabilities		-	-	-
Deferred Tax Liabilities	G	-		
Provisions	H	83,628,829	67,701,675	32,705,351
Other Liabilities	I	619,640,920	475,387,599	399,796,791
Total Liabilities		49,713,552,442	37,724,599,179	29,340,815,294
Shareholder's Equity				
Share Capital	J	3,650,639,617	2,554,361,514	2,101,840,000
Other Reserves		1,921,668,966	1,396,424,403	979,593,629
Total Equity		5,572,308,583	3,950,785,917	3,081,433,629
Total Equities and Liabilities		55,285,861,025	41,675,385,096	32,422,248,923

Particulars	Schedule	July 15,2016	July 16,2015	July 17,2014
Assets				
Cash and Cash Equivalent	K	6,140,642,947	5,781,353,112	5,994,542,460
Financial Assets At Fair Value Through Profit Or Loss	L	6,079,628	56,764,185	-
Financial Assets Measured At Amortized Cost	M	7,371,235,785	5,494,267,274	2,684,813,643
Financial Assets Through Other Comprehensive Income	N	100,721,500	33,721,500	25,600,000
Loans and Advances To Other Financial Institutions	O	1,612,793,878	1,118,758,830	595,099,855
Loans and Advances To Clients	P	38,022,671,415	27,361,775,851	21,890,320,150
Property, Plant and Equipment	Q	1,101,980,621	902,867,929	582,045,235
Inventories		6,325,998	16,243,004	7,983,301
Intangible Assets	R	5,866,752	4,144,934	5,510,536
Deferred Tax Assets	G	66,275,084	59,934,561	27,367,881
Other Assets	S	851,267,417	845,553,916	608,965,863
Non Current Assets Held For Sale	T			
Total Assets		55,285,861,025	41,675,385,096	32,422,248,923

The accompanying notes are an integral part of Financial Statements.

Statement of Profit or Loss and Other Comprehensive Income

For the period from July 17, 2015 to July 15, 2016 (Shrawan 1, 2072 To Ashadh 31, 2073)

Amount in NPR

Particulars	Schedules	July 15, 2016	July 16, 2015
Interest Income	U	3,487,072,368	2,762,921,042
Interest Expense	U	1,824,080,179	1,498,863,549
Net Interest Income		1,662,992,189	1,264,057,493
Fees and Commission Income	V	97,670,368	62,456,717
Fees and Commission Expense	V	10,957,038	16,625,417
Net Fee and Commission Income		86,713,330	45,831,300
Net Trading Income	W	143,294,226	98,668,337
Other Operating Income	X	423,423,859	274,748,981
Total Operating Income		2,316,423,604	1,683,306,110
Impairment Loss on Financial Assets	Y	355,120,007	235,882,945
Reversal of Impairment Loss on Financial Assets		431,739,372	237,398,568
Net Impairment Loss (Reversal gain) on Financial Assets		(76,619,365)	(1,515,623)
Net Operating Income		2,393,042,969	1,684,821,733
Personnel Expenses	Z	455,618,289	350,011,624
Operating Lease Expenses		54,171,512	38,698,823
Depreciation and Amortization	Q,R	75,378,817	66,725,788
Other Operating Expenses	AA	239,381,919	212,417,574
Gain on Bargain Purchase			113,257,918
Operating Profit before Tax		1,568,492,432	1,130,225,842
Income Tax Expense	F	458,486,498	301,004,775
Profit from Continued Operation		1,110,005,934	829,221,067
Net Profit after Tax from Discontinued Operation			
Profit for the year		1,110,005,934	829,221,067
Other Comprehensive Income			
Actuarial Gains/ (Losses) on Defined Benefit Pension Plan		13,858,476	
Revaluation Gains / (Losses) on Property, Plant and Equipment			
Net Movement on Cash Flow Hedge			
Exchange Differences on Translating Foreign Operation			
Net Gain/ (Loss) on Revaluation of Financial Asset Through OCI			
Income Tax relating to Component of Other Comprehensive Income			
Total Comprehensive Income for the Period		1,123,864,410	829,221,067
Earnings Per Share			
Basic Earnings Per Share		36.66	32.46
Diluted Earnings Per Share		30.79	32.46

The accompanying notes are an integral part of Financial Statements.

Cash Flow Statement

For the period from July 17, 2015 to July 15, 2016 (Shrawan 1, 2072 To Ashadh 31, 2073)

Amount in NPR

Particulars	Current Year	Previous Year
(A) Cash Flow from Operation	1,241,337,798	2,023,338,328
1. Cash Receipts	4,174,622,425	3,047,939,369
1.1 Interest Income	3,352,291,074	2,664,667,829
1.2 Commission and Discount Income	92,209,592	66,441,404
1.3 Gain on Trading of Foreign Exchange	104,802,570	77,212,029
1.4 Recovery of Write off Loan	6,712,100	47,608,198
1.5 Other Income	618,607,089	192,009,909
2. Cash Payments	2,896,435,197	2,072,424,506
2.1 Interest Expenses	1,780,632,361	1,480,056,235
2.2 Personnel Expenses	378,117,282	182,714,298
2.3 Office Overhead Expenses	300,065,914	255,168,557
2.4 Payment of Income Tax	437,619,640	154,485,416
2.5 Other Expenses	-	-
Cash Flow Before Working Capital Activities	1,278,187,228	975,514,863
Decrease/(Increase) in Current Asset from Operating Activities	(12,263,898,925)	(7,377,071,176)
1. Changes in Money at Call and Short Notice	-	-
2. Changes in Other Short Term Investments	(526,521,661)	(724,235,231)
3. Changes in Loans, Advances and Bills Purchased	(11,393,290,478)	(6,026,250,647)
4. Changes in Other Assets	(344,086,786)	(626,585,298)
Increase/(Decrease) in Current Liability from Operating Activities	12,227,049,495	8,424,894,641
1. Changes in Deposits	11,611,352,204	7,818,694,169
2. Changes in Certificate of Deposits	-	-
3. Changes in Short Term Borrowings	516,296,010	595,881,000
4. Changes in Other Liabilities	99,401,281	10,319,472
(B) Cash Flow from Investing Activities	(1,125,821,041)	(1,935,167,460)
1. Changes in Long Term Investments (Increase)/Decrease	(1,374,149,369)	(2,170,940,956)
2. Changes in Property, Plant and Equipments (Increase)/Decrease	(276,213,323)	(60,718,055)
3. Interest Income from Long Term Investments	123,183,468	78,367,105
4. Dividend Income	671,769	743,522
5. Others (Sale of Non Banking Assets)	400,686,414	75,107,125
6. Others (Cash & Bank balance increased during acquisition)	-	142,273,799
(C) Cash Flow from Financial Sources	205,281,420	(322,991,313)
1. Long Term Borrowings (Bond ,Debenture) Increase/(Decrease)	-	-
2. Paid Up Capital Increase/(Decrease)	585,405,800	4,460,600
3. Other Liabilities Increase/(Decrease)	-	-
4. Refinance / soft loan from Nepal Rastra Bank Increase/(Decrease)	(299,250,000)	(151,125,800)
5. Interest Paid on Bonds	(45,304,233)	(48,560,382)
6. Dividend Paid	(35,570,147)	(127,765,731)
(D) Income/(Expense) Due to Fluctuation in Exchange rate of Cash and Bank Balance	38,491,656	21,621,342
(E) Net Cash Flow of the Year	359,289,835	(213,189,348)
(F) Opening Cash and Bank Balance	5,781,353,112	5,994,542,460
(G) Closing Cash and Bank Balance	6,140,642,947	5,781,353,112

The accompanying notes are an integral part of Financial Statements.

Statement of Changes in Equity

For the year ended July 15, 2016 (Ashad 31, 2073)

Particulars	Amount in NPR								
	Share Capital	Retained Earning	Share Premium	General Reserve	Capital Redemption Reserve	Exchange Fluctuation Fund	Deferred Tax Reserve	Other Reserve	Total
Balance as at July 17, 2014	2,101,840,000	609,955,565	2,971,617	335,739,846		3,120,720	27,367,881	438,000	3,081,433,629
Profit for the period		828,328,963							828,328,963
Other comprehensive income		-							
Total comprehensive income		828,328,963							828,328,963
Acquired from Acquisition								1,108,000	1,108,000
Issuance of Share Capital for acquisition of NHMFL	88,118,600								88,118,600
Issuance of Share Capital for acquisition of PEFIL	86,703,114								86,703,114
Issuance of share capital for fraction share adjustment	4,460,600								4,460,600
Depreciation transfer on revalued property									-
Issue of share capital									-
Issue of bonus share	273,239,200	(273,239,200)							-
Dividend paid		(125,004,168)							(125,004,168)
Transfer to general reserve		(144,061,701)		144,061,701					-
Assets revaluation reserve								-	-
Investment adjustment reserve		(29,273,114)						29,273,114	-
Exchange fluctuation fund		(5,364,077)				5,364,077			-
Movements in revaluation reserve in respect of available-for-sale financial assets									-
Staff Adjustment		(14,362,820)							(14,362,820)
Bond adjustment									
Other reserve							(2,73,67,881)	2,73,67,881	-
Total Transaction	452,521,514	(591,305,080)	-	144,061,701	-	5,364,077	(27,367,881)	57,748,995	41,023,326
Balance as at July 16, 2015	2,554,361,514	846,979,447	29,71,617	479,801,547	-	8,484,797	-	58,186,995	3,950,785,917

* The accompanying notes are an integral part of Consolidated Financial Statements.

Statement of Changes in Equity

For the year ended July 15, 2016 (Ashad 31, 2073)

Particulars	Amount in NPR						
	Share Capital	Retained Earning	Share Premium	General Reserve	Capital Reserve Redemption	Exchange Fluctuation Fund	Other Reserve
Balance as at July 17, 2015	2,554,361,514	804,382,965	2,971,617	479,801,547	-	8,484,797	58,186,995
Profit for the period		1,110,005,934					
Other comprehensive income		13,858,476					
Total comprehensive income		1,123,864,410					
Issue of share capital							
Issue of bonus share	510,872,303	(510,872,303)					
Calls in Advance	585,405,800						
Dividend Paid		(26,888,016)					
Transfer to general reserve		(216,075,500)		216,075,500			
Assets Revaluation							
Investment Adjustment Reserve							
Exchange Fluctuation Fund		(9,622,914)				9,622,914	
Debtenture/ Bond Redemption Reserve		(100,000,000)			100,000,000		
Movements in revaluation reserve in respect of available-for-sale financial assets							-
Adjustment for 8.5% Citizens Bank Bond							
Prior Period Expenses		(18,263,046)					(18,263,046)
Other Reserves		13,203,114					(13,203,114)
Total Transaction	1,096,278,103	(868,518,665)	-	216,075,500	100,000,000	9,622,914	(13,203,114)
Balance as at July 15, 2016	3,650,639,617	1,059,728,710	2,971,617	695,877,047	100,000,000	18,107,711	44,983,881
							5,572,308,583

The accompanying notes are an integral part of Financial Statements.

Schedules to the Financial Statements

As at July 15, 2016 (Ashad 31, 2073)

Schedule A: Resources of Central Bank

Amount in NPR

Particulars	July 15, 2016	July 16, 2015	July 17, 2014
Refinance loan from NRB	2,750,000	302,000,000	453,125,800
Liabilities in respect of securities sold under repurchase agreement	-		
Total	2,750,000	302,000,000	453,125,800

Schedule B: Deposit from Banks

Amount in NPR

Particulars	July 15, 2016	July 16, 2015	July 17, 2014
Current account	254,303,212	210,730,643	170,961,596
Call account	3,680,928,646	3,741,532,605	3,051,574,206
Fixed deposit account			
Other account			
Total	3,935,231,858	3,952,263,248	3,222,535,802

Schedule C: Deposit from Customers

Amount in NPR

Particulars	July 15, 2016	July 16, 2015	July 17, 2014
Saving account	9,684,567,020	7,568,628,044	6,047,489,710
Current account	1,114,992,638	913,023,296	606,350,204
Call account	6,416,658,826	4,058,384,982	5,305,755,449
Fixed deposit account	25,939,304,541	19,122,699,169	12,601,389,623
Margin deposit account	302,746,087	167,150,025	179,933,807
Other account			
Total	43,458,269,110	31,829,885,516	24,740,918,793

Schedule D: Trading and Other Financial Liabilities At Fair Value Through Profit or Loss

Amount in NPR

Particulars	July 15, 2016	July 16, 2015	July 17, 2014
Forward contract payable			
Other financial liabilities held for trading			
Total	-	-	-

Schedule E: Debt Securities and Other Borrowing

Amount in NPR

Particulars	July 15, 2016	July 16, 2015	July 17, 2014
Debenture and bond	497,735,714	497,361,141	487,613,757
Interbank borrowing	1,116,296,010	600,000,000	4,119,000
Total	1,614,031,724	1,097,361,141	491,732,757

Schedule F: Current Tax

Amount in NPR

Particulars	July 15, 2016	July 16, 2015	July 17, 2014
Current tax:			
Current income tax	464,827,021	146,447,003	167,901,365
Adjustment in respect of current income tax of prior years	-	1,204,417	-
Deferred tax	(6,340,523)	153,353,355	5,515,974
Total	458,486,498	301,004,775	173,417,339

Schedule G: Deferred Tax

Amount in NPR

Particulars	July 15, 2016	July 16, 2015	July 17, 2014
Deferred tax	66,275,084	59,934,561	27,367,881
Total	66,275,084	59,934,561	27,367,881

Schedule H: Provision

Amount in NPR

Particulars	July 15, 2016	July 16, 2015	July 17, 2014
Pending legal issues and tax litigation			
Pensions and other post retirement benefit obligations			
Credit commitments and guarantees			
Onerous contracts			
Gratuity provision	31,783,372	25,855,803	24,973,276
Leave provision	49,999,942	32,449,476	
Other provisions	1,845,515	9,396,396	7,732,075
Total	83,628,829	67,701,675	32,705,351

Schedule I: Other Liabilities

Amount in NPR

Particulars	July 15, 2016	July 16, 2015	July 17, 2014
Employee Provident Fund	6,276	30,363	2,829
Interest Payable on Deposits	28,279,063	24,749,642	7,687,030
Interest Payable on Borrowings	11,530,000	14,486,174	13,087,856
Unearned Discount and Commission	20,164,728	14,703,952	10,719,265
Sundry Creditors	6,569,557	3,562,420	1,797,455
Unpaid Dividend	46,601,094	55,283,225	58,044,788
Debit Card Payable	14,075,961	9,033,857	4,344,058
Account Payable Others	180,105,742	185,361,062	191,080,992
Tax Deducted At Source	48,069,523	39,936,041	30,331,905
Retention Money	8,817,609	5,142,470	1,633,439
Branch Adjustment Account	-	-	-
Manager's Cheque	78,831,715	6,200,591	4,204,418
Lease Liability	7,066,752	-	
Audit Fees Payable	1,186,500	310,750	310,750
Provision for Staff Bonus	153,886,400	107,261,156	67,151,006
Good for payment cheque	14,450,000	9,325,896	
Gratuity Payable			9,401,000
Total	619,640,920	475,387,599	399,796,791

Schedule J: Share Capital

Particulars	Number of Shares			Amount in NPR		
	July 15, 2016	July 16, 2015	July 17, 2014	July 15, 2016	July 16, 2015	July 17, 2014
Authorized Capital						
Ordinary share of NPR 100 each	50,000,000	50,000,000	50,000,000	5,000,000,000	5,000,000,000	5,000,000,000
	50,000,000	50,000,000	50,000,000	5,000,000,000	5,000,000,000	5,000,000,000
Issued, subscribed and paid up						
Ordinary share of NPR 100 each	30,652,338	25,543,615	21,018,400	3,065,233,817	2,554,361,514	2,101,840,000
Calls in Advance				585,405,800		
Total	30,652,338	25,543,615	21,018,400	3,650,639,617	2,554,361,514	2,101,840,000

Schedule K: Cash and Cash Equivalent

Particulars	Amount in NPR		
	July 15, 2016	July 16, 2015	July 17, 2014
Cash on hand	1,884,360,876	1,462,489,942	1,046,350,678
Restricted balances with central bank			-
Unrestricted balance with central bank	3,149,515,238	2,850,444,255	3,828,392,842
Cash balance with other bank	859,317,987	1,372,994,801	998,547,690
Money market placement	247,448,846	95,424,114	121,251,250
Total	6,140,642,947	5,781,353,112	5,994,542,460

Schedule L: Financial Assets At Fair Value Through Profit or Loss

Particulars	Amount in NPR		
	July 15, 2016	July 16, 2015	July 17, 2014
Forward contract receivable			
Equity investment	6,079,628	56,764,185	-
Debt investment			
Total	6,079,628	56,764,185	-

Schedule M: Financial Assets Measured at Amortized Cost

Particulars	Amount in NPR		
	July 15, 2016	July 16, 2015	July 17, 2014
Treasury bills	1,343,461,611	1,064,182,050	591,954,059
Development bonds	3,970,200,000	3,693,391,074	1,525,075,000
Nepal Rastra Bank bond	1,081,025,000		-
Equity investment			
Other investment	976,549,174	736,694,150	567,784,584
Less: Allowance for impairment			
Total	7,371,235,785	5,494,267,274	2,684,813,643

Schedule N: Financial Assets Through Other Comprehensive Income

Particulars	Amount in NPR		
	July 15, 2016	July 16, 2015	July 17, 2014
Equity instrument	100,721,500	33,721,500	25,600,000
Debt instrument			
Total	100,721,500	33,721,500	25,600,000

Schedule O: Loans and Advances to Other Financial Institutions

Amount in NPR

Particulars	July 15, 2016	July 16, 2015	July 17, 2014
Loans and Advances to other Financial Institutions	1,612,793,878	1,118,758,830	595,099,855
Overdraft loan			
Less: Allowance for individual impairment			
Allowance for impairment on portfolio			
Net Loans and advances to Bank	1,612,793,878	1,118,758,830	595,099,855

Schedule P: Loan and advance to Customers

Amount in NPR

Particulars	July 15, 2016	July 16, 2015	July 17, 2014
Loans and advances to customers at amortized cost	38,022,671,415	27,361,775,851	21,890,320,150
Less: Allowance for individual impairment			
Allowance for impairment on portfolio			
Net Loans and advances to Customers	38,022,671,415	27,361,775,851	21,890,320,150

Schedule Q: Property, Plant and Equipment

Schedule Q: Property, Plant and Equipment									Amount in NPR
Particulars	Land	Building	Construction WIP	Vehicles	Office Equipment	Furniture and Fixture	Leasehold Assets	Other Assets	Total
As at July 17, 2014	367,056,000	44,238,490	7,858,371	48,259,652	109,345,885	75,971,954	135,741,571	72,849,449	861,321,372
Addition			45,138,437	19,087,006	25,623,857	12,490,194	10,279,863	10,240,328	122,859,684
Exchange and other adjustments	214,332,007	44,727,855							259,059,862
Disposals				(24,916,059)	(1,832,155)	(19,323)		(1,653,299)	(28,420,836)
Discontinued Operation									-
Transfer to held for sale									-
Revaluation									-
As at July 16, 2015	581,388,007	88,966,345	52,996,808	42,430,599	133,137,587	88,442,825	146,021,434	81,436,477	1,214,820,082
Addition		10,634,716	230,066,273	21,603,345	30,124,958	12,372,632	32,377,914	16,264,699	353,444,537
Exchange and other adjustments									-
Disposals				(910,126)	(1,078,213)	(21,013)		(2,587,763)	(4,597,115)
Discontinued Operation									-
Transfer to held for sale									-
Revaluation									-
As at July 15, 2016	581,388,007	99,601,061	201,069,141	63,123,818	162,184,332	100,794,443	178,399,348	95,113,413	1,481,673,563
Depreciation and impairment									
As at July 17, 2014	-	4,451,421	-	28,020,439	67,226,954	52,871,225	72,732,774	53,973,331	279,276,145
Depreciation charge for the year		2,653,794		6,317,522	17,780,246	8,873,776	12,023,176	10,191,563	57,840,077
Impairment									-
Exchange and other adjustments									-
Disposals				(21,935,117)	(1,665,356)	(15,035)		(1,548,604)	(25,164,112)
Discontinued Operation									-
Transfer to held for sale									-
As at July 16, 2015	-	7,105,215	-	12,402,844	83,341,844	61,729,966	84,755,951	62,616,290	311,952,110
Depreciation charge for the year		4,828,313		8,387,493	20,259,700	9,873,788	19,043,287	9,725,915	72,118,497
Impairment									-
Exchange and other adjustments						(742)			(742)
Disposals				(790,824)	(1,001,422)			(2,584,675)	(4,376,922)
Discontinued Operation									-
Transfer to held for sale									-
As at July 15, 2016	-	11,933,528	-	19,999,513	102,600,121	71,603,013	103,799,238	69,757,530	379,692,943
Net Book Value									
As at July 15, 2016	581,388,007	87,667,533	201,069,141	43,124,305	59,584,210	29,191,431	74,600,110	25,355,883	1,101,980,621
As at July 16, 2015	581,388,007	81,861,130	52,996,808	30,027,755	49,795,743	26,712,859	61,265,484	18,820,187	902,867,929
As at July 17, 2014	367,056,000	39,787,069	7,858,371	20,239,213	42,118,931	23,100,729	63,008,797	18,876,117	582,045,235

Schedule R: Intangible Assets

Particulars	Development Cost	Patents and Licence	Software	Goodwill	Amount in NPR
					Total
As at July 17, 2014			22,788,020		22,788,020
Addition			1,278,453		1,278,453
Exchange and other adjustments					-
Disposals					-
Discontinued Operation					-
As at July 16, 2015			24,066,474		24,066,474
Addition			4,983,244		4,983,244
Exchange and other adjustments					-
Disposals					-
Discontinued Operation					-
As at July 15, 2016			29,049,717		29,049,717
Amortization and impairment					-
As at July 17, 2014			17,277,484		17,277,484
Amortization			2,644,055		2,644,055
Impairment					-
Discontinued Operation					-
As at July 16, 2015			19,921,539		19,921,539
Amortization			3,261,426		3,261,426
Impairment					-
Discontinued Operation					-
As at July 15, 2016			23,182,965		23,182,965
Net Book Value					-
As at July 15, 2016			5,866,752		5,866,752
As at July 16, 2015	-	-	4,144,934	-	4,144,934
As at July 17, 2014	-	-	5,510,536	-	5,510,536

Schedule S: Other Assets

Particulars	Amount in NPR		
	July 15, 2016	July 16, 2015	July 17, 2014
Income Receivable on Investments	26,221,538	16,278,118	9,210,094
Accrued Interest on Loans	228,592,310	206,534,085	210,533,051
Sundry Debtors	3,621,981	17,819,187	27,931,188
Staff Loans and Advances	151,337,688	204,322,983	151,751,863
Prepayments	38,968,544	19,193,664	21,506,345
Cash- in- Transit	-	-	-
Account Receivables Others	231,380,878	200,291,107	61,585,240
ATM Cards	111,136	111,136	128,115
Security Deposit	1,045,140	1,041,390	828,628
Advance Income Tax	3,160,374	84,775,579	109,179,112
Debit Card Receivable	6,270,579	2,968,652	2,509,693
Branch Adjustment Account	-	-	-
Gold at Vault	42,246,394	4,340,762	-
Silver At Vault	-	78,756,912	-
Tax Deposit	7,623,483	10,571,644	3,835,264
Deferred Staff Expenses	112,138,676		
AIR on Staff loan			
Less: Impairment on account receivable	(1,451,303)	(1,451,303)	-
Premium on Development Bond			9,967,270
Total	851,267,417	845,553,916	608,965,863

Schedule T: Non Current Assets Held for Sale

Particulars	Amount in NPR		
	July 15, 2016	July 16, 2015	July 17, 2014
Intangible assets			
Property, Plant and Equipment			
Investment Property			
Non- Banking Assets			
Total			

Schedule U: Net Interest Income

Interest Income	Amount in NPR	
	July 15, 2016	July 16, 2015
Loans and advances to banks		
Loans and advances to customers	3,303,422,788	2,663,737,921
Investment securities (income from T- bill, bonds and other instrument measured at amortized cost)	141,315,450	91,500,348
Interbank Lending	14,309,920	5,491,404
Interest income on money at call	307,248	319,702
Others	6,175,716	1,871,666
Staff Interest Income	21,541,247	
Total Interest Income	3,487,072,368	2,762,921,042
Interest expenses		
Interest expenses on deposit	1,758,502,367	1,448,558,465
Interest on NRB borrowing	1,843,481	3,090,852
Interest expense on Interbank borrowing	20,859,760	4,367,850
Debt securities	42,874,571	42,846,382
Total Interest Expense	1,824,080,179	1,498,863,549
Net Interest Income	1,662,992,189	1,264,057,493

Schedule V: Net Fee and Commission Incomes

Particulars	Amount in NPR	
	July 15, 2016	July 16, 2015
Fees and commission income		
Commission of bills purchased and discounted	1,801,480	4,749,104
Letters of Credit	20,926,548	14,096,751
Guarantees	23,840,175	15,644,491
Remittance Fees	15,596,510	8,293,255
ATM Commission	26,601,285	10,372,843
Other Fees of Loan- CIC	5,350,644	3,838,550
Other Fees -Trade Operation	2,738,003	2,363,672
Other Fees and Commission	815,724	3,098,051
Total Fees and commission income	97,670,368	62,456,717
Fees and commission expense		
Other Commissions of Loan- CIC	5,205,240	3,836,400
Commission and Discount- BLB	5,751,798	12,789,017
Other commissions		
Total Fees and commission expense	10,957,038	16,625,417
Net fee and commission income	86,713,330	45,831,300

Schedule W: Net Trading Income

Amount in NPR

Particulars	July 15, 2016	July 16, 2015
Foreign exchange translation gain/ (losses)	104,802,570	77,212,029
Gain on foreign exchange trading transactions	38,491,656	21,456,308
Other		
Total	143,294,226	98,668,337

Schedule X: Other Operating Income

Amount in NPR

Particulars	July 15, 2016	July 16, 2015
Rental on Safe Deposit Lockers	2,983,925	2,588,250
Issue and Renewal of Credit Cards	15,000	-
Issue and Renewal of Debit Cards	19,332,512	14,420,082
Telex/ T. T.	3,499,954	2,659,416
Balance Certificate Issuance Charge	1,165,575	514,750
Good For Payment	320,450	279,175
Loan Documentation fee	41,000	4,574,411
Loan Proccessing Fee	182,849,886	115,667,999
Management fee	14,464,998	9,333,947
Loan Renewal Fees	14,734,733	12,261,972
SMS Banking Fee	5,335,581	4,166,953
ABBS Income	2,919,882	1,200,195
Income from Foreign Outward Remittance	2,752,579	1,453,425
Cheque Return Fee	1,985,731	1,599,118
Other Income Sakchyam	6,649,844	-
Other Income	13,187,212	10,492,371
Dividend income	671,769	743,522
(Losses)/gains from sales of available-for-sale Financial Investments	33,597,065	6,276,545
Gains from Sales of Loans and Receivables		-
Non-trading foreign exchange gain on monetary item		-
Gains/(losses) on sale of Fixed assets	402,286	10,197,237
Gains/(losses) on sale of NBA	90,038,134	17,913,571
Operating Lease Income	10,734,097	545,884
Income from Gold/ Silver Sale	8,597,259	10,251,961
Income from Gratuity Investment	432,286	
Recovery from Write Off of Loan	6,712,100	47,608,198
Total	423,423,859	274,748,981

Schedule Y: Impairment Loss

	Amount in NPR	
Particulars	July 15, 2016	July 16, 2015
1. Increase in Loan Loss Provision	332,073,958	112,000,697
2. Increase in Provision for Loss on Investment	-	2,335,431
3. Provision for Non Banking Assets	23,046,049	121,546,817
4. Provision for Other Assets	-	-
Total Impairment Charged to Statement of Profit or Loss	355,120,007	235,882,945
1. Loan Loss Provision Written Back	121,091,092	162,291,443
2. Provision against Non Banking Assets Written Back	310,648,280	75,107,125
3. Provision against Investment Written Back	-	-
4. Provision against Other Assets Written Back	-	-
Total impairment charge reversed in Statement of Profit or Loss	431,739,372	237,398,568
Net Impairment loss (Reversal gain) on financial assets	(76,619,365)	(1,515,623)

Schedule Z: Personnel Expenses

	Amount in NPR	
Particulars	July 15, 2016	July 16, 2015
Wages and salaries	243,315,397	206,135,501
Social security costs	2,360,560	2,639,161
Gratuity and leave provision expense	37,336,511	30,253,144
Staff Welfare expense	7,508,366	3,480,375
Training	4,666,202	748,820
Other expenses related to staff	4,522,185	4,623,295
Staff bonus	153,886,400	102,131,328
Finance Expense-NFRS	2,022,668	-
Total	455,618,289	350,011,624

Schedule AA: Other Operating Expenses

Particulars	Amount in NPR	
	July 15, 2016	July 16, 2015
Electricity, Water & Fuel	22,151,419	23,106,457
Repairs and Maintenance	18,963,571	12,610,248
Insurance Premium	8,605,601	7,334,351
Postage, Telex, Telephone, Fax	26,287,159	24,823,589
Office Equipment & Furniture Repair (Consumable Capital Goods)	1,524,399	1,359,574
Travelling Allowance and Expenses	4,593,447	3,285,444
Stationery and Printing	25,276,439	17,069,234
Periodicals and Books	257,781	122,140
Advertisements	9,624,636	9,732,744
Legal Expenses	604,250	435,498
Expenses Relating to Board of Directors	3,694,759	3,020,224
Annual General Meeting Expenses	915,582	923,372
Expenses Relating to Audit	1,635,732	1,031,687
Fund Transfer Charge	892,752	937,943
Technical Services Fees	650,700	529,200
Entertainment	122,208	8,420
Security Expenses	34,934,738	32,851,168
Deposit/Credit Guarantee Premium	9,140,152	6,972,024
Membership, Fees and Taxes	4,198,860	23,728,943
Anniversary Expense	2,415,220	1,150,563
Cleaning Expenses	3,958,231	3,766,867
Corporate Social Responsibility	1,059,466	10,747,822
Transportation Expenses	934,003	149,057
Bank Charges	2,771,214	1,082,196
Outsourced Manpower Expenses	15,505,639	10,951,864
Debit Card Expenses	19,201,020	6,076,302
Share Issue Expenses	9,142,729	778,674
Non-trading Foreign Exchange Loss		
Miscellaneous Expenses	10,320,212	7,831,969
Total	239,381,919	212,417,574

Principle Accounting Policies

As at July 15, 2016 (Ashadh 31, 2073)

1) Overview

Reporting Entity

Citizens Bank International Limited (the 'Bank' or 'CBIL') is a publicly held bank engaged in providing a wide range of banking and financial services. CBIL is a banking company governed by the Bank and Financial Institution Act, 2063. The Bank has its Corporate Office at Narayanhiti Path, Kathmandu and was incorporated as a limited company under the Companies Act, 2063. The Bank received the license to commence banking operations from the Nepal Rastra Bank on April 20, 2007 (Baishakh 7, 2064). CBIL is an "A" class Commercial Bank. Its Equity Shares are listed in Nepal Stock Exchange.

On April 8, 2015 (Baisakh 25, 2072), the bank acquired two "C" class financial institutions Nepal Housing & Merchant Finance Limited and People's Finance Limited as per final approval for acquisition received from Nepal Rastra Bank on April 9, 2015 (Chaitra 26, 2071).

The principal activities of the Bank is to provide all commercial banking services including agency services, trade finance services, e-commerce services and trading of gold and silver, etc. to its customers through head office, branches, branchless banking units and ATMs.

Subsidiary

CBIL Capital Limited (the Subsidiary) is the subsidiary company of the Bank. It was incorporated on January 30, 2006 (Magh 17, 2062) as public company. The Bank made an equity investment in CBIL Capital on March 13, 2017 (Falgun 30, 2073). The principal activities of the Subsidiary are to provide Merchant Banking Services. The Bank as on date holds 67% controlling interest in the Subsidiary.

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

2) Approval of Financial Statements by the Board of Directors

The Financial Statements of the Bank together

with the Consolidated Financial Statements of the Group have been approved by the Board of Directors vide its meeting held on August 29, 2016 (13th Bhadra, 2073). The Board of Directors acknowledges the responsibility of preparation of financial statements of the Bank and its subsidiaries.

3) Statement of Compliance

The financial statements have been prepared in accordance with requirements prescribed under directives issued by Nepal Rastra Bank. Except otherwise provided in Nepal Rastra Bank Directives, the accounting and reporting policies of the Bank used in the preparation of these financial statements confirm the Nepal Financial Reporting Standards (NFRS) to the extent applicable, practicable and practices generally prevalent in the banking industry in Nepal.

The Consolidated Financial Statements have also been prepared in conformity of the Nepal Financial Reporting Standards (NFRS).

4) Basis of Preparation

The assets and liabilities reported in the financial statements of the Bank are prepared following the accrual method of accounting (except where otherwise stated), and the historical cost convention except for translated foreign currency value.

a) Basis of Measurement

The Financial Statements have been prepared on the basis of historical cost convention except for the following:

- Financial assets and liabilities held for trading are measured at fair value.
- Derivative financial instruments are measured at fair value.
- Fixed Assets and Intangible Assets are measured at cost less any subsequent accumulated depreciation and impairment losses.
- Defined benefit obligations are actuarially valued and recognized as the present value of the defined benefit obligation less total of the fair value of plan assets.

b) Functional and Presentation Currency

The assets and liabilities reported in the financial statements of the Bank and the Group are presented in functional currency which is Nepalese Rupees (NPR) and rounded off to nearest rupee.

c) Presentation of Financial Statements

The Bank and the Group financial statements have been prepared as per the format prescribed by NFRS.

5) Use of Significant Accounting Judgments, Estimates and Assumptions

The preparation of financial statements require the management to make estimates and assumptions that are considered while reporting amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and income and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

6) Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions are presented separately unless they are immaterial.

7) Significant Accounting Policies

The significant accounting policies applied by the Bank and the Group in preparation of its Financial Statements are included below and have been consistently applied to all periods presented in these Financial Statements of the Group and the Bank, unless otherwise indicated.

a) Assets and Liabilities

I. Share Capital

The Share capital includes the paid up share capital of the Bank.

II. Reserves and Surplus

Reserves and Surplus includes the reserves appropriated from the Profit and Loss of the Bank, reserves created out of any other transactions and other distributable profits of the Bank.

As per section 44 of Bank and Financial Institutions Act (BAFIA) 2063, 20% of the Current Year's Profit is

transferred to General Reserve Fund till the reserve is double of the paid up capital.

As per Section 45 of Bank and Financial Institutions Act (BAFIA) 2063, minimum 25% of the Total Revaluation Gain (except gain from revaluation of Indian Currency) is transferred to the Exchange Fluctuation Reserve. The reserve so created is used to expense off the net revaluation loss.

As per NRB Directives, Investment Adjustment Reserve of 2% is created for Available for Sale Investment of the Bank except for the investment specified by the NRB Directives.

As per NRB Directives, Capital Redemption Reserve (Debenture/ Bond Redemption Reserve) is created for Debenture/ Bond issued. After redemption of bond/ debenture, reserve so created is transferred to Capital Adjustment Reserve.

As per section 44 of Bank and Financial Institutions Act (BAFIA) 2063, Share Premium Account has been created for the premium received on issuance/ auction of shares of the Bank.

Accumulated profit includes the distributable profit retained by the Bank out of current year profit or prior year profits.

III. Debentures and Bonds

Debentures and Bonds are initially recognized at its fair value plus or minus transaction costs that are directly attributable to the acquisition or issue. Subsequently, Debentures and Bonds are measured at amortized cost.

IV. Borrowings

Borrowings (which include deposits from banks, customer deposits, debt securities in issue and subordinated liabilities) are recognized initially at fair value, being their issue proceeds net of transaction costs incurred. These instruments are subsequently stated at amortized cost using the effective interest method.

b) Revenue Recognition

Revenue comprises of interest income, fees and commission, foreign exchange income, cards income, disposal income, etc. Revenue is recognized to the extent it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured.

- Interest income is recognized in the profit and loss account on accrual basis.
- Commission on guarantees issued by the Bank is recognized as income over the period of the guarantee, except for guarantee commission not exceeding Rs 10 thousands, which is recognized at the time of issue of the guarantee.
- Commission on Letters of Credit (LC) issued by the Bank is recognized as income at the time of issue of the LC. However, income from usance LC is accounted for on the basis of period of LC on accrual basis.
- Income on discounted instruments like bills purchased, documents negotiation is recognized at the time of discounting.
- Other fees and commission income are recognized as and when service is rendered and received and shown as separate line item in Profit and Loss Account.
- Cash dividend declared by resident company is recognized when the right to receive payment is established at net of withholding tax Schedule 12 (A) of the financial statements.

c) Interest Expense

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

d) Fixed Assets, Depreciation and Amortization Policy

Fixed Assets are tangible assets held for use in the production or supply of services, for rental to others or for administrative purpose and are expected to be used during more than one financial year.

Intangible Assets represent the value of computer application software and licenses, other than software applied to the system software of computers.

Fixed Assets are recognized when it is probable that future economic benefits associated with the asset will flow to the Bank and the cost of assets can be reliably measured. Fixed Assets that qualify for recognition as an asset is measured at its cost which include purchase price including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any direct cost attributable to bringing the asset to the

present location and condition necessary for it to be capable of operating in the manner intended by management.

After recognition as Fixed Asset, they are carried at its cost less any accumulated depreciation and any accumulated impairment losses. Fixed Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In the event that fixed asset's carrying amount is determined to be greater than its recoverable amount it is written down immediately. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

Intangible Assets are stated at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditure incurred on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

Depreciation on fixed assets is provided on straight-line method, over estimated useful lives as determined by the Management and charged to Profit and Loss Account. Depreciation is calculated applying following useful life and rate.

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

However,

- For income tax calculation purpose, depreciation is calculated as per the rate and procedures defined in Income Tax Act 2058.
- The expenses of leasehold improvements are amortized over the lease period or a maximum of 10 year period whichever is lower.
- The capitalized value of Software Purchase and installation costs are amortized over the ownership period or within a maximum 5 years period in case of indefinite life.

- Assets costing less than NPR 5,000 are fully depreciated in the year of purchase and booked as expenses.
- For assets purchased/ sold during the year, depreciation is provided upto the date of use on pro-rata basis.

The carrying amount of Fixed Asset is derecognized on disposal, replacement or when no future economic benefits are expected from its use. The gain or loss arising from the de-recognition of Fixed Asset is included in the Profit and Loss Account.

e) Financial Instruments

The Bank initially recognizes loans and receivables, deposits, debt securities in issue and subordinated liabilities when the Bank becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of securities and other financial assets and trading liabilities are recognized on trade date, being the date that the Bank is committed to purchase or sell an asset. The financial instruments are classified as under:

Financial Instruments at Fair Value Through Profit or Loss

Financial instruments are classified at Fair Value Through profit or loss where they are trading securities or where they are designated at Fair Value Through profit or loss by management.

Financial instruments at Fair Value Through profit or loss are debt securities and equity shares acquired principally for the purpose of selling in the short term or which are part of a portfolio which is managed for short-term gains. Such securities are recognized in the balance sheet at their Fair Value. Gains and losses arising from changes in their Fair Value together with interest coupons and dividend income are recognized in the income statement in the period in which they occur.

Financial Assets Measured at Amortized Cost

Financial assets measured at amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is

calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the income statement. The losses arising from impairment are recognized in the income statement.

Financial Assets through Other Comprehensive Income

Debt securities and equity shares that are not classified as financial assets at Fair Value Through profit or loss and financial assets at amortized cost are classified as financial assets at Fair Value Through Other Comprehensive Income and are recognized in the balance sheet at their Fair Value, inclusive of transaction costs. Financial assets at Fair Value Through Other Comprehensive Income are those assets intended to be held for an indeterminate period of time and may be sold in response to need for liquidity or changes in interest rates, exchange rates or equity prices. Gains and losses arising from changes in the Fair Value of investments classified as Financial Assets at Fair Value Through Other Comprehensive Income are recognized directly in Other Comprehensive Income, until the financial asset is either sold, becomes impaired or matures, at which time the cumulative gain or loss previously recognized in Other Comprehensive Income is recognized in the income statement. Interest calculated using the effective interest method and foreign exchange gains and losses on debt securities denominated in foreign currencies are recognized in the income statement.

f) Non- Current Assets Held for Sale (Non Banking Assets)

The valuation of the asset is accounted at the prevailing market value of the collateral property or aggregate recoverable amount due up to the day before the date of assumption whichever is lower. Where the market value of assumed property is less than the total recoverable amount, the difference amount is charged to Profit and Loss Account in the year of acquisition. Non- Banking Assets have been categorized as Non- Current Assets Held for Sale.

Provision for Non Banking Asset has been fully provided for as per NRB Directive and continues to remain until it is disposed off. Non Banking Asset is derecognized at the time of its disposal.

g) Loans and advances including Bills Purchases

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

h) Staff Loans

Staff Loans and Advances are provided to staff as per Employee Byelaws of the Bank duly approved by NRB. The loans and advances provided to staff are initially recognized at their Fair Value plus the transaction cost. Any difference between the Fair Value and nominal value is Staff Cost of the Bank that is recognized in Profit and Loss Account as expenses over the period of service and if the staff have the option to continue the privilege to enjoy the staff loans and advances after termination of employment then the difference is immediately recognized in Profit and Loss Account.

i) Stationery

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

j) Transactions Involving Foreign Exchange

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

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

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

k) Personnel Expenses

Personnel Expenses includes:

- Short Term Employee Benefits which includes salary, allowances, non- monetary benefits (vehicle facility, home loan facility), etc.
- Post-employment benefits that is payable after the completion of employment which includes Gratuity, Accumulated Leaves.

Short Term Employee Benefits are recognized over the period in which the employees provide the related services.

The Bank has post employment benefit schemes for its employees including both defined benefit and defined contribution plans. A defined benefit plan is a plan that defines an amount of benefit that an employee will receive on retirement dependent on 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.

The employees of the Bank are entitled to get Gratuity and Accumulated Leave as per the Employee Byelaws of the Bank which are defined benefit plan whereas Employer's Contributions to Provident Fund at the rate of 10% of basic salary as per Employee Byelaws of the Bank is defined contribution plan.

Defined benefit plans liabilities of the Bank are measured on an actuarial basis using the Projected Unit Credit Method. The Bank's Profit and Loss Account is charged with the interest cost, current service cost, past service cost, benefits paid adjusted with actuarial gain/ loss recognized for the period.

The costs of the Bank's defined contribution plans are charged to the Profit and Loss Account in the period in which they fall due. Similarly as per Bonus Act 2030, provision for staff bonus is made at the rate of 10% of Net Profits after Staff Bonus that is accounted for as short term Employee Benefits.

l) Taxation

Income Tax

Income tax expense comprises current tax provision (i.e. the amount of tax for the period determined in accordance with the prevailing Income Tax Act, 2058 and the rules framed there under) and the net change in the deferred tax asset or liability in the year.

Deferred Tax/ Current Tax

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

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

m) Impairment Losses

Provision for Possible Losses is made to provide for probable impairment losses in Loans and Advances including Bills Purchased, Investments, Fixed Assets and Other Assets.

Loan Loss Provision and Provision for Non-Banking Assets are provided from time to time as prescribed by NRB Directives.

n) Provision for Possible Losses

Provision for Possible Losses that are no longer required on account of disposal of the assets is recognized as income under the head Provision for Possible Losses Written Back.

o) Provisions and Contingent Assets/ Liabilities

Bank creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for contingent liability is made when there is a possible obligation or a present obligation that may but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognized in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the period in which the change occurs.

Liabilities on account of derivative contracts are reported under Contingent Liabilities under sub- heading Outstanding Liabilities for Forward Exchange Contract. These include notional principal on outstanding forward rate agreements and currency swap transactions. The profit or loss that arise from Forward Exchange Contract is recognized at the time of settlement.

8) Basis of Consolidation

The Group's Financial Statements comprise consolidation of the Financial Statements of the Bank and its subsidiaries in terms of the NFRS10 – Consolidated Financial Statements and NFRS 3 – Business Combinations.

Subsidiary

Subsidiary is the entity controlled by the Bank. The Bank controls an entity if it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. The Financial Statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

The Consolidated Financial Statements are prepared to common financial year end similar to that of the Bank. Transactions Eliminated on Consolidation

All intra group transactions and outstanding balances among Group companies are excluded in Group Financial Statements. Unrealized gains and losses resulting from transactions between the Groups are also eliminated on consolidation to the extent of the Group's interests.

9) Events after Balance Sheet Date

Events after Balance Sheet Date are those events, favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue.

Events after Balance Sheet Date are adjusted and recognized in Balance Sheet if they relate to adjusting events that provide evidence of

conditions that existed at the end of the Balance Sheet Date. Events after Balance Sheet Date are not adjusted for non-adjusting events that are indicative of conditions that arose after the Balance Sheet. However, if non-adjusting events are material that could influence the economic decisions that the users of financial statements make are appropriately disclosed in Notes to Accounts.

10) Operating Segments

The operating segment analysis is done in a manner that assists Executive Committee, that is responsible for allocating resources and assessing performance of the operating segments, and has been identified as the chief operating decision maker. All transactions between segments are conducted on pre-determined transfer price with Treasury Department as the fund manager.

The bank comprises of the operating segment primarily on the basis of nature of operations of the bank- Banking, Treasury, Cards and Remittance and secondarily on the basis of geographical region- 7 states.

11) Leases

The leases entered into by the Bank are primarily operating leases. Operating lease rentals payable are charged to the Profit and Loss Account on a straight-line basis over the period of the lease.

Notes to the Accounts

AS AT JULY 15, 2016 (ASHADH 31, 2073)

A. First-time Adoption of NFRS

These financial statements, for the year ended July 15, 2016 (31st Ashadh 2073), are the first the Group has prepared in accordance with NFRS For periods up to and including the year ended July 16, 2015 (31st Ashadh 2072), the Group prepared its financial statements in accordance with Local Generally Accepted Accounting Practice (Local GAAP).

Accordingly, the Group has prepared financial statements which comply with NFRS applicable for periods ending on or after July 15, 2016 (31st Ashadh 2073), together with the comparative period data as at and for the year ended July 16, 2015 (31st Ashadh 2072), as described in the accounting policies. In preparing these financial statements, the Group's opening statement of financial position was prepared as at July 17, 2014 (1st Shrawan 2071), the Group's date of transition to NFRS This note explains the principal adjustments made by the Group in restating its Local GAAP statement of financial position as at July 17, 2014 (1st Shrawan 2071), its previously published Local GAAP financial statements as at and for the year ended July 16, 2015 (31st Ashadh 2072) and financial statements as at and for the year ended July 15, 2016 (31st Ashadh 2073).

Exemptions Applied

NFRS 1 First-Time Adoption of Nepal Financial Reporting Standards allows first-time adopters certain exemptions from the retrospective application of certain NFRS

Impairment Loss Provisioning on Loans and Advances/ Guarantees/ LCs which is impracticable to be performed manually on

account of lack of automated system, due to the involvement of complex mathematical calculations and lack of adequate data and system to reliably capture the data required. Only partial compliance has been made in line with NRB Directives.

Interest Income/ Management fees income recognized on loan should have been deferred and recognized over the period of Loans/ Guarantees/ LCs as per Effective Interest Rate method. The same has been departed to comply with NRB Directive and interest income is recognized on cash basis and management fees on receipt.

The items stated above are significant by nature, however, immaterial for the user of Accounts by size of the bank. The size as per amount either individually or collectively is indeterminable as mentioned above. However, considering the approximate collective size of impact of misstatement over the total revenue and total balance sheet size of the Bank, the same is likely to be below 3.00% and 0.20% and hence immaterial and financial statements can be considered as presenting fairly the financial position, financial performance and cash flow of the Bank.(as per Para-10 and 12 of NAS-1)

Use of this exemption means that the local GAAP carrying amounts of assets and liabilities, which are required to be recognised under NFRS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with NFRS Assets and liabilities that do not qualify for recognition under NFRS are excluded from the opening NFRS statement of financial position. The Group did not recognise or exclude any previously recognised amounts as a result of NFRS recognition requirements.

B. Details of Paid Up Capital of the Bank

Fiscal Year	Total Paid Up Capital NPR	Remarks
2006/07	560,000,000	Promoter's Share capital
2007/08	560,000,000	No change
2008/09	1,000,000,000	Additional NPR 14 Crore Promoter Share and NPR 30 Crore Public Share Issued
2009/10	2,000,000,000	Issuance of 1:1 Right Share
2010/11	2,100,000,000	5 % Bonus Shares Issued
2011/12	2,101,840,000	Fraction Share Adjustment in promoter share to maintain the ratio between promoter and public shareholders
2012/13	2,101,840,000	No change.
2013/14	2,375,079,200	13% Bonus Shares Issued
2014/15	3,065,233,817	After acquisition of NHMFL & PEFIL and fraction share adjustment.
2015/16	3,650,639,616	30% Bonus Share Issued

C. Investments

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

Particulars	Classification	Amount NPR	Investment Adjustment Reserve NPR	Net Investment NPR
Investment in Equity Shares	Financial Assets Through Other Comprehensive Income	100,721,500	17,616,000	83,105,500
Investment in Equity Shares which are marked to market	Financial Assets At Fair Value Through Profit Or Loss	6,079,628		6,079,628
Investment in Treasury Bills	Financial assets measured at amortized cost	1,343,461,611		1,343,461,611
Investment in Government Bonds	Financial assets measured at amortized cost	3,970,200,000		3,970,200,000
Nepal Rastra Bank Bond	Financial assets measured at amortized cost	1,081,025,000		1,081,025,000
Placements In banks	Financial assets measured at amortized cost	976,549,174		976,549,174
Total		7,478,036,913	17,616,000	7,460,420,913

D. Capital Redemption Reserve (Bond Redemption Reserve)

The Bank has issued Subordinated Debt of 500,000 8.5% Citizens Bank Bond, 2077 of NPR 500,000,000 as per NRB approval dated December 16, 2013 (2070/09/01). As per clause 5 of NRB Directive 16, the Banks are required to set aside fund to Capital Redemption Reserve. The Bank has set aside NPR 100,000,000 to Capital Redemption Reserve in the FY 2015/16.

E. Gain on Bargain Purchase on Investment in CBIL Capital Limited

The Bank has invested in equity share capital of CBIL Capital Limited, Merchant Banking Company amount to NPR 67,000,000 and owns its 67% of share capital making it subsidiary of the Bank. The gain on bargain purchase on Investment in Subsidiary has been calculated as below:

Details	Book value (NPR)	Fair value as on July 15,2016 (NPR)
Assets		
Fixed Assets	55,500	55,500
Investment		
Fixed Deposit	19,000,000	19,000,000
Investment in shares	15,320,382	15,456,696
Cash Balance	6,158	6,158
Bank Balance	67,312,911	67,312,911
Deferred Tax Assets	52,300	52,300
Current Assets, Loan & Advances	3,036,670	3,036,670
Trade and Other Receivables	375,745	375,745
Total Assets		105,295,980
Liabilities		
Current Liabilities and Provisions	993,707	993,707
Provisions	1,111,455	1,111,455
Total Liabilities		2,105,162
Fair Value of identifiable assets and Liabilities		103,190,818
Acquirer's Interest 67% of the Total Share Capital		69,137,848
Consideration Transferred		67,000,000
Gain on Bargain Purchase		2,137,848

F. Interest Income Recognition on Loans and advances

Interest income has been recognized in the Statement of Profit or Loss account on accrual basis.

However, Interest on loans & advances should have been recognized on cash basis as prescribed by NRB Directive 4. Similarly, the same Directive has also allowed BFIs to recognize interest income, interest that has accrued at year end but has been subsequently recovered in cash within 15 days after year-end date.

As per NFRS, interest income amounting to NPR 3,487,072,368 has been recognized on accrual basis. As result, interest income has been decreased by opening interest suspense and increased by closing interest suspense. The net interest suspense is impact on interest income is NPR 22,058,225. Similarly Finance income of NPR 21,541,247 have been booked as interest income on s staff loans provided on subsidised interest rates at market rate.

G. Events after Balance Sheet Date

The Bank received final approval from Nepal Rastra Bank to acquire 'C' class financial institution Premier Finance Limited on July 4, 2016 (2073/03/20) via letter Bai. Bi. Ni. Bi./ Merger- 319/ 072/073. The Bank has decided to commence joint operation after acquisition of Premier Finance Limited from July 18, 2016 (2073/04/02). The acquisition of Premier Finance Limited has no financial impact in the financial status as on July 15, 2016 (Ashadh end, 2073).

There are no other events after Balance Sheet Date affecting financial status as on July 15, 2016 (Ashadh end, 2073).

H. Proposed Bonus Share in Current Fiscal Year 2015/16

The Board of Directors has proposed Bonus Share of NPR 750,675,762.

I. Proposed Dividend for Current Fiscal Year 2015/16

The Board of Directors has proposed Cash Dividend of NPR 39,509,251.

J. General Reserve Fund

As per section 44 of Bank and Financial Institutions Act (BAFIA) 2063, 20% of the Current Year's Profit NPR 216,075,500 has been transferred to General Reserve Fund.

K. Exchange Fluctuation Reserve Fund

The Bank has appropriated NPR 9,622,914 to Exchange Fluctuation Reserve out of the Revaluation Gain of NPR 38,491,656 made during the year.

L. Income Taxes

Income Tax Provision has been made at the rate of 30% on Taxable Profit.

Deferred tax is computed 30% of the temporary differences. The calculation of Deferred taxes are tabulated below.

Particulars	Accounting Base	Tax Base	Difference	Amount in NPR		
				Deferred Tax Assets (Liability) of This Year	Deferred Tax Assets (Liability) of Last Year	Deferred Tax Income (Expenses) of This Year
Fixed Assets	1,107,847,373	1,153,699,276	45,851,903	13,755,571	9,236,559	4,519,012
Provision for Gratuity	31,783,372	-	31,783,372	9,535,012	4,995,615	4,539,397
Provision for Leave encashment	49,999,942	-	49,999,942	14,999,983	12,228,338	2,771,645
Provision for Investment	-	-	-	-	-	-
Loan Loss Provision	-	-	-	-	-	-
Provision on Non- Banking Assets	-	-	-	-	-	-
Unabsorbed Losses	-	93,281,725	93,281,725	27,984,518	33,474,049	(5,489,531)
Total	1,189,630,687	1,246,981,001	220,916,942	66,275,084	59,934,561	6,340,523

M. Gratuity and Leave Fund

Bank has provided for Gratuity and Annual Leave as per Actuarial Valuation in Current Fiscal Year 2015/16 which has been credited to Gratuity and Leave Fund.

The following tables summarise the components of net benefit expense recognised in the income statement and the funded status and amounts recognised in the statement of financial position for the respective plans:

Particulars	Gratuity	Employees' Compensated Absence Scheme (Paid Leave)	Employees' Compensated Absence Scheme (Sick Leave)	Amount in NPR
				Total
Defined benefit obligation as at July 17, 2014	8,253,681	8,807,728	7,911,867	24,973,276
Interest cost	660,294	704,618	632,949	1,997,861
Current service cost	7,590,640	17,639,015	5,728,338	30,957,994
Settlements	(810,363)	(1,445,227)	(5,128,460)	(7,384,051)
Actuarial losses/ (gains) on obligation	10,161,551	3,321,344	(5,722,696)	7,760,199
Exchange differences				-
Defined benefit obligation as at July 16, 2015	25,855,803	29,027,478	3,421,998	58,305,279
Interest cost				-
Current service cost	12,439,468	25,349,371	8,007,001	45,795,839
Settlements	(715,026)	(1,512,654)	(6,231,649)	(8,459,328)
Actuarial losses/ (gains) on obligation	(5,796,873)	(10,277,495)	2,215,892	(13,858,476)
Exchange differences				-
Defined benefit obligation as at July 15, 2016	31,783,372	42,586,700	7,413,242	81,783,314

The major assumptions made in the actuarial valuation are as under:

Assumptions	Gratuity	Employees' Compensated Absence Scheme (Paid Leave)	Employees' Compensated Absence Scheme (Sick Leave)
Discount Rate	8%	8%	8%
Basic Salary increment every year	5%	5%	5%
Increment every 2 years:			
Executive	10%	10%	10%
Officer	15%	15%	15%
Assistant	20%	20%	20%

N. Provision for Bonus to Employees

Provision for staff bonus has been made as per Bonus Act 2030, calculated at 10% of net profit after bonus. For the FY 2015/16, the Bank has made provision of NPR 153,886,400 towards Staff Bonus.

O. Provision for Employees Housing

Staffs have been provided with home loans as per employee Bye-Laws of the Bank. Hence, a separate housing fund has not been created as required by Labor Act, 2049.

P. Property, Plant and Equipment, Intangible Assets, Depreciation and Amortization

1. Depreciation for the year is NPR 56,335,530. Expenses for office furnishing are capitalized as Fixed Assets and depreciated over a maximum 5 years period. Similarly, Software Purchase and installation costs are also capitalised as Fixed Assets and depreciated over a maximum 5 years period or within the ownership period.
2. The expenses of leasehold improvements are amortized over a maximum of 10 years period or the lease rental period, whichever is earlier. As such, during the fiscal year 2015/16 NPR 19,043,287 is amortized as expenses and balance NPR 74,600,110 will be amortized in coming years.
3. Net Profit on sale of Fixed Assets is NPR 402,285.76 and Net Profit on sale of Non- Banking Assets is NPR 90,038,133.94 which have been shown in Schedule X.

Q. Details of Non- Current Assets Held for Sale (Non- Banking Assets)

	Amount in NPR '000
Particulars	Amount
Balance as on 16 July 2015	663,516
Additions during the Year	27,377
Disposals during the Year	310,648
Balance as on 15 July 2016	380,245

During the year there was a net profit of NPR 90,038,133.94 on disposal of Non- Banking Assets. The profit has been shown under Schedule X.

As per Para 84 of NAS 39, the amount expected to be realized by the collateral through foreclosure needs to be considered in computation of the impairment loss.

The Bank has used methods as prescribed by NRB by creating 100% provision of Non- Banking Assets instead of provisioning after Impairment Testing.

R. Related Party Disclosure**a. Key Management Persons of the Bank**

Dr. Shankar Prasad Sharma	BOD Chairman
Mr. Bal Krishna Prasai	Director
Mr. Manohar Das Mool	Director
Mr. Prakash Chandra Mainali	Director
Mr. Pabitra Kumar Karki	Director
Mr. Bijaya Dhoj Karki	Director
Mr. Chandra Tandon	Director
Dr. Chanda Karki	Director
Mr. Rajan Singh Bhandari	Chief Executive Officer

b. Transactions between the Bank and BOD Members

Particulars	Amount in NPR
Meeting Fees	2,440,000
Other Expenses	1,254,759

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

Amount in NPR '000

Particular	Chief Executive Officer (NPR)	Management Team (NPR)
1. Short Term Employment Benefits		
a. Salary	6,926	9,648
b. Allowance	4,534	11,915
c. Provident Fund	693	730
d. Staff Bonus and Welfare	5,451	8,418
e. Accumulated Leave Encashment	-	1,020
f. Staff Welfare Fund	1,221	1,362
Total Income	18,825	33,093
Less: Income Tax Paid	6,164	7,308
Net Income	12,661	25,785
2. Telephone/Mobile	As per contract with the Bank	As per Employee Byelaws of the Bank
3. Post Employment Benefit	No	No
4. Other Long Term Benefits	No	No
5. Termination Benefits	No	Yes
6. Shares Based Payments	No	No

Note:

1. Management Team includes Chief Finance Officer and Deputy Manager and above staffs.

2. Chief Executive Officer is entitled for facilities as per Contract of appointment with the Bank, Bonus as per Bonus Act 2033, and vehicle facility.

3. Permanent staffs of the bank are entitled to gratuity and leave encashment facility as termination benefits.

d. Transactions with Subsidiary

- The Bank entered into a Management Service Agreement (MSA) with Subsidiary for providing management services. Provisions laid in MSA are in line with arms-length principle. Bank has made an investment of NPR 67,000,000 to its subsidiary Company.
- An agreement has been made between the Bank and the Subsidiary Company to provide following facilities to Subsidiary Company by the Bank for a monthly fee of NPR 300,000
 - Bank has deputed its Senior Manager as CEO to its subsidiary providing, salary allowance and other eligible facilities as per the Bank's Employee Byelaws.
 - The Bank provides technical assistance required for Computer hardware, software and network maintenance
 - Internal audit of the Bank will handle all audit work of its subsidiary and will submit quarterly report to its Audit Committee.
 - Bank has also agreed to provide legal consultancy and vehicle facility to the Subsidiary Company.
- Similarly, Bank has rented its building located a ward no.33, Dillibazzar to the Subsidiary Company with the agreement to pay Monthly Rent of NPR 110,000 which will be increased by 10% in every 2 year.

The overall transactions with the Subsidiary has been tabulated below;

Particulars	Total Amount NPR
Rental Income	330,000
Management fee-Income	900,000
CEO's remuneration	513,061
Deposit of Subsidiary in Call Deposit	555,697
Interest paid to Subsidiary	22,529
Advances to Subsidiary	1,455,139

- 4 All receipt and payment transactions entered into by the Bank with Subsidiary were made net of TDS. TDS has been duly deposited at Tax Office.
- 5 CBIL Capital Ltd holds a deposit account with the Bank which has a balance of NPR 555,697 as on July 15, 2016 (31st Ashad 2073).

S. Prepaid Expenses

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

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

Particulars	Amount in NPR	
	2015/16	2014/15
Prepaid House Rent	11,669,994	7,512,686
Prepaid Insurance	7,831,449	6,469,290
Prepaid Communication Exp.	87,974	54,780
Prepaid Fee & Subscription	1,004,846	522,836
Prepaid Insurance-Staff	4,430,227	3,710,637
Prepaid Expenses Others	13,944,054	923,435
Prepaid Expenses Total	38,968,543	19,193,664

T. Leases

Actual Rent expense of NPR 54,171,512.79 has been booked for the F/Y 2015/16. In order to comply with NFRS, additional NPR 7,066,751.71 has been shown as operating lease expenses. The details of lease expenses booked during the year are as follows:

Future Minimum Lease Payments	Amount in NPR
	2015/16
Less than one year	805,481
Between one to five years	21,733,089
More than five years	31,632,943
Charged off to Profit & loss account	54,171,512

Operating Lease Liabilities:

Lease Liability	Amount in NPR
	2015/16
Less than one year	805,481
Between one to five years	47,973,601
More than five years	271,431,118
Total lease liability	320,210,200

U. Lease Receivable from CBIL Capital Limited

Rental income of NPR 330,000 has been booked as income which has been received on actual basis from Mid May to Mid July 2016 from CBIL Capital Limited. For the purpose of complying with the accounting standard, additional of NPR 72,937 has been shown as income and also as lease receivable from CBIL Capital Limited.

V. Prior Period Error

Prior period error of NPR 42,596,482 has been discovered in this fiscal year which relates to short booking of tax liability for the fiscal year 2012/13. As a consequence, retained earning and advance tax are overstated since 2012/13. The errors have been corrected by adjusting this prior year error in this fiscal year. The following table summarises impact of the error on the financial statements:

Statement of Financial Position

Particulars	Amount in NPR		
	Previously Reported	Adjustment	Restated
Retained Earning NPR	846,979,447	42,596,482	804,382,965
Advance Tax NPR	84,775,579	42,596,482	42,179,097

W. Earning Per Share

Basic Earning Per Share

Earnings per share, also called net income per share, is a market prospect ratio that measures the amount of net income earned per share of stock outstanding. In other words, this is the amount of money each share of stock would receive if all of the profits were distributed to the outstanding shares at the end of the year. It is calculated by dividing profit or loss attributable to ordinary equity holders by the average number of ordinary shares outstanding during the period.

The earnings attributable to the ordinary equity holders consists of the earnings of the Bank after deduction of all expenses, tax expense and preference dividends, differences arising on the settlement of preference shares, and other similar effects of preference shares classified as equity.

Ordinary Shares

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

Weighted Average Number of Ordinary Shares

The weighted average number of outstanding shares is a calculation that incorporates any changes in the amount of outstanding shares over a reporting periods.

Diluted Shares

Fully diluted shares are the total number of shares that would be outstanding if all possible sources of conversion, such as convertible bonds and stock options, were exercised.

Weighted Average Number of Diluted Shares

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

Basic Earning Per Share

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

Particulars	2015/16	2014/15
Profit attributable of ordinary shareholders NPR	1,123,864,410	829,221,067
Weighted average number of ordinary shares	30,652,338	25,543,615
Basic Earning Per Share NPR	36.66	32.46

Diluted Earning Per Share

The calculation of diluted earning per share has been based on the profit attributable to ordinary shareholders and weighted average number of shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

Particulars	2015/16	2014/15
Profit attributable of ordinary shareholders NPR	1,123,864,410	829,221,067
Weighted average number of ordinary shares	36,506,396	25,543,615
Diluted Earning Per Share NPR	30.79	32.46

X. Restricted Bank Balance

The amount of NPR 1,208,860,614 included in Bank Balance of the Bank have been deposited as lien with Nostro Banks for various purposes as mentioned below:

Nostro Account with	Ledger Balance NPR	Restricted Balance NPR	Remarks
Mashreq Bank, Dubai	500,000	500,000	Certificate of Deposit for Investment
Mashreq Bank Dubai	1,000,000	1,000,000	Certificate of Deposit for Investment
Sunrise Bank Ltd.	280,000	280,000	Collateral for Visa Card
Mashreq Bank Dubai	2,000,000	2,000,000	Certificate of Deposit for Investment
Mashreq Bank Dubai	500,000	500,000	Certificate of Deposit for Investment
Mashreq Bank Dubai	1,000,000	1,000,000	Certificate of Deposit for Investment
Mashreq Bank Dubai	500,000	500,000	Certificate of Deposit for Investment
Standard Chartered Bank, Singapore	1,250,000	1,250,000	Lien for LC Payment
Standard Chartered Bank, Singapore	1,512,351	1,512,351	Lien for LC Payment
Standard Chartered Bank, Singapore	446,260	446,260	Lien for LC Payment
Sunrise Bank Ltd.	112,500	112,500	Collateral for Visa Card
Agriculture Development Bank Ltd.	600,000,000	600,000,000	Lien for Inter bank deal.
Rastriya Baniya Bank Ltd.	292,725,654	292,725,654	Lien for Inter bank deal.
Rastriya Baniya Bank Ltd.	158,318,640	158,318,640	Lien for Inter bank deal.
Rastriya Baniya Bank Ltd.	89,285,730	89,285,730	Lien for Inter bank deal.
Rastriya Baniya Bank Ltd.	59,429,480	59,429,480	Lien for Inter bank deal.
Total	1,208,860,615	1,208,860,615	

Y. Comparative Figures

Previous year figure has been reclassified/re-arranged to facilitate fair comparison, wherever necessary.

Z. Reconciliation between Financial Statements as per Local GAAP and NFRS

Reconciliation of Financial Position As at July 15, 2016 (Ashadh 31, 2073)

				Amount in NPR
Particulars	Notes	Local GAAP	Remeasurement	NFRS as at July 15, 2016
Liabilities				
Resources Of Central Banks		2,750,000	-	2,750,000
Deposit From Banks		3,935,231,858	-	3,935,231,858
Deposit From Customers		43,458,269,110	-	43,458,269,110
Financial Liabilities At Fair Value Through Profit Or Loss				
Debt Securities And Other Borrowings	A	1,616,296,010	2,264,286	1,614,031,724
Current Tax Liabilities		-	-	-
Deferred Tax Liabilities			-	-
Provisions		92,088,158	8,459,329	83,628,829
Other Liabilities		612,574,165	(7,066,755)	619,640,920
Total Liabilities		49,717,209,301	3,656,859	49,713,552,442
Shareholder's Equity				
		-		-
Share Capital	B	4,401,315,379	750,675,762	3,650,639,617
Other Reserves		903,981,689	(1,017,687,277)	1,921,668,966
Proposed Cash Dividend		39,509,251	39,509,251	
Total Equity		5,344,806,319	(227,502,264)	5,572,308,583
Total Equities and Liabilities		55,062,015,620	(223,845,405)	55,285,861,025

				Amount in NPR
Particulars	Notes	Local GAAP	Remeasurement	NFRS as at July 15, 2016
Assets				
Cash and Cash Equivalent	C	6,140,642,947	-	6,140,642,947
Financial Assets At Fair Value Through Profit Or Loss	D	6,079,628	-	6,079,628
Financial Assets Measured At Amortized Cost	D	7,371,235,785	-	7,371,235,785
Financial Assets Through Other Comprehensive Income	D	100,721,500	-	100,721,500
Loans and Advances To Other Financial Institutions	E	1,612,793,878	-	1,612,793,878
Loans and Advances To Clients	E	38,022,671,415	-	38,022,671,415
Property, Plant and Equipment		1,101,980,621	-	1,101,980,621
Inventories		6,325,998	-	6,325,998
Intangible Assets		5,866,752	-	5,866,752
Deferred Tax Assets		66,275,084	-	66,275,084
Other Assets		627,422,012	(223,845,405)	851,267,417
Non Current Asset Held For Sale	F	-		-
Total Assets		55,062,015,620	(223,845,405)	55,285,861,025

Reconciliation of Total Comprehensive Income As at July 15, 2016 (Ashadh 31, 2073)

Amount in NPR

Particulars	Notes	Local GAAP	Remeasurement	NFRS as at July 15, 2016
Interest Income	G	3,443,472,897	(43,599,471)	3,487,072,368
Interest Expense	A	1,823,705,606	(374,573)	1,824,080,179
Net Interest Income		1,619,767,291	(43,224,898)	1,662,992,189
Fees and Commission Income		97,670,368	-	97,670,368
Fees and Commission Expense		10,957,038	-	10,957,038
Net Fee and Commission Income		86,713,330	-	86,713,330
Net Trading Income		143,294,226	-	143,294,226
Other Operating income		423,423,859	-	423,423,859
Total Operating Income		2,273,198,706	(43,224,898)	2,316,423,604
Impairment loss on financial assets		355,120,007	-	355,120,007
Reversal of Impairment loss on financial assets		431,739,372	-	431,739,372
Net Impairment loss (Reversal gain) on financial assets	H	(76,619,365)	(1,515,623)	(76,619,365)
Net Operating Income		2,349,818,071	(41,709,275)	2,393,042,969
Personnel Expenses	I	449,088,578	(6,529,711)	455,618,289
Operating Lease expenses	J	47,104,761	(7,066,751)	54,171,512
Depreciation and amortization		75,378,817	-	75,378,817
Other operating expenses		239,381,919	-	239,381,919
Gain on Bargain purchase		-	-	-
Operating Profit before Tax		1,538,863,996	(28,112,813)	1,568,492,432
Income tax expense		458,486,498	-	458,486,498
Profit from Continued Operation		1,080,377,498	(28,112,813)	1,110,005,934
Net profit after tax from discontinued operation		-	-	-
Profit for the year		1,080,377,498	(28,112,813)	1,110,005,934
Other Comprehensive Income				
Actuarial gains/ (losses) on defined benefit pension plan			(13,858,476)	13,858,476
Revaluation gains / (losses) on property, plant and equipment				
Net movement on cash flow hedge				
Exchange differences on translating foreign operation				
Net gain/ (loss) on revaluation of Financial asset through OCI				
Income tax relating to component of other comprehensive income				
Total comprehensive Income for the period		1,080,377,498	(41,971,289)	1,123,864,410

AA. Segment Report

The operating segment analysis is done in a manner that assists Executive Committee, that is responsible for allocating resources and assessing performance of the operating segments, and has been identified as the chief operating decision maker. All transactions between segments are conducted on pre- determined transfer price with Treasury Department as the fund manager.

The bank comprises of the operating segment primarily on the basis of nature of operations of the bank- Banking, Treasury, Cards and Remittance and secondarily on the basis of geographical region - 7 states.

a.1) Segmental Performance Analysis on the basis of Nature of Operation

Particulars	Amount in NPR				
	Banking	Treasury	Card	Remittance	BLB Corporate Office
Interest Income	3,280,932,277	159,850,977	2,689,643	-	-
IBT Interest Income					3,443,472,897
Interest Expenses	1,758,502,367	22,703,241	-	-	-
IBT Interest Expenses					1,823,705,606
Net Interest Income	1,522,429,910	137,147,735	2,689,643	-	(42,499,998)
Fees and Commission	62,778,654	255,501	27,104,849	7,489,341	42,023
Other Income	247,633,411	1,775,737	10,917,138	780	5,261,951
FX Income	16,496,239	125,816,443	(127,747)	1,097,527	11,764
Total Operating Income	1,849,338,215	264,995,416	40,583,884	8,587,648	6,649,844
Staff Expenses	(153,892,394)	(2,347,006)	(1,646,666)	(1,543,712)	(6,711,602)
Other Operating Expenses	(226,637,210)	(5,678,582)	(22,476,507)	(1,193,786)	(8,949,624)
Operating Profit Before Provision	1,468,808,611	256,969,828	16,460,711	5,850,150	(9,011,383)
Provision for Possible Losses	(349,610,977)	-	-	-	(5,509,030)
D. Operating Profit	1,119,197,634	256,969,828	16,460,711	5,850,150	(279,640,913)
Non Operating Income/Expenses (Net)	3,119,564	42,866,094	-	-	98,487,239
Write Back to Provision for Possible Loss	133,013,452	-	-	-	298,725,920
E. Profit from Regular Activities	1,255,330,650	299,835,922	16,460,711	5,850,150	(9,011,383)
Extraordinary Income/Expenses	-	-	-	-	6,712,100
F. Profit before Bonus and Taxes	1,255,330,650	299,835,922	16,460,711	5,850,150	(9,011,383)
Provision for Staff Bonus	-	-	-	-	-
Provision for Tax	-	-	-	-	-
G. Net Profit/Loss	-	-	-	-	-
					1,080,377,499

a.2) Assets and Liabilities of the Operational Segments

Amount in NPR

Liabilities	Banking	Treasury	Card	Remittance	BLB	Corporate Office	Total
1. Share Capital	509,769,100	-	-	-	-	3,891,546,279	4,401,315,379
2. Reserves and Funds	1,474,492,352	(88,830,039)	15,980,165	5,456,852	(9,166,655)	(493,950,985)	903,981,689
3. Debentures & Bonds	-	-	-	-	-	500,000,000	500,000,000
4. Borrowings	-	1,119,046,010	-	-	-	-	1,119,046,010
5. Deposit Accounts	47,393,500,967	-	-	-	-	-	47,393,500,967
6. Bills Payable	36,378,853	49,275,887	-	-	-	7,626,975	93,281,715
7. Proposed Cash Dividend	-	-	-	-	-	39,509,251	39,509,251
8. Income Tax Liabilities	-	-	-	-	-	-	-
9. Other Liabilities	2,124,493,139	1,540,050,466	22,460,781	6,233,512	6,642,829	(3,088,500,119)	611,380,608
10. Inter- Bank Transactions	6,394,878,367	10,706,036,661	2,138,221	-	18,551,427	-	17,121,604,675
Total Capital & Liabilities	57,933,512,777	13,325,578,985	40,579,167	11,690,364	16,027,600	856,231,401	72,183,620,295
Assets							
1. Cash Balance	1,884,360,876	-	-	-	-	-	1,884,360,876
2. Balance with Nepal Rastra Bank	-	3,149,515,238	-	-	-	-	3,149,515,238
3. Balance with Banks/Financial Institutions	0	835,064,762	24,253,224	-	-	-	859,317,987
4. Money at Call and Short Notice	-	247,448,846	-	-	-	-	247,448,846
5. Investments	-	7,478,036,913	-	-	-	-	7,478,036,913
6. Loans, Advances and Bills Purchased	39,635,465,293	-	-	-	-	-	39,635,465,293
7. Fixed Assets	816,968,161	292,422	212,605	347,767	9,657,600	280,368,818	1,107,847,373
8. Non- Banking Assets	-	-	-	-	-	-	-
9. Other Assets	706,982,157	1,615,220,804	16,113,338	9,216,380	6,370,000	(1,653,879,584)	700,023,094
10. Inter- Bank Transactions	14,889,736,289	-	-	2,126,218	-	2,229,742,168	17,121,604,675
Total Assets	57,933,512,777	13,325,578,985	40,579,167	11,690,364	16,027,600	856,231,401	72,183,620,295

b.2) Assets and Liabilities on the basis of Geographical Regions

Capital & Liabilities	Amount in NPR						
	State 1	State 2	State 3	State 4	State 5	State 6	State 7
1. Share Capital	14,807,200	5,355,600	4,367,764,679	7,647,400	4,626,100	483,700	630,700
2. Reserves and Funds	129,680,052	54,573,929	525,960,920	40,797,187	80,821,962	35,389,031	36,758,607
3. Debentures & Bonds	-	-	500,000,000	-	-	-	-
4. Borrowings	-	-	1,119,046,010	-	-	-	-
5. Deposit Accounts	1,753,336,375	1,313,267,031	40,917,646,082	910,190,537	1,351,883,236	806,055,555	341,122,150
6. Bills Payable	12,204,537	1,628,423	76,446,772	-	2,960,852	-	41,131
7. Proposed Cash Dividend	-	-	39,509,251	-	-	-	-
8. Income Tax Liabilities	-	-	-	-	-	-	-
9. Other Liabilities	95,527,575	93,687,003	274,472,917	37,213,414	52,777,937	27,925,135	29,776,628
10. Inter- Bank Transactions	2,092,974,555	598,189,896	12,758,289,397	224,581,483	652,949,841	219,428,413	575,191,091
Total Capital & Liabilities	4,098,530,294	2,066,701,881	60,579,136,028	1,220,430,021	2,146,019,929	1,089,281,834	983,520,307
Assets							
1. Cash Balance	233,407,275	135,832,627	1,076,756,311	83,166,794	173,848,812	125,069,312	56,279,747
2. Balance with Nepal Rastra Bank	-	-	3,149,515,238	-	-	-	-
3. Balance with Banks/Financial Institutions	-	-	859,317,987	-	-	-	-
4. Money at Call and Short Notice	-	-	247,448,846	-	-	-	-
5. Investments	-	-	7,478,036,913	-	-	-	-
6. Loans, Advances and Bills Purchased	3,784,801,320	1,830,451,124	29,442,403,479	1,035,556,017	1,914,460,803	728,397,670	899,394,881
7. Fixed Assets	65,446,228	43,109,848	856,989,604	29,947,333	53,907,757	32,207,253	26,239,350
8. Non- Banking Assets	-	-	-	-	-	-	-
9. Other Assets	14,875,471	8,231,299	666,218,182	2,757,537	3,802,558	2,531,717	1,606,330
10. Inter- Bank Transactions	-	49,076,984	16,802,449,468	69,002,341	-	201,075,882	-
Total Assets	4,098,530,294	2,066,701,881	60,579,136,028	1,220,430,021	2,146,019,929	1,089,281,834	983,520,307
Total							72,183,620,295

c. Comparative Figures

Previous year figures have been reclassified/ re-arranged to facilitate fair comparison, wherever necessary.

Notes to the Reconciliation of Statement of Financial Position and Total Comprehensive Income for the year ended July 15, 2016 (31st Ashad 2073)

As per requirement of NFRS-1- First time Adoption of NFRS, for the purpose of transition to NFRS, remeasurements of carrying value and figures of local GAAP have been done for arriving at the figures as per NFRS Regrouping/ reclassification of figures have been done on local GAAP in order to make a comparison with NFRS, wherever necessary .

The figures arising on remeasurement is as a result of difference in accounting policies between current local GAAP and NFRS policies which have been summarised below:

A. Debt Securities and Other Borrowings and Interest Expenses

Under local GAAP, the capital raised by the Bank through issuing debentures and bond are shown under the head "Debentures and Bonds" and accounted at the face value (historical cost), the issue cost is charged to profit or loss of the period when it was issued, and interest calculated at the coupon rate on face value is charged to the profit or loss.

However, As per NFRS 9 it should be initially measured at Fair Value and subsequently measured at Amortized cost. The issue expenses is netted from the fair value of debt instruments to arrive at amortized cost.

At the date of transition to NFRS, the fair value of debenture stands at NPR 497,735,714.20 and as per local GAAP carrying amount is NPR 500,000,000. The difference of NPR 2,264,285.80 between the instruments at fair value and local GAAP carrying amount has been adjusted in retained earning. Similarly, interest on 8.5% debenture calculated using effective interest rate stands at NPR 40,312,927 as per NFRS and as per local GAAP, interest expense stood at NPR 39,938,354. The difference of NPR 374,573 has been added to the face value of debenture.

B. Share Capital

Proposed bonus share under local GAAP are recognized and presented under share capital even if it is approved after reporting period.

However as per Para 12 of NAS 10 the proposed dividend which will be declared after reporting period should not be recognized as liability at the end of reporting period. Further as per Para 137

(b) of NAS 01 the proposed dividend should be disclosed by way of note to the financial statement. Accordingly, the proposed bonus shares of NPR 510,872,303 in local GAAP has been presented as additions in share capital under NFRS in current year.

C. Cash and Cash Equivalents

As per Para 48 of NAS 7 restricted balance should be disclosed separately.

Under current practice, the Bank does not have the practice of making classification of cash on the basis of restrictive use. It sets aside a specified portion of bank balance with Nepal Rastra Bank for the purpose of maintaining CRR. However this is treated as an unrestricted balance and can be used for normal banking activities.

D. Financial Assets

Under local GAAP, Investment includes Investment in Treasury Bills, Development bond, NRB Bond, interbank placements, investment in trading and non trading shares, etc. and classified as Assets Held to Maturity, Held for Trading and Available for Sale Investments.

As per NFRS, investments are categorised and separately booked as Financial Assets At Fair Value Through Profit Or Loss, Financial Assets Measured At Amortized Cost and Financial Assets At Fair Value Through Other Comprehensive Income.

At the date of transition, there are no difference in the carrying value of these components as per NFRS and under local GAAP since there are no associated transactions cost.

E. Loans and advances

Under local GAAP, Loans and advances are accounted for and measured at historical cost and the related service charge of the loan is recognized as income on upfront basis.

However as per NFRS 9 it should have been measured at fair value plus or minus transaction cost and subsequent measurement should be done at Amortized cost using Effective Interest Rate method.

As such, the remeasurement of loans and advances as per NFRS is not quantifiable, possible and disclosed due to the following reasons:

- Difficulty in calculation of Effective Interest Rate and amortisation of fees and commission due to lack of automated system.

- Due to lack of expertise.
- Due to complex calculations involved.

F. Non Banking Assets (Non- Current Assets Held for Sale)

The bank has been creating 100% provision for Non- Banking Assets as prescribed by NRB instead of provisioning after Impairment Testing. As per Para 84 of NAS 39, the amount expected to be realized by the collateral through foreclosure needs to be considered in computation of the impairment loss. The amount provided for provision for Non- Banking Assets as per NRB Directives stands at NPR 380,245,197.

G. Interest Income

Under local GAAP, Interest Income has been recognised on cash basis as per NRB Directives.

As per NFRS, Interest Income has been recognised on accrual basis. As a result, interest income has been decreased by opening interest suspense and increased by closing interest suspense. The net interest suspense impact on interest income is NPR 22,058,225. Similarly, finance income of NPR 21,541,247 have been booked as interest income on staff loans provided on subsidised interest rates at market rate.

H. Impairment Loss Provisioning

Under local GAAP, the entire loans and advances extended by a licensed institution are classified as per the guidelines prescribed by Nepal Rastra Bank and provisions are created based on the expiry of the deadlines of repayment of the principal and interest of such loans and advances.

As per Para 58 of NAS 39 the Bank shall have to assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial asset measured at amortized cost is impaired. If any such evidence exist the entity shall apply Para 63 to determine the amount of any impairment loss.

Provisions of impairment loss testing and impairment loss provisioning of NFRS has been partially complied with as per prescriptive provisions followed as defined in NRB Directives. The gap as per provisions of NFRS and provisions of NRB directives is not quantifiable on account of impracticability to quantify such gaps due to following reasons:

- due to lack of automated system
- high cost of compliance of NFRS
- lack of expertise
- due to complex calculations involved.

I. Personnel Expenses

Under local GAAP, personnel expenses includes

salary, allowances, provision for gratuity/ leaves, training, etc.

As per NFRS, personnel expenses includes short term employee benefits, post employment benefits, other long term benefits and termination benefits wherein in addition to local GAAP personnel expenses, expenses with reference to subsidized interest loans provided to staffs amounting to NPR 2,022,668 for Vehicle Loan have been included in personnel expenses.

Similarly, finance income of NPR 21,541,247 have been booked on staff home loans provided on subsidised interest rates.

Similarly, bonus provision of NPR 153,886,400 has been reclassified under personnel expenses as short term benefits and gratuity/ leave expenses have been provided for as per actuarial valuation.

J. Lease Expenses

Under local GAAP, lease expenses have been provided for as per terms of agreement with the lessor and booked as rent expenses.

As per NAS 18, the agreement entered with the lessor for leasehold properties have been treated as Operating Lease and Operating lease rentals payable are charged to the Profit and Loss Account on a straight- line basis over the period of the lease. Hence, the amount of NPR 7,066,751.71 has been recognized as the Lease Liability and equivalent sum provided for as Lease expenses over and above the rent expenses booked as per local GAAP.

K. Statement of Changes in Equity

Under Local GAAP, the movement of General Reserve Fund, Exchange Fluctuation Fund, Debenture Redemption Reserve, Investment Adjustment Reserve, Prior period expenses, Proposed issue of bonus shares and Proposed Dividend have been shown as appropriation of profit and disclosed in Profit and Loss Appropriation Account.

Whereas as per NFRS, there is no any effect of Proposed issue of bonus shares and Proposed Dividend in the Statement of Financial Position. Similarly, movement of all other reserves as shown in Profit and Loss Appropriation Accounts are shown under Statement of Changes in Equity in NFRS Financial Statements.

L. Statement of Cash Flows

The transition from Local GAAP to IFRS has not had a material impact on the statement of cash flows.

Statement of Advance taken by Promoters/ Promoter Group against Pledge of Own Share from Bank & Financial Institution

Schedule 34

Shareholders Name under Promoters/Promoter Group	Share under the Ownership of Promoters		Advance Details			
	Total No. of Shares	Percent of Total Paid up Capital	Name of Bank/Financial Institution from where Advance is taken	Advance Amount NPR	Pledged No. of Shares	Remarks
Sulochan Rajbhandari	183,784	0.60 %	Laxmi Bank Limited	114,500,000	73,154	
Rukmani Pradhan	78,831	0.26 %	Prime Commercial Bank	6,569,300	65,693	
Jayandra Singh Baniya	1,696	0.01 %	NMB Bank	5,000,000	1,696	
S. R. Hydro And Investment Pvt. Ltd.	297,717	0.97 %	Sunrise Bank	29,771,700	297,717	
Arjun Neupane	62,472	0.20 %	Global IME Bank	9,500,000	62,472	
Sabitri Sharma	463,576	1.51 %	Nepal Investment Bank Ltd	21,200,000	212,000	
Dinesh Shrestha	29,740	0.10 %	Kumari Bank Limited	2,624,700	26,247	
Uddhav Kc	41,493	0.14 %	Prime Commercial Bank	3,457,800	34,578	
Rujen Pasachhe	24,945	0.08 %	NIC Asia Bank Ltd.	11,000,000	20,788	
Karuna Malla	16,748	0.05 %	Nepal Bangladesh Bank Ltd.	1,395,700	13,957	
Ima Rayamajhi (Bhandari)	6,585	0.02 %	Nepal Bangladesh Bank Ltd.	548,800	5,488	
Pramod Prasad Chaudhary Kalwar	2,640	0.01 %	Siddhartha Bank Limited	264,000	2,640	
Birendra Narayan Shrestha	25,284	0.08 %	Prabhu Bank Limited	2,538,300	16,922	
Adunatha Ghimire	15,560	0.05 %	Jyoti Bikash Bank	1,556,000	15,560	
Bodh Tripathi	24,070	0.08 %	NIC Asia Bank Ltd.	60,000,000	24,070	
Rambha Sharma	74,297	0.24 %	NIC Asia Bank Ltd.	5,900,000	74,297	
Suraj Adhikari	35,611	0.12 %	NIC Asia Bank Ltd.	8,000,000	30,256	
Roshan Shrestha	84,537	0.28 %	NIC Asia Bank Ltd.	19,500,000	68,919	
Subash Sharetha	84,235	0.27 %	NIC Asia Bank Ltd.	21,000,000	84,235	
Pragya Jung Rana	34,640	0.11 %	Lumbini Finance and Leasing Limited	4,500,000	34,640	
Kiran Ghimire	6,484	0.02 %	Manjushree Financial Institute Limited	605,000	4,782	
Sabitri Sharma	21,000	0.07 %	Nepal Investment Bank Limited	10,000,000	21,000	
Janak Bista	1,237,230	4.04 %	NMB Bank Limited	50,000,000	518,364	
Usha Kiran Shrestha	156,555	0.51 %	Prabhu Bank Limited	55,876,000	115,141	
Prem Bahadur Shrestha	207,493	0.68 %	Prabhu Bank Limited		152,604	
Badri Kumar Shrestha	195,226	0.64 %	Prabhu Bank Limited		143,582	
Dhruba Kumar Shrestha	195,226	0.64 %	Prabhu Bank Limited		143,582	
Pradeep Kumar Shrestha	156,033	0.51 %	Prabhu Bank Limited		115,069	
Soni Joshi	390,452	1.27 %	Himalayan Bank Limited	85,000,000	162,688	
Bijen Joshi	520,604	1.70 %	Himalayan Bank Limited	85,000,000	216,918	
Mukunda Bhakta Shrestha	51,194	0.17 %	Pasa Bahuudeshya Sahakari Sanstha Limited		42,662	Pledge since Peoples's Finance

Comparison of Unaudited and Audited Financial Statement as of FY 2015/16

Schedule 35
Amount in NPR '000

S. No.	Particulars	As per Unaudited Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
				In Amount	in %	
1	Total Capital and Liabilities (1.1 to 1.7)	55,995,304	55,992,369	(2,932)	(0.01%)	
1.1	Paid Up Capital	3,650,640	4,401,315	750,675	20.56%	Due to changes made as per recommendation of statutory auditors.
1.2	Reserves and Surplus	1,721,968	903,982	(817,986)	(47.50%)	Due to changes made as per recommendation of statutory auditors.
1.3	Debenture and Bonds	500,000	500,000	-	-	
1.4	Borrowings	1,119,046	1,119,046	-	-	
1.5	Deposits (a+b)	47,393,501	47,393,501	-	-	
	a. Domestic Currency	47,004,771	47,004,771	-	-	
	b. Foreign Currency	388,730	388,730	-	-	
1.6	Income Tax Liability	4,009	-	(4,009)	-	Due to changes made as per recommendation of statutory auditors.
1.7	Other Liabilities	1,606,140	1,674,525	68,388	(4.26%)	Due to changes made as per recommendation of statutory auditors.
2	Total Assets (2.1 to 2.7)	55,995,304	55,992,369	(2,935)	(0.01%)	
2.1	Cash and Bank Balance	5,893,200	5,893,194	(6)	(0.0001%)	Due to changes made as per recommendation of statutory auditors.
2.2	Money at Call and Short Notice	247,448	247,448	-	-	
2.3	Investments	7,520,370	7,478,036	(42,334)	(0.56%)	Due to changes made as per recommendation of statutory auditors.
2.4	Loan and advances	40,567,277	40,565,821	(1,456)	(0.004%)	Due to changes made as per recommendation of statutory auditors.
2.5	Fixed Assets	1,025,758	1,107,847	82,089	8.00%	Due to changes made as per recommendation of statutory auditors.
2.6	Non Banking Assets	-	-	-	-	
2.7	Other Assets	741,251	700,023	(41,228)	(5.56%)	Due to changes made as per recommendation of statutory auditors.
3	Profit and Loss Account					
3.1	Interest Income	3,443,970	3,443,473	(497)	(0.01%)	Due to changes made as per recommendation of statutory auditors.
3.2	Interest Expenses	1,823,706	1,823,706	-	-	
	A. Net Interest Income (3.1-3.2)	1,620,264	1,619,767	(497)	(0.03%)	

Cont....

Cont....

Amount in NPR '000

S. No.	Particulars	As per Unaudited Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
				In Amount	in %	
3.3	Fees, Commission and Discount	97,670	97,670	-		
3.4	Other Operating Income	272,269	272,239	(30)	(0.01%)	Due to changes made as per recommendation of statutory auditors.
3.5	Foreign Exchange Gain/Loss (Net)	143,294	143,294	-		
	B. Total Operating Income (A + 3.3+3.4+3.5)	2,133,497	2,132,970	(527)	(0.02%)	
3.6	Staff Expenses	296,170	295,202	(968)	(0.33%)	Due to changes made as per recommendation of statutory auditors.
3.7	Other Operating Expenses	382,918	372,823	(10,095)	(2.64%)	Due to changes made as per recommendation of statutory auditors.
	C. Operating Profit Before Provision (B - 3.6-3.7)	1,454,409	1,464,945	10,536	0.72%	
3.8	Provision for Possible Losses	325,789	355,120	29,331	9.00%	Due to changes made as per recommendation of statutory auditors.
	D. Operating Profit (C - 3.8)	1,128,620	1,109,825	(18,795)	(1.67%)	
3.9	Non Operating Income/Expenses (Net)	144,041	144,473	432	0.30%	Due to changes made as per recommendation of statutory auditors.
3.10	Write Back to Provision for Possible Loss	431,739	431,739	-	-	
	E. Profit from Regular Activities (D + 3.9+3.10)	1,704,400	1,686,037	(18,363)	(1.08%)	
	Extraordinary Income/Expenses	6,712	6,712	-	-	
	F. Profit before Bonus and Taxes (E + 3.11)	1,711,112	1,692,749	(18,363)	(1.07%)	
3.12	Provision for Staff Bonus	155,556	153,886	(1,670)	(1.07%)	Due to changes made as per recommendation of statutory auditors.
3.13	Provision for Tax	465,642	458,486	(7,156)	(1.54%)	Due to changes made as per recommendation of statutory auditors.
	G. Net Profit/Loss (F - 3.12-3.13)	1,089,914	1,080,377	(9,537)	(0.88%)	

Unaudited Financial Results (Quarterly)

As at Fourth Quarter Ending on 15.07.2016 (31/03/2073) of the Fiscal Year 2015/16

Schedule 36

Amount in NPR '000

S. No.	Particulars	This Quarter Ending on 15.07.2016		Previous Quarter Ending on 12.04.2016		Audited Corresponding Previous Year Quarter Ending on 16.07.2015
		GROUP	CITIZENS BANK	GROUP	CITIZENS BANK	CITIZENS BANK
1	Total Capital and Liabilities (1.1 to 1.7)	56,053,088	55,995,304	54,257,336	54,215,307	42,212,491
1.1	Paid Up Capital	3,650,640	3,650,640	3,065,234	3,065,234	3,065,234
1.2	Reserve and Surplus	1,729,807	1,721,968	1,401,365	1,399,427	674,649
1.3	Debenture and Bonds	500,000	500,000	500,000	500,000	500,000
1.4	Borrowings	1,119,046	1,119,046	2,890,935	2,890,935	902,000
1.5	Deposits (a+b)	47,392,945	47,393,501	44,373,501	44,373,501	35,782,149
	a. Domestic Currency	47,004,216	47,004,771	43,908,884	43,908,884	34,933,363
	b. Foreign Currency	388,730	388,730	464,617	464,617	848,786
1.6	Income Tax Liability	4,009	4,009	861	-	-
1.7	Other Liabilities	1,619,780	1,606,140	1,991,486	1,986,210	1,288,459
1.8	Non Controlling Interest	36,861	-	33,954	-	-
2	Total Assets (2.1 to 2.7)	56,053,088	55,995,304	54,257,336	54,215,307	42,212,490
2.1	Cash and Bank Balance	5,893,887	5,893,200	6,175,583	6,175,222	5,685,929
2.2	Money at Call and Short Notice	247,448	247,448	60,150	-	95,424
2.3	Investments	7,571,757	7,520,370	7,698,043	7,720,072	5,667,851
2.4	Loans and advances (a+b+c+d+e+f)	40,567,277	40,567,277	37,843,384	37,843,384	29,199,908
	a. Real Estate Loan	4,809,206	4,809,206	4,437,865	4,437,865	3,601,145
	1. Residential Real Estate Loan (Except Personal Home Loan upto Rs 10 million)	1,379,679	1,379,679	1,153,196	1,153,196	725,668
	2. Business Complex and Residential Apartment Construction Loan	1,089,279	1,089,279	1,064,077	1,064,077	986,003
	3. Income Generating Commercial Complex Loan	232,500	232,500	234,000	234,000	-
	4. Other Real Estate Loans (Including Land Purchase & Plotting)	2,107,748	2,107,748	1,986,592	1,986,592	1,889,474
	b. Personal Home Loan of NPR 10 million or less	2,331,454	2,331,454	2,049,253	2,049,253	1,738,139
	c. Margin Type Loan	2,882,123	2,882,123	2,326,131	2,326,131	893,005
	d. Term Loan	8,183,939	8,183,939	7,319,898	7,319,898	6,230,711
	e. Overdraft Loan /TR Loan/WC Loan	10,452,419	10,452,419	11,541,135	11,541,135	10,265,964
	f. Others	11,908,136	11,908,136	10,169,102	10,169,102	6,470,944
2.5	Fixed Assets (Net)	1,027,558	1,025,758	992,623	992,569	907,013
2.6	Non Banking Assets (Net)	-	-	-	-	-
2.7	Other Assets	745,161	741,251	1,487,553	1,484,060	656,365
3	Profit and Loss Account	Up to This Quarter End	Up to Previous Quarter End	Up to Previous Quarter End	Up to Previous Quarter End	Up to Corresponding Previous Year Quarter End
3.1	Interest Income	3,445,748	3,443,970	2,483,878	2,482,711	2,766,920
3.2	Interest Expenses	1,823,706	1,823,706	1,322,567	1,322,567	1,498,517
	A. Net Interest Income (3.1-3.2)	1,622,042	1,620,264	1,161,311	1,160,144	1,268,403
3.3	Fees, Commission and Discount	97,670	97,670	67,121	67,121	62,457
3.4	Other Operating Income	291,981	272,269	188,429	183,621	181,212
3.5	Foreign Exchange Gain/Loss (Net)	143,294	143,294	102,586	102,586	98,668
	B. Total Operating Income (A + 3.3+3.4+3.5)	2,154,989	2,133,497	1,519,447	1,513,472	1,610,740
3.6	Staff Expenses	297,663	296,170	223,433	222,703	247,880
3.7	Other Operating Expenses	387,187	382,918	264,391	262,686	334,468
	C. Operating Profit Before Provision (B-3.6-3.7)	1,470,138	1,454,409	1,031,623	1,028,083	1,028,393
3.8	Provision for Possible Losses	325,789	325,789	269,248	269,248	235,883
	D. Operating Profit (C - 3.8)	1,144,349	1,128,620	762,375	758,835	792,509

Cont....

Cont....

Amount in NPR '000

S. No.	Particulars	This Quarter Ending on 15.07.2016		Previous Quarter Ending on 12.04.2016		Audited Corresponding Previous Year Quarter Ending on 16.07.2015
		GROUP	CITIZENS BANK	GROUP	CITIZENS BANK	
3.9	Non Operating Income/ Expenses (Net)	143,464	144,041	121,071	118,686	45,929
3.10	Write Back to Provision for Possible Loss	431,875	431,739	255,245	255,245	237,399
	E. Profit from Regular Activities (D + 3.9+3.10)	1,719,688	1,704,400	1,138,691	1,132,766	1,075,837
3.11	Extraordinary Income/ Expenses (Net)	6,712	6,712	6,712	6,712	47,608
	F. Profit before Bonus and Taxes (E + 3.11)	1,726,400	1,711,112	1,145,403	1,139,478	1,123,445
3.12	Provision for Staff Bonus	155,556	155,556	104,128	103,589	102,131
3.13	Provision for Tax	469,541	465,642	312,383	311,110	301,005
	G. Net Profit/Loss (F - 3.12-3.13)	1,101,303	1,089,914	728,893	724,779	720,309
3.14	Share of Non- controlling Interest on profit of Subsidiary	3,758	-	852	-	-
	H. Net Profit/Loss after Share of Non-Controlling Interest (G-3.14)	1,097,545	1,089,914	728,041	724,779	720,309
4	Ratios (Mandatory)					
4.1	Capital Fund to RWA	13.77%	13.33%	11.85%	11.72%	13.27%
4.2	Non Performing Loan (NPL) To Total Loan	1.31%	1.31%	1.78%	1.78%	1.53%
4.3	Total Loan Loss Provision to NPL	169.57%	169.57%	140.75%	140.75%	160.73%
4.4	Cost of Funds (Calculated as per NRB Directives)	4.30%	4.30%	3.95%	3.95%	5.00%
4.5	Credit to Deposit Ratio (Calculated as per NRB Directives)	77.74%	77.74%	77.95%	77.95%	74.95%
4.6	Base Rate	6.05%	6.05%	6.43%	6.43%	7.30%
4.7	Average Interest Spread (Calculated as per NRB Directives)	3.96%	3.96%	4.39%	4.39%	4.22%
5	Other Key Indicators					
5.1	Average Yield (Calculated as per NRB Directives)	8.26%	8.26%	8.34%	8.34%	9.18%
5.2	Return on Equity (ROE)	22.92%	23.92%	23.66%	23.56%	19.26%
5.3	Return on Assets (ROA)	1.99%	2.24%	2.03%	2.02%	1.95%
5.4	Liquidity Ratio	24.63%	24.63%	22.74%	22.74%	26.53%
5.5	Home Loans and Real Estate Loans to Total Loans	17.60%	17.60%	17.14%	17.14%	18.29%
5.6	Other Real Estate Loans (Including Land Purchase & Plotting) to Total Loans	5.20%	5.20%	5.25%	5.25%	6.47%



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INFORMATION ABOUT ANNUAL GENERAL MEETING

As decided by the 215th Board Of Directors meeting held on 06.09.2016 (21st Bhadra 2073), 10th Annual General Meeting (AGM) of the Bank will be held on following date, place and time:

Date: 2nd October, 2016 (2073 Ashwin 16)

Place: Thapagaun Banquet, Thapagaun, New Baneshwor, Kathmandu

Time: 11:00 AM

Following agendas will be discussed in the Annual General Meeting

A. Ordinary Resolution

1. To approve Director's Reports of FY 2015/16 after discussion.
2. To approve the Balance Sheet as of 15th July 2016; Profit and Loss Account and Cash Flow Statement and other financial statements for the period of 17th July 2015 to 15th July 2016, along with Independent Auditor's Report.
3. To approve the consolidated financial statement that includes the financial statement of FY 2015/16 of the Bank's subsidiary company, CBIL Capital Limited.
4. To approve cash dividend of NPR 39,509,251.00 as proposed by the Board of Directors.
5. To appoint Auditor for the FY 2016/17 (2073/74) and to fix the auditor's remuneration as per section 111 of the Companies Act 2063.
6. To elect one board member as representative of Group "A" of Promoter shareholder as per the provision of Articles of Association of the Bank.

B. Special Resolution

1. As proposed by Board of Directors, to approve allocation of Bonus Shares equal to NPR 750,675,762 and to delegate the authority to Board of Directors for right share issuance in proportion of 10:2.5 after issuance of bonus share and to undertake any other required responsibilities to increase the share capital as per NRB Directives. In case of right share computed on the proportion of 10:2.5 is fraction, it shall be rounded up to whole number for right share issuance.
2. According to the 9th Annual General Meeting, it was approved that on paid of capital maintained after issuance of 20% bonus share to the current shareholder and acquisition of Premier Finance Limited shall issue right share in proportion of 10:5.5 to increase the paid-up capital. However, final approval for acquisition

of Premier Finance Limited was still not received till May, 2016 (Baishakh 2073) and in order to increase paid up capital in compliance to NRB Directive, the Board of Directors decided to apply to SEBON for the right share of 10:5.5 issuance to shareholders of the Bank only and left out the issuance of right share to shareholders of Premier Finance Limited as instructed by NRB at the time of final approval receipt. Hence, the same has been placed for ratification of the Annual General Meeting.

3. To approve amendments in the Memorandum and Articles of Association of the Bank as follows:
 - a. Increase the activities as a corporate agent for the Non-life Insurance Company in the work that meets the objectives of the Bank,
 - b. Increase the issued capital and Paid up capital to NPR 8,029,160,200.00 of the Bank,
 - c. Restrictions on purchase and transfer of shares,
 - d. As per the directive of NRB, the group of public shareholder to be placed as a single group and the same shall be represented in the Board of Directors via elected shareholders,
 - e. Fixation of the tenure period Directors and CEO
4. Delegation of Authority to the Board of Directors for making necessary adjustments in the Memorandum and Articles of Association of the Bank in case of any instructions is received from the approving authority during approval of amendments of Memorandum and Articles of Association.

C. Miscellaneous

**By order
Company Secretary**

INFORMATION TO SHAREHOLDERS

Shareholders Communications

The Bank regularly communicates all the appropriate and relevant information to shareholders, customers and general public through print media (national daily) and electronically through Bank's official website, <http://citizensbank.com.np/>. The detail information on Annual General Meeting including ordinary agendas and special agendas to be discussed in the meeting is published in the national daily newspapers 21 days prior to the date of Annual General Meeting as per the requirement of the Companies Act.

Over the years, the timeliness of conducting Annual General Meeting (AGM) shows how enthusiastic the Bank is to communicate the information and reports to the shareholders.

Equally, the Bank has been publishing interim financial report within the stipulated time of 30 days as prescribed by the Securities Board of Nepal. The Bank also publishes Basel II Disclosures as prescribed by Point 7.4(b) of Capital Adequacy Framework 2007 (updated July 2008) under Directive 1 of NRB Unified Directives on Bank's website on timely basis.

Dividend Payment, Bonus Share Distribution and Tax Implication

As per Section 88 (2) read with Section 92(1) (a) of Income Tax Act, 2002, the tax on dividend distributed by the Bank is subject to final withholding tax (Tax Deduction at Source TDS) at the rate of 5%. Similarly, distribution of bonus share is deemed as distribution of dividend as per Section 53(1) (b) of Income Tax Act, 2002.

Similarly, Section 47A (5) of Income Tax Act, 2002 has provided tax exemption on dividend paid by the Financial Institutions

that has merged or acquired another Financial Institutions to the shareholders that existed as on date of such migration/ acquisition.

Complaint Handling of Investor

As part of its commitment to quality and customer service, the Bank encourages feedback on the services provided to investors in the funds under management. The Bank aims at creating and maintaining among its employees, Senior Management and directors (the "directors" or "Board of Directors") a culture of treating all investors fairly and diligently. Thus, the Bank handles all Complaints from investors who invest in the funds for which the Bank acts as Management Company in a professional, correct and prompt manner and in accordance with its internal instructions. Complaints handling is free of charge to all investors.

In order to ensure a consistent and efficient investor oriented approach for shares registration services, the Bank has appointed CBIL Capital Limited for:

- Maintaining the shareholders list of the companies.
- Signature verification of the shareholders.
- Registration of transfer (Naam Saari) of shares
- Delivery of share certificates to the Stock Exchange after transfer of shares in the name of the buyer.
- Distribution of remaining bonus shares, cash dividend, IPO share certificates.
- Assisting to the company for preparation / conduct of the Annual General Meeting/ Extraordinary General Meeting/ Special General Meeting.

Procedure for Shareholder Complaints/ Enquiries

A. Contact to Registrar
Shareholders/ investors who wish to lodge

complain/ enquiry shall at first instance contact the Registrar, CBIL Capital Limited. Upon receiving the complain/ enquiry, Registrar shall either address within the time line as per our agreement with them. They are also bound to provide with relevant details of such complains to the Bank.

Address of the CBIL Capital Limited

Registrar to Shares Division
Batule Ghar, Dillibazar - 33
Kathmandu, Nepal
Contact No: +977-01-4417723

B. Contact Company Secretary/ Chief Information Officer:

If the Registrar is unable to satisfactorily address the enquiries and resolve the complaints then shareholder may contact the Office of the Company Secretary/ Chief Information Officer of the Bank.

Address of the Company Secretary/ Chief Information Officer

Mr. Ganesh Raj Pokhrel
Deputy Chief Executive Officer/ Company Secretary/ Chief Information Officer
Citizens Bank International Limited
P.O.Box: 19681, Narayanhiti Path,
Kathmandu, Nepal
Toll Free Number: 977-1-6600166667
TEL: 977-1- 4427842/ 4427843
Fax: 977-1-4427044
Email: info@ctznbank.com
URL: www.ctznbank.com

C. Contact Online

Investors can lodge their complains and enquiries via online complain handling. The reporting and resolution process for investors and shareholders are same as the Bank follows with the valued customers.

CAPITAL STRUCTURE OF THE BANK

Details of our Shares Distribution

NPR In million

Particulars	FY 2015/16	FY 2014/15
Paid up Capital as per Financial statement	4,401.32	3,065.23
Less: Proposed Bonus shares	750.68	510.87
Less: Calls in Advance	585.41	–
Paid up capital before bonus issue and calls in advance	3,065.23	2,554.36

Holder	FY 2015/16		FY 2014/15		FY 2013/14	
	Amount	% Holding	Amount	% Holding	Amount	% Holding
Institutional Promoter Shares	176.06	5.74%	155.22	6.08%	125.42	5.97%
Individual Promoter Shares	1,493.42	48.72%	1,244.51	48.72%	1,029.90	49.00%
Public Shareholder	1,395.75	45.54%	1,154.63	45.20%	946.52	45.03%

Particulars	FY 2015/16	FY 2014/15	FY 2013/14
No of shareholder holding 0.5% or more shares	28	29	37
% of Holding	34.85%	37.23%	46.37%

Details of Shares Held by Directors and Executive Members

Name	Designation	No. of Shares Held as on FY end	
		2015/16	2014/15
Dr. Shanker Prasad Sharma	Chairman	303,534	252,964
Bal Krishna Prasai*	Director	154,652	99,623
Manohar Das Mool	Director	574,795	478,996
Prakash Chandra Mainali	Director	285	238
Pabitra Kumar Karki	Director	535,521	446,268
Bijaya Dhoj Karki	Director	76	64
Dr. Chanda Karki	Director	10,376	9,102
Chandra Tandan	Director	54,740	16,439
Rajan Singh Bhandari	CEO	62,634	52,196
Ganesh Raj Pokhrel	DCEO	121,942	36,543
Bodh Raj Devkota	ACEO	12,928	11,341
Ramdhan Shrestha	ACEO	131,983	99,783
Pramesh Raj Kayastha	CFO		–
Rajendra Lal Shrestha	CRRO		–
Paras Kumar Kafle	COO	6,047	4,960
Umang Sharma	CAO	5,952	4,960
Sumit Babu Khatri	CCO		–
Sanjeeb Kumar Shrestha	CITO	6,976	6,145

*Representative of Rag Investment Pvt. Ltd.

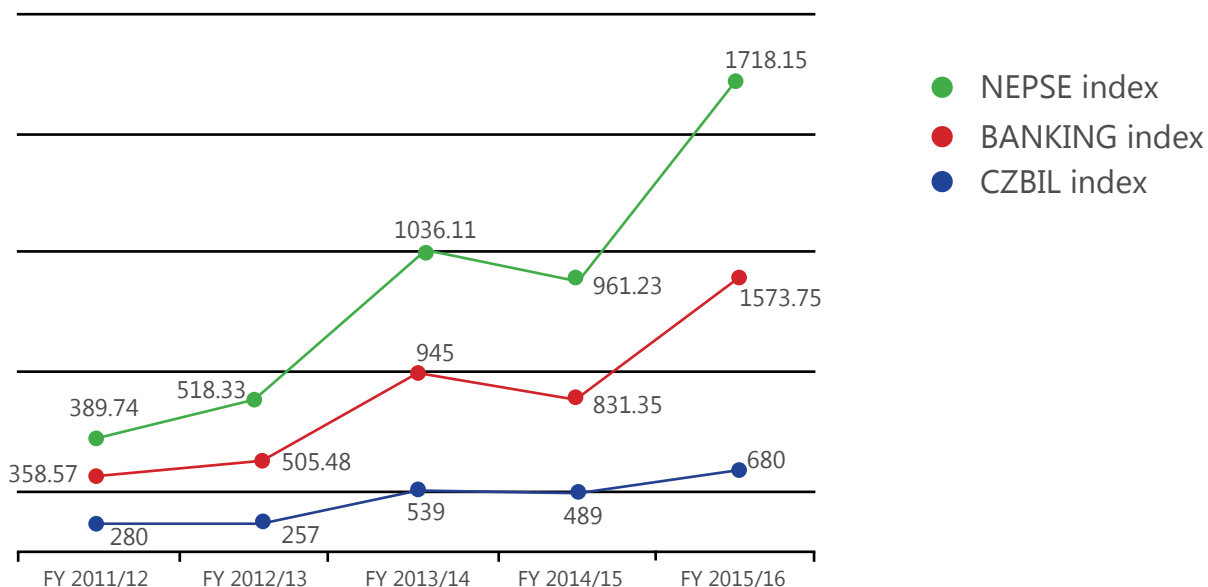
SHARE MARKET INFORMATION

Stock Symbol

The Bank's shares are traded on the Nepal Stock Exchange Ltd. (NEPSE) with stock symbol "CZBIL" for ordinary shares and "CZBILP" for promoter shares.

Particulars	Symbol	Year end 2015/16 Closing Price NPR
Ordinary Shares	CZBIL	680
Promoter Shares	CZBILP	323

Particulars	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16
CZBIL Index	230.00	267.00	539.00	489.00	680.00
Banking Index	358.57	505.48	945.00	831.35	1573.71
NEPSE Index	389.74	518.33	1,036.11	961.23	1718.15



WHAT DOES CREDIT RATING AGENCY (ICRA NEPAL) THINK ABOUT US?

During the review year, ICRA Nepal has reaffirmed rating of [ICRANP] LBBB (pronounced ICRA NP L triple B) to subordinated bonds of NPR 500 Million of Citizens Bank International Limited (CBIL). Instruments with [ICRANP] LBBB Rating are considered to have moderate degree of safety regarding timely servicing of financial obligations. Such instruments carry moderate credit risk. The rating has been removed from "rating watch with negative implications". It is on account of ending of four-five month old blockade at various import trade points resulting in economic activity gradually returning to normalcy across Nepal. The result

of rating shows our market credibility and believability.

Similarly, ICRA Nepal has assigned an "[ICRANP] IPO Grade 3", indicating average fundamentals to the proposed right issue amounting to NPR 1,711.82 million of Citizens Bank International Limited. ICRA Nepal assigns IPO grading on a scale of IPO Grade 1 through IPO Grade 5, with Grade 1 indicating strong fundamentals and Grade 5 indicating poor fundamentals. The proposed issue is being made to augment the capital base and support the bank's growth plans.

Particulars	December, 2014	March, 2016
Rating for Subordinated Bonds	ICRA Nepal reaffirms [ICRANP] LBBB rating to subordinated bonds of Citizens Bank International Limited	ICRA Nepal reaffirms [ICRANP] LBBB rating to subordinated bonds of Citizens Bank International Limited. The rating has been removed from "rating watch with negative implications".
Meaning	Instruments with [ICRANP] LBBB Rating are considered to have moderate degree of safety regarding timely servicing of financial obligations. Such instruments carry moderate credit risk	
Grading of Right Share Issue	N/A	ICRA Nepal assigns [ICRANP] IPO Grade 3 to the proposed right issue of Citizens Bank International Limited.
Meaning	IPO Grade 3 indicates average fundamentals after examining Business and Competitive Position; New Projects-Risks and Prospects; Financial Position and Prospects; Management Quality; Corporate Governance Practices; and Compliance and Litigation History	
Market Share – Credit	2.5% in terms of credit portfolio in Nepal's commercial banking system as on mid-Jul-2014	2.85% in terms of credit portfolio in Nepal's commercial banking system as on mid-Jan-2016
Factors for Positive Rating	Adequate franchise (48 branches spread across Nepal)	Adequate franchise (56 branches and 46 ATMs spread across Nepal)
	Adequate capitalization (CRAR of 12.49% as of mid-Oct-2014)	Adequate capitalization (CRAR of 12.39% as of mid-Jan-2016)
	Profitability Profile (PTA/ATA of 1.71% and Return on Net Worth 18.09% as of FY 2014)	Profitability Profile (PAT/ATA of 1.92% and Return on Net Worth 20% as of mid-Jan-2016)
	Experienced management team	Experienced management team.
	Business Growth (CAGR 26% in last two years ending Jul-2014 Vs. 21% for industry for same period.	Business Growth (CAGR 22% in last five years for FY 2016 Vs. 19% for industry for same period.
	N/A	NPLs of the Bank have been gradually increased (2.43% as of mid-Jan-16 vs. 2.01% as of mid-Jul-12) despite the dilution effect of portfolio growth.
Constraints on Rating	Limited track record (it started commercial operations in Apr-2007)	Limited track record (it started commercial operations in Apr-2007)
	Relatively lower proportion of low cost deposits	Relatively lower proportion of low cost deposits
	High deposit concentration on top 20 depositors around 47% as on mid-Jul-2014	High deposit concentration on top 20 depositors around 43% as on mid-Jan-2016
	Relatively higher exposure to real estate sector (around 11% as on Jul-14) though remains within limit prescribed by Nepal Rastra Bank (NRB)	Relatively higher exposure to real estate sector (around 12% as on Jan-16) though remains within limit prescribed by Nepal Rastra Bank (NRB)
	N/A	Credit portfolio remains concentrated with top 20 borrower accounting for 27% of portfolio as on Jan-16, hence aggravating the assets quality related risk.
	N/A	The Bank has witnessed marginal decline in share of low cost current and saving account deposits to 24% as on mid-Jan-16 from 25% as on mid-Jul-15 that has resulted in higher cost of fund for the Bank at 4.58% as of mid-Jan-16 compared to peer and industry average cost of fund at 3.27%.
Suggestions and Recommendation	Bank's ability to maintain NIMs and strict control on asset quality would be critical for its profitability profile	



Citizens Bank International Limited

ICRA Nepal assigns [ICRANP] IPO Grade 3 to the proposed Equity Shares (Rights Issue) of Citizens Bank International Limited

Facility/Instrument	Issue Size	Grading Action (March 2016)
Rights Share Issue	NPR 1,711.82 Million	[ICRANP] IPO Grade 3 (Assigned)

ICRA Nepal has assigned an “[ICRANP] IPO Grade 3”, indicating average fundamentals to the proposed rights issue amounting to NPR 1,711.82 million of Citizens Bank International Limited (hereinafter referred to as CZBIL). ICRA Nepal assigns IPO grading on a scale of IPO Grade 1 through IPO Grade 5, with Grade 1 indicating strong fundamentals and Grade 5 indicating poor fundamentals. For the Grading categories 2, 3 and 4, the sign of + (plus) appended to the Grading symbols indicate their relative position within the Grading categories concerned. Thus, the Grading of 2+, 3+ and 4+ are one notch higher than 2, 3, and 4, respectively. CZBIL is proposing to come out with 10:5.5 rights issue of 17,118,163 numbers of equity shares of face value NPR 100/- each to be issued to the existing shareholders at par. The proposed issue is being made to augment the capital base and support the bank's growth plans.

The grading takes into account CZBIL's adequate franchise¹ and healthy business growth (CAGR² of ~22% over last five years vs. ~19% for industry) leading to gradual increase in market share (~2.6-2.8% in Nepalese commercial banking industry deposit and credit as on mid-Jan-16). Adequate capitalisation levels (CRAR³ of ~12.4% as on mid-Jan-16⁴) and experienced management team are expected to provide CZBIL with adequate growth opportunities going forward. ICRA Nepal also takes note of CZBIL's healthy profitability profile (PAT/ATA⁵ of 1.92% and return on net worth of ~20% for H1FY16 although supported to an extent by non-operating profits related to sale of NBA⁶).

The grading is however constrained by the bank's moderate track record (operating since 2007), inferior deposits profile (CASA⁷ deposits of ~24% vs. ~50% for industry) and hence high cost of funds among peers (4.58% as of mid-Jan-16) along with high customer concentration risks (top 20 customers comprised ~27% of credit book and ~43% of deposits as on mid-Jan-16). ICRA Nepal also notes the build-up in bank's delinquencies over the last few months⁸ especially with 1.64% of loans overdue for more than 60 days but less than 90 days as of mid-Jan-16. Stress in the economy was also reflected in the increase in gross NPLs for CZBIL from 1.79% as on mid Apr-15 to 2.43% as on mid Jan-16. Bank's sizeable exposure (~30%) towards sectors⁹ which could witness higher volatility on projects/earnings due to aftereffects of earthquake and elongated political strike could impact the asset quality indicators going forward and hence the bank's performance. However, with the custom blockade lifted recently, event related stress on the accounts is expected to be limited. The grading also remains constrained by unstable political conditions and uncertain operating environment that banks in Nepal are currently facing. Going forward, CZBIL's ability to scale up its operations ensuring efficient utilization of fresh capital, maintain its profitability profile and manage the asset quality would have a bearing on the overall financial profile.

CZBIL's branches in the earthquake affected areas accounted for >75% of the credit portfolio as of mid-Jan-16, however several of these businesses (end users of loans) are situated outside the earthquake affected areas. Till mid-Jan-16, bank had restructured 10 accounts (~2.2% of portfolio) due to the impact of earthquake/strikes under the NRB's relaxed norms supporting the NPL levels. CZBIL reported gross NPLs of 2.43% as on mid Jan-16. Additionally, large borrowers of CZBIL are hydropower, real estate

¹ 56 branches and 46 ATMs

² Compounded Annual Growth Rate

³ Capital to Risk-weighted Assets Ratio

⁴ Mid-Jan-16 data are unaudited and all calculations are based on data provided by management.

⁵ Profit After Taxes as a % of Average Total Assets

⁶ Non-Banking Assets

⁷ Current and Savings Accounts

⁸ Delinquent accounts (up to 90 days) of 5.62% as on mid Jan-16 vs. 4.41% as on mid April 15

⁹ Tourism, microfinance, real estate, consumption and hydropower sectors



and industrial units which were impacted by the elongated political turmoil and unrest strikes. Amidst this backdrop, the bank witnessed increase in delinquencies from ~4% as of mid-Apr-15 to ~6% as of mid-Jul-15 and further to ~9% as of mid-Oct-15. Though this has declined to ~6% by mid-Jan-16, a large chunk of these (~30%) remain overdue by >60 days. The scheduled loans are still facing higher delinquencies (~10%) compared to revolving loans (~3%) which also remains a key area of concern.

CZBIL reported portfolio growth of ~26% during FY15 and ~15% during H1FY16 (CAGR of ~22% over past 5 years ending mid Jul-15 vs. industry average growth of ~19%). Credit demand going forward is expected to remain healthy owing to expected pickup in economic activity to support the reconstruction especially after the recent resolution of elongated turmoil and lifting of the economic blockade from major custom points. CZBIL's portfolio mix primarily comprises large corporate loans (~54%) followed by retail loans (~33%) and SME loans (~13%). The exposure to low yielding corporate loans have reduced by ~10% over past three years, thus supporting the yields (10.04% for H1FY16). However, credit portfolio remains fairly concentrated with top 20 borrower groups accounting for ~27% of portfolio as on mid-Jan-16, hence aggravating the asset quality related risks. Going forward, the management intends to grow at a moderate pace amidst increased competitiveness among banks for efficient utilisation of large capital to be raised by FY17 (as required by changed regulations).

Owing to high fresh NPL generation (2.13% on an average for last three years) and low recovery rate (~20% on an average for last three years), reported NPLs of the bank have been gradually increased over the years (2.43% as of mid-Jan-16 vs. 2.01% as of mid-Jul-12) despite the dilution effect of portfolio growth. The reported NPLs are also supported by regulatory forbearance on NPL recognition extended by NRB on restructured advances. Bank witnessed much higher slippages in FY14 (3.75%), however significant NBA¹⁰ bookings in FY15 (~52% of FY14 NPLs) supported the reduction in NPLs. Additionally, the bank's stock of NBAs increased by ~674 mn during FY15 due to acquisition of two weaker finance companies. Recovery from NBAs has remained satisfactory so far with ~50% of NBA addition in FY15 being disposed over FY15 and H1FY16. Going forward, ICRA Nepal expects CZBIL's asset quality to witness deterioration in the near term due to damages caused by earthquake and elongated strikes, impacting borrowers' ability to make repayments in a timely manner. However, the bank's ability to absorb such losses is adequate (Net NPA/Net worth of 6.79% on mid-Jan-16 compared to 6.51% on mid-Jul-12) and is expected to be supported by the planned capital enhancement through series of rights issue and capitalisation of profits. The bank's ability to improve its asset quality in light of its exposure to sectors/segments impacted by earthquake/strikes and moderation in overall economic activity remains to be seen.

CZBIL witnessed healthy growth in deposits (~20% CAGR over past five years ending Jul-15, compared to ~19% for industry). However, bank has witnessed marginal decline in share of low cost CASA deposits to ~24% as on mid Jan-16 from ~25% as on mid Jul-14. This has resulted in higher cost of funds for CZBIL at 4.58% as of mid-Jan-16 compared to peers and industry average cost of funds at 3.27%. Furthermore, deposit concentration on top 20 depositors also remains high at ~43% as of mid-Jan-16.

As for profitability, CZBIL's earnings profile has improved owing to its adequate NIMs (3.44% during FY15 and 3.28% during H1FY16) with healthy business growth, adequate non-interest income (1.46% of ATA¹¹ during H1FY16), moderate operating expense ratio (1.68% of ATA during H1FY16) and write back of provision on account of sale of NBAs in recent periods. Return indicators have also improved during the past few years with RoNW and RoA for H1FY16 at ~20% and 1.92% respectively. The credit cost for CZBIL is expected to increase on account of concerns on asset quality impacting the profitability profile, however the same is expected to remain adequate. Going forward, bank's ability maintain adequate NIMs and manage asset quality would have strong bearing on its profitability profile.

CZBIL's capitalisation levels are adequate with CRAR of 12.39% and tier I capital of 10.27% as of mid-Jan-2016 against minimum regulatory requirement of 10% and 6% respectively. The tier 1 capital and total capital requirement is expected to increase by 1.25% and 1% respectively by mid Jul-16 on account

¹⁰ Non-Banking Assets

¹¹ Average Total Assets



of capital conservation buffer required under Basel III. Given the expectation of CZBIL's adequate internal accruals and the proposed rights issue, capitalization levels are expected to remain adequate to support CZBIL's growth plans over the medium term. Post the proposed issue (assuming full subscription), CZBIL's paid-up capital would increase to NPR 4.78 bn and the bank would plan for further rights issue to attain the capital of NPR 8 bn by FY17 as required by Monetary Policy of FY16/17. The banks' ability to raise planned capital in a timely manner would also have critical bearing on its ability to absorb damages arising out of earthquake/strikes and maintain comfortable solvency profile.

Bank Profile

Citizens Bank International Limited (CZBIL) started its commercial operation from April 20, 2007 and is registered as "A" class Commercial Bank with Nepal Rastra Bank (NRB). Its head office is located at Kathmandu. The bank is promoted by individual/ business and industrial houses and is managed by a team of experienced bankers and professionals. Share capital of the company is distributed among promoter & public in the ratio of 51:49. The bank's equity shares are listed on the Nepal stock exchange. Mr. Rajan Singh Bhandari is the Chief Executive Officer of the bank.

CZBIL's 56 branches and 46 ATMs provides it with presence throughout the country. CZBIL has market share of 2.58% in terms of deposit base and 2.85% of loan & advances in commercial banking industry of Nepal as on mid-Jan-16. CZBIL reported a profit after tax of NPR 721 million during 2014-15 over an asset base of NPR 41,493 million as of mid-Jul-15 against profit after tax of NPR 498 million during 2013-14 over an asset base of NPR 32,222 million as of mid-Jul-14. During H1FY16, CZBIL reported PAT of NPR 418 million over an assets base of NPR 45,905 million. As of mid-Jan-2016, CZBIL's CRAR was 12.39% and gross NPLs were 2.43%. In terms of technology platform, CZBIL has implemented Pumori-IV across all of its branches.

March 2016



Citizens Bank International Limited

ICRA Nepal reaffirms [ICRANP] LBBB rating for subordinated bonds of Citizens Bank International Limited, “rating watch with negative implications” removed

Facility/Instrument	Amount	Rating Action (March 2016)
Subordinated Bond Program	NPR 500 Million	[ICRANP] LBBB (Reaffirmed), “rating watch with negative implications” removed

ICRA Nepal has reaffirmed rating of [ICRANP] LBBB (pronounced ICRA NP L triple B) to subordinated bonds of NPR 500 million of Citizens Bank International Limited (CZBIL). Instruments with [ICRANP] LBBB Rating are considered to have moderate degree of safety regarding timely servicing of financial obligations. Such instruments carry moderate credit risk. The rating has been removed from “rating watch with negative implications”.

The removal of rating watch with negative implications is on account of ending of the four-five month old blockade at various import trade points resulting in economic activity gradually returning to normalcy across Nepal. This is expected to improve the cash flow for borrowers and hence reduce the event related stress on the accounts, supporting CZBIL’s asset quality. In the near term, although the NPLs¹ could increase (considering the high delinquencies), the bank’s operational and financial profile is expected to remain consistent with the rating level in ICRA Nepal’s assessment.

The rating reaffirmation of CZBIL factors in the bank’s adequate franchise², adequate capitalization levels (CRAR³ of 12.39% as of mid-Jan-16), healthy profitability profile (PAT/ATA⁴ of 1.92% and return on net worth of ~20% for H1FY16⁵ although supported to an extent by non-operating profits related to sale of NBA⁶) and the experienced management team. The rating also takes into account the bank’s gradual increase in market share (~2.6-2.8%% share in commercial banking industry deposit and credit as of mid-Jan-16), supported by healthy business growth (CAGR⁷ of ~22% over last five years vs. ~19% for industry).

The rating is however constrained by the bank’s moderate track record (operating since Apr-2007), inferior deposits profile with relatively lower proportion of low cost deposits (CASA⁸ deposit around 24% as on mid-Jan-16), high customer concentration risks (top 20 customers comprised ~27% of credit book and ~43% of deposits as on mid-Jan-16), and relatively higher exposure to real estate sector (around 12% as on Jan-16) though remains within limit prescribed by Nepal Rastra Bank (NRB). ICRA Nepal also notes the build-up in bank’s delinquencies over the last few months⁹ especially with 1.64% of loans overdue for more than 60 days but less than 90 days as of mid-Jan-16. Stress in the economy was also reflected in the increase in gross NPLs from 1.79% as on mid Apr-15 to 2.43% as on mid Jan-16. Bank’s sizeable exposure (~30%) towards sectors¹⁰ which could witness higher volatility on projects/earnings due to aftereffects of earthquake and elongated political strike could impact the asset quality indicators going forward and hence the bank’s performance. However, with the custom blockade lifted recently, event related stress on the accounts is expected to be limited. The rating however continues to factor in the unstable political conditions and uncertain operating environment that banks in Nepal are currently facing.

CZBIL’s branches in the earthquake affected areas accounted for >75% of the credit portfolio as of mid-Jan-16, however several of these businesses (end users of loans) are situated outside the earthquake

¹ Non-Performing Loans

² 56 branches and 46 ATMs spread across Nepal

³ Capital to Risk-weighted Assets Ratio

⁴ Profit After Taxes as a % of Average Total Assets

⁵ Mid-Jan-16 data are unaudited and all calculations are based on data provided by management.

⁶ Non-Banking Assets

⁷ Compounded Annual Growth Rate

⁸ Current and Savings Accounts

⁹ Delinquent accounts (up to 90 days) of 5.62% as on mid Jan-16 vs. 4.41% as on mid April 15

¹⁰ Tourism, microfinance, real estate, consumption and hydropower sectors



affected areas. Till mid-Jan-16, bank had restructured 10 accounts (~2.2% of portfolio) due to the impact of earthquake/strikes under the NRB's relaxed norms supporting the NPL levels. CZBIL reported gross NPLs of 2.43% as on mid Jan-16. Additionally, large borrowers of CZBIL are hydropower, real estate and industrial units which were impacted by the elongated political turmoil and unrest strikes. Amidst this backdrop, the bank witnessed increase in delinquencies from ~4% as of mid-Apr-15 to ~6% as of mid-Jul-15 and further to ~9% as of mid-Oct-15. Though this has declined to ~6% by mid-Jan-16, a large chunk of these (~30%) remain overdue by >60 days. The scheduled loans are still facing higher delinquencies (~10%) compared to revolving loans (~3%) which also remains a key area of concern.

CZBIL reported portfolio growth of ~26% during FY15 and ~15% during H1FY16 (CAGR of ~22% over past 5 years ending mid Jul-15 vs. industry average growth of ~19%). Credit demand going forward is expected to remain healthy owing to expected pickup in economic activity to support the reconstruction, especially after the recent resolution of elongated turmoil and lifting of the economic blockade from major custom points. However, higher growth in low interest rate regime could impair the repayment ability of borrowers in scenario of upward movement of interest rates. CZBIL's portfolio mix primarily comprises large corporate loans (~54%) followed by retail loans (~33%) and SME loans (~13%). The exposure to low yielding corporate loans have reduced by ~10% over past three years, thus supporting the yields (10.04% for H1FY16). However, credit portfolio remains fairly concentrated with top 20 borrower groups accounting for ~27% of portfolio as on mid-Jan-16, hence aggravating the asset quality related risks. Going forward, the management intends to grow at a moderate pace amidst increased competitiveness among banks for efficient utilisation of large capital to be raised by FY17 (as required by changed regulations).

Owing to high fresh NPL generation (2.13% on an average for last three years) and low recovery rate (~20% on an average for last three years), reported NPLs of the bank have been gradually increased over the years (2.43% as of mid-Jan-16 vs. 2.01% as of mid-Jul-12) despite the dilution effect of portfolio growth. The reported NPLs are also supported by regulatory forbearance on NPL recognition extended by NRB on restructured advances. Bank witnessed much higher slippages in FY14 (3.75%), however significant NBA bookings in FY15 (~52% of FY14 NPLs) supported the reduction in NPLs. Additionally, the bank's stock of NBAs increased by ~674 mn during FY15 due to acquisition of two weaker finance companies. Recovery from NBAs has remained satisfactory so far with ~50% of NBA addition in FY15 being disposed over FY15 and H1FY16. Going forward, ICRA Nepal expects CZBIL's asset quality to witness deterioration in the near term due to damages caused by earthquake and elongated strikes, impacting borrowers' ability to make repayments in a timely manner. However, the bank's ability to absorb such losses is adequate (Net NPA/Net worth of 6.79% on mid-Jan-16 compared to 6.51% on mid-Jul-12) and is expected to be supported by the planned capital enhancement through series of rights issue (coming up with 55% rights shortly) and capitalisation of profits. The bank's ability to improve its asset quality in light of its exposure to sectors/segments impacted by earthquake/strikes and moderation in overall economic activity remains to be seen and would remain a key rating driver.

CZBIL witnessed healthy growth in deposits (~20% CAGR over past five years compared to ~19% for industry). However, bank has witnessed marginal decline in share of low cost CASA deposits to ~24% as on mid Jan-16 from ~25% as on mid Jul-15. This has resulted in higher cost of funds for CZBIL at 4.58% as of mid-Jan-16 compared to peers and industry average cost of funds at 3.27%. Furthermore, deposit concentration on top 20 depositors also remains high at ~43% as of mid-Jan-16 and remains a rating concern.

As for profitability, CZBIL's earnings profile has improved owing to its adequate NIMs (3.44% during FY15 and 3.28% during H1FY16) with healthy business growth, adequate non-interest income (1.46% of ATA¹¹ during H1FY16), moderate operating expense ratio (1.68% of ATA during H1FY16) and write back of provision on account of sale of NBAs in recent periods. Return indicators have also improved during the past few years with RoNW and RoA for H1FY16 at ~20% and 1.92% respectively. The credit cost for CZBIL is expected to increase on account of concerns on asset quality impacting the profitability profile, however the same is expected to remain adequate. Going forward, bank's ability maintain adequate NIMs and manage asset quality would have strong bearing on its profitability profile.

¹¹ Average Total Assets



CZBIL's capitalisation levels are adequate with CRAR of 12.39% and tier I capital of 10.27% as of mid-Jan-2016 against minimum regulatory requirement of 10% and 6% respectively. The tier 1 capital and total capital requirement is expected to increase by 1.25% and 1% respectively by mid Jul-16 on account of capital conservation buffer required under Basel III. Given the expectation of CZBIL's adequate internal accruals and the proposed rights issue, capitalization levels are expected to remain adequate to support CZBIL's growth plans over the medium term. Post the proposed issue (assuming full subscription), CZBIL's paid-up capital would increase to NPR 4.78 bn and the bank would plan for further rights issue to attain the capital of NPR 8 bn by FY17 as required by Monetary Policy of FY16/17.

Bank Profile

Citizens Bank International Limited started its commercial operation from April 20, 2007 and is registered as "A" class Commercial Bank with Nepal Rastra Bank (NRB). Its head office is located at Kathmandu. The bank is promoted by individual/ business and industrial houses and is managed by a team of experienced bankers and professionals. Share capital of the company is distributed among promoter & public in the ratio of 51:49. The bank's equity shares are listed on the Nepal stock exchange. Mr. Rajan Singh Bhandari is the Chief Executive Officer of the bank.

CZBIL's 56 branches and 46 ATMs provides it with presence throughout the country. CZBIL has market share of 2.58% in terms of deposit base and 2.85% of loan & advances in commercial banking industry of Nepal as on mid-Jan-16. CZBIL reported a profit after tax of NPR 721 million during 2014-15 over an asset base of NPR 41,493 million as of mid-Jul-15 against profit after tax of NPR 498 million during 2013-14 over an asset base of NPR 32,222 million as of mid-Jul-14. During H1FY16, CZBIL reported PAT of NPR 418 million over an assets base of NPR 45,905 million. As of mid-Jan-2016, CZBIL's CRAR was 12.39% and gross NPLs were 2.43%. In terms of technology platform, CZBIL has implemented Pumori-IV across all of its branches.

March 2016

DISCLOSURE OF INFORMATION UNDER SECTION 109(4) OF COMPANIES ACT 2006

a. Business review of previous year

This has been disclosed in the annual report of directors.

b. Any impact caused to the business of the Company due to national and international condition

The trade surplus and benefited foreign exchange reserve due to decline in import consequent to unofficial border blockade in South resulted in marginal growth of the economy and increase in inflation. Similarly, depreciation of Nepalese currency in comparison to foreign currency on account of fluctuating foreign exchange rate has resulted in increase in price of raw materials used for manufacturing and industrial purpose and subsequently reduced production. Similarly, international recession and decrease in remittance all affected the entire banking sector of the country.

c. Current year's achievement until the date of preparation of Report from the Directors and Board of Directors' view on future activities of the Company

This has been disclosed under the head "Financial Position of the Bank" and "Strategies and Programs for FY 2015/16" in Director's Report.

d. Industrial and professional relations of the Company

The Bank maintains sound and cordial relationship with all its stakeholders including the staff members.

e. Changes in the Board of Directors and the reason thereof

This has been disclosed under the head

"Changes in Board of Directors and its Reason" in Director's Report.

f. Main factors that affect business activities

1. Change in policy relating to commercial banks by Nepal Government or Nepal Rastra Bank.
2. Risks that may arise from change in exchange rate in course of foreign exchange transactions.
3. Risks arising from change in interest rate of loan & advances and deposits.
4. Risks arising from non-recovery of loan & advances on time.
5. Risks that may arise from changes in economic situation of country.
6. Possible risks that may arise while providing non-funded services such as issuing LC and Guarantee.
7. Economic risks of affecting Nepali market due to recession in international market.
8. Risks that may arise due to fluctuations in capital market.
9. Negative impacts that may arise in economy of country due to natural calamities.
10. Adverse political environment that affects stability in the business.
11. Fierce Banking Competition.

g. Any remarks and observation stated in the Independent Auditors' Report and Board of Directors' response thereon

No material remarks.

h. Amount recommended for distribution of dividend

From the distributable profit of FY 2015/16, Bonus share of 24.49% (i.e. NPR 750,675,762) and

cash dividend of 1.29% (i.e. NPR 39,509,251) of paid up capital NPR 3,065,233,817 of mid July 2016 has been recommended for distribution as dividend.

i. Details of shares forfeited (number of share, face value, amount received by the Company prior to forfeiture, amount received by the Company after putting such forfeited shares into subscription and amount refunded on account of forfeited shares)

The bank has not forfeited any shares.

j. Review of the progresses made by the Company and its subsidiary(s) in the previous fiscal year and the position of the same at the end of that fiscal year

The review of the progresses made by the Company and its subsidiary in the previous fiscal year and the position of the same at the end of that fiscal year is reflected through standalone Financial Statements and Consolidated Financial Statements. The synopsis of the same is also presented in Director's report.

k. Major transactions completed by the company and its subsidiary company in the financial year and any material changes taken place in the transactions of the company during that period

The subsidiary company CBIL Capital Limited has successfully earned 10.14 million its four month transactions.

l. Disclosures made by the substantial shareholders of the company to the company in the previous financial year

No such information provided by the principal shareholder.

m. Details of shareholding taken by the directors and officers of the company in the previous financial year and , in the event of their involvement in share transaction of the company, details of information received by the company from them in that respect

Details of shareholding taken by the directors are as follows:

S.N.	Position	Name	Shareholder No.	Total Shares	Fraction Shares
1	Chairman	Dr. Shanker Prasad Sharma	1	261879	0.6
			79360	41655	0.6
2	Director	Mr. Bal Krishna Prasai	NPE011A40000	119547	0.6
		(Rag Investment Pvt.Ltd.)	NPE011A00004	35105	0.6
3	Director	Mr. Manohar Das Mool	45	419088	0.2
			79395	155707	-
4	Director	Mr. Prakash Chandra Mainali	19793	285	0.6
5	Director	Mr. Pabitra Kumar Karki	57	390452	0.4
			79406	145069	0.2
6	Director	Mr. Bijaya Dhoj Karki	79099	76	0.8
7	Director	Dr. Chanda Karki	76889	10376	0.6
8	Director	Mr. Chandra Tandon	87468	36000	-
			16151	86	0.6
			81821	18654	

During the FY 2015/16, the Directors and officers of the Bank applied for the right share issued by the Bank

n. Information provided on personal interest of Board of Directors and their relatives (nearest kin) regarding contract or agreement done with the Company during previous financial year:

The Bank has not received any such information.

o. Buyback of share by the Company, reason thereof for buyback, number of shares bought back, face value of share and amount paid during the buyback:

The bank has not bought back any shares.

p. Information on existence of Internal Control System and if there is, its detail

The Bank has the following policies; procedures and mechanism in place to ensure Internal Control System are in place and functioning properly:

1. Financial Bye-laws, HR Bye-laws, loan write-off policy, loan policy, AML/CFT policy and other operational policies and procedure.
2. Independent Internal Audit Department, Compliance Department and Risk Management Department have been formed.
3. A system has been developed for regular supervision of internal control system by Audit Committee and Risk Management Committee.
4. All efforts are made to ensure that the Bank adhere to good corporate governance.

q. Details of total management expenses incurred during the previous financial year

1. Staff Expenses NPR 295,202,178
2. Office operating expenses NPR 372,882,535

r. Name list of members in the audit committee, remuneration, allowance and benefits they have received, details of the

functions performed by that committee, and details of suggestions, if any, made by that committee

1. The Committee constituted of following:
Director, Chandra Tandon (Co-ordinator)
Director, Bijaya Dhoj Karki (Member)
Director, Dr. Chanda Karki (Member)
Head of Internal Audit Department, Anit Sapkota (Member Secretary)
2. Apart from sitting fees, no any remuneration or facilities are provided to Audit Committee Members Convener and Members, except Member Secretary, are provided NPR 11000 sitting fees per meeting.
3. The committee meeting was held 16 times during FY 2015/16.
4. The major suggestion of the committee was to ensure that Non-Performing Loan does not increase.

s. Dues payable to the Company by any director, MD, CEO, principal shareholders (holding share more than 1%) or their relatives or firms or institutions in which they have their involvement (interest)

The bank has no such dues.

t. Remuneration, allowances and benefits paid to Director, MD, CEO and Officials

SN	Details	Director (NPR)	Chief Executive Officer (NPR)	Other executive Officer (NPR)
1	Sitting fees	2,440,000*		
2	Remuneration and allowances			
	a. Salary		6,926,400	9,648,448
	b. Allowances		4,497,200	10,604,278
	c. Dashain allowances		837,200	1,310,462
	d. Provident fund contribution		692,640	1,019,585
	e. Staff welfare fund		1,220,700	1,362,146
	Gross remuneration and allowances		13,374,140	24,674,825
	(-)Income tax		4,256,070	4,800,467
	Net remuneration and allowances		9,118,070	19,874,358
3	Bonus		As per prevailing Bonus Act	
4	Telephone/Mobile	279,000	As per contract with bank	As per staff bye laws
5	Fuel	486,000	As per contract with bank	As per staff bye laws
6	Newspaper	186,000	As per contract with bank	As per staff bye laws
7	Vehicle Facility	NO	YES	YES
8	Accommodation Facility	NO	NO	NO
9	Insurance	NO	YES	YES

*Including sitting fees of different sub-committee NPR 897,000

Notes

1. Vehicle facility is provided to CEO along with driver, fuel and repair and maintenance. Other executive officers are provided vehicle facilities along with fuel as per rules.

2. There is provision of accident insurance, medical insurance as per rules of the Bank to all staffs including CEO. Similarly there is also

medical insurance facility for their dependent family members.

3. There is provision of payment of mobile expenses of CEO and other executive level officers by the Bank as per rules.

4. Chairman of the Bank is provided with vehicle facility for official purpose.

u. Uncollected dividend by the shareholder

Dividend declared to the shareholders but not collected till the end date of the reported fiscal year 2015/16 are as follows:

1.	Dividend payable for FY 2008/09 (2065/66)	NPR	2,651,655
2.	Dividend payable for FY 2009/10 (2066/67)	NPR	4,071,109
3.	Dividend payable for FY 2010/11 (2067/68)	NPR	3,091,851
4.	Dividend payable for FY 2011/12 (2068/69)	NPR	6,717,536
5.	Dividend payable for FY 2012/13 (2069/70)	NPR	13,537,688
6.	Dividend payable for FY 2013/14 (2070/71)	NPR	7,552,317
7.	Dividend payable for FY 2014/15 (2071/72)	NPR	6,725,986
8.	Dividend payable for FY 2009/10 (2066/67)- NHMFL	NPR	243,104
9.	Dividend payable for FY 2010/11 (2067/68)- NHMFL	NPR	148,179
10.	Dividend payable for FY 2009/10 (2066/67)- PEFIL	NPR	1,379,918
11.	Unclaimed Dividend FY 2003/04 (2060/61) & 2004/05 (2061/62) - PEFIL	NPR	481,770
Total		NPR	46,601,113

v. Information on asset bought or sold as per Section 141

N/A

w. Details of related party transaction as per Section 175 (transactions between associated companies)

The details of related party transaction have been disclosed in the annual financial report of the Bank in the clause no 28 of Annexure 33 Notes to Accounts

x. Any other details to be disclosed in the Report from the Directors in accordance with Companies Act, 2006 or other prevailing laws

N/A

y. Any other pertinent details

N/A

Disclosure of Information Under Section 22(1) of Securities Registration and Issue Regulation Act

A. Legal Proceedings:

Whereby following law-suit has been filed, the Bank shall disclose the date when the case is filed, the issue pertaining in the case, the name of such promoter or director and possible legal outcomes of the legal proceedings:

(a) A law-suit filed by or against the Bank during the period:

In Fiscal year 2015/16, 41 law-suits have been filed by the Bank or against the Bank.

(b) A law-suit filed by or against the promoter or director of the Bank involving statutory regulations or criminal offence:
No such information has been received.

(c) A law-suit, if any, filed against the promoter and director for committing

economic crimes:

No such information has been received.

B. Analysis of Stock Performance of the Bank:

(a) Management's view on the performance of the stocks of the Bank in the Stock Exchange:

Apart from the fluctuation in share transaction of organized institutions in stock market of the country, the bank has satisfactory share transactions.

(b) High, Low and Closing price of the stocks of the bank during each quarter of the preceding year along with total volume of trading of shares and number of days traded:
The same is as follows:

Details	Mid Oct 2015	Mid Jan 2016	Mid Apr 2016	Mid Jul 2016
High Price	799	601	760	870
Low Price	490	500	597	560
Closing Price	547	597	725	680
Total volume of trading of shares	1,610,727	740,355	1,435,661	2,876,498
Total days traded	56	57	56	64

C. Problems and Challenges:

(a) Internal:

Increasing the profit of the Bank has become challenging due to internal problems in present scenario such as excessive liquidity and competition causing decrease in interest spread, increase in operating expenses, increase in risk with the increase in transactions and branches.

(b) External:

The main external problems are high competition in banking sector, lack of areas for investment, lack of skilled manpower in bank,

low rate of economic growth, unfavorable environment for investment, unstable political situation, low development expenditure of the government, problem of employees in industrial and business sectors, scarcity of energy and others. Expansion of transactions in presence of such problem, maintenance of assets quality and providing good return to shareholders is becoming challenging.

D. Details on deviation of 20 percentage or more in Bank's audited Financials in comparison to Financials projected in prospectus:

The Bank had presented projected financials in prospectus during issuance of right share 16,858,786 units at the ratio of 10:5.5 on paid up share capital of NPR 3,065.234 million according to prevalent policy adopted by the Bank and projected economic growth. However, as a result of active management

and different policy adopted by the Bank, the growth of the Bank's business has surpassed the growth of banking sector and as a result of which indicator of Balance Sheet and Profit And Loss Account is greater than 20 percent than that of projected.

BALANCE SHEET FY 2015/16

NPR IN THOUSAND

Capital and Liabilities	Audited Financials	Projected Financial	Difference (%)	Reasons for Deviations above 20%
1. Share Capital	4,401,315.38	5,534,500.00	(20.47%)	Due to under subscription of issued right shares
2. Reserve and Surplus	903,981.69	1,568,900.00	(42.38%)	Due to issuing of bonus share less than that of projected
3. Debenture and Bond	500,000.00	500,000.00	0%	
4. Borrowings	1,119,046.01	902,000.00	24.06%	For requirement in normal course of business due to increment in banking transactions
5. Deposits Account	47,393,500.97	39,360,350.00	20.41%	Due to increase in regular transaction and high liquidity
6. Bills Payable	93,281.72	-	100%	Bills payable against the regular banking transaction
7. Proposed Cash Dividend	39,509.25	-	100%	As the proposed dividend was not projected
8. Income Tax Liability	-	-	0%	
9. Other Liabilities	611,380.61	683,080.00	(10.50%)	
Total Capital and Liabilities	55,062,015.62	48,548,830.00	13.42%	

Assets	Audited Financials	Projected Financial	Difference (%)	Reasons for Deviations above 20%
1. Cash Balance	1,884,360.88	1,574,410.00	19.69%	
2. Balance with Nepal Rastra Bank	3,149,515.24	2,380,520.00	32.30%	Due to high liquidity in the banking sector
3. Balance with Banks /Financial Institutions	859,317.99	6,513,440.00	(86.81%)	
4. Money at Call and short notices	247,448.85	500,000.00	(50.51%)	Due to less interbank lending result of high liquidity /investment in call as a
5. Investments	7,478,036.91	3,202,040.00	133.54%	Due to investment done for regular banking transaction for regular banking
6. Loans, Advances and Bills	39,635,465.29	32,752,050.00	21.02%	Due to increase in regular transaction and high Purchased liquidity, higher loan was disbursed than projected
7. Fixed Assets	1,107,847.37	917,490.00	20.75%	Due to the need for regular banking transaction
8. Non-Banking Assets	-	-	-	
9. Other Assets	700,023.09	708,880.00	(1.25%)	
Total Assets	55,062,015.62	48,548,830.00	13.42%	

PROFIT AND LOSS ACCOUNT

Particulars	Audited Financials	Projected Financials	Difference (%)	Reasons for Deviations above 20%
1. Interest Income	3,443,472.90	3,608,990.00	(4.59%)	
2. Interest Expenses	1,823,705.61	1,908,530.00	(4.44%)	
Net Interest Income	1,619,767.29	1,700,460.00	(4.75%)	
3. Commission and Discount	97,670.37	68,700.00	42.17%	Due to increase in non-fund base transaction
4. Other Operating Incomes	272,238.86	217,450.00	25.20%	Due to increase in transaction
5. Exchange Fluctuation Income (Trading Gain)	143,294.23	123,970.00	15.59%	
Total Operating Income	2,132,970.75	2,110,580.00	1.06%	
6. Staff Expenses	295,202.18	285,060.00	3.56%	
7. Other Operating Expenses	372,822.54	340,440.00	9.51%	
8. Exchange Fluctuation Loss	-	-		
Operating Profit Before Provision for Possible Loss	1,464,946.03	1,485,080.00	(1.36%)	
9. Provision for Possible Losses	355,120.01	358,470.00	(0.93%)	Due to increase in Non-Performing Loan
Operating Profit	1,109,826.03	1,126,610.00	(1.49%)	
10. Non-Operating Income/Expenses	144,472.90	50,520.00	185.97%	Due to effective management and increase in regular business
11. Loan Loss Provision Written Back	431,739.37	250,000.00	72.70%	Due to recovery of Non-performing loan and sale of non-banking assets
Profit from Regular Operation	1,686,038.30	1,427,130.00	18.14%	
12. Profit/Loss from Extra-Ordinary Activities	6,712.10		(100%)	Due to recovery of written off loan though no amount has been projected
Profit after considering all activities	1,692,750.40	1,427,130.00	18.61%	
13. Provision for Staff Bonus	153,886.40	129,740.00	18.61%	
14. Provision for Income Tax	458,486.50	370,720.00	23.67%	Due to increase in Net Profit
Current Year's Tax Provision	464,827.02	370,720.00	25.38%	Due to increase in Net Profit
Prior Period Taxation	-	-		
Deferred Tax (Income)/Expenses	(6,340.52)	-	(100%)	Due to income of deferred tax
Net Profit/(Loss)	1,080,377.50	926,670.00	16.59%	Due to management's work efficiency, capability, dedication and customers support

INTERIM FINANCIAL REPORTING

QUARTERLY FINANCIAL STATEMENTS

For each quarter of the year 2015-16

(NPR In Millions)

S.N Particulars	Q I Mid Jul - Mid Oct 2015	Q II Mid Oct - Mid Jan 2015	Q III Mid Jan - Mid Apr 2016	Q IV Mid Apr - Mid Jul 2016
1 Total Capital and Liabilities (1.1 to 1.7)	45,976.68	46,835.34	54,215.31	55,995.30
1.1 Paid Up Capital	3,065.23	3,065.23	3,065.23	3,650.64
1.2 Reserve and Surplus	817.43	1,093.13	1,399.43	1,721.97
1.3 Debenture and Bonds	500.00	500.00	500.00	500.00
1.4 Borrowings	2,460.24	548.36	2,890.94	1,119.05
1.5 Deposits (a+b)	36,947.71	40,034.67	44,373.50	47,393.50
a. Domestic Currency	36,494.79	39,542.40	43,908.88	47,004.77
b. Foreign Currency	452.92	492.26	464.62	388.73
1.6 Income Tax Liability	61.34	-	-	4.01
1.7 Other Liabilities	2,124.73	1,593.95	1,986.21	1,606.14
1.8 Non controlling Interest	-	-	-	-
2 Total Assets (2.1 to 2.7)	45,976.68	46,835.34	54,215.31	55,995.30
2.1 Cash and Bank Balance	5,225.27	4,452.65	6,175.22	5,893.20
2.2 Money at Call and Short Notice	-	-	-	247.45
2.3 Investments	6,341.73	7,153.23	7,720.07	7,520.37
2.4 Loans and Advances(a+b+c+d+e+f)	31,881.90	33,556.52	37,843.38	40,567.28
a. Real Estate Loan	3,997.28	4,066.01	4,437.87	4,809.21
1. Residential Real Estate Loan (Except Personal Home Loan upto Rs 10 million)	831.30	882.96	1,153.20	1,379.68
2. Business Complex and Residential Apartment Construction Loan	1,066.07	1,050.78	1,064.08	1,089.28
3. Income Generating Commercial Complex Loan	237.00	235.50	234.00	232.50
4. Other Real Estate Loans (Including Land Purchase & Plotting)	1,862.91	1,896.76	1,986.59	2,107.75
b. Personal Home Loan of NPR 10 million or less	1,868.49	1,900.89	2,049.25	2,331.45
c. Margin Type Loan	1,235.59	1,608.58	2,326.13	2,882.12
d. Term Loan	6,618.28	6,799.50	7,319.90	8,183.94
e. Overdraft Loan /TR Loan/WC Loan	10,176.03	10,371.91	11,541.14	10,452.42
f. Others	7,986.23	8,809.65	10,169.10	11,908.14
2.5 Fixed Assets (Net)	950.34	981.57	992.57	1,025.76
2.6 Non Banking Assets (Net)	-	-	-	-
2.7 Other Assets	1,577.43	691.37	1,484.06	741.25
3 Profit and Loss Account				
3.1 Interest Income	768.20	844.30	870.22	961.26
3.2 Interest Expenses	460.48	435.90	426.19	501.14
A. Net Interest Income (3.1-3.2)	307.71	408.40	444.03	460.12
3.3 Fees, Commission and Discount	15.82	21.28	30.02	30.55
3.4 Other Operating Income	60.05	50.36	73.21	88.65
3.5 Foreign Exchange Gain/Loss (Net)	33.15	31.77	37.66	40.70
B. Total Operating Income (A + 3.3+3.4+3.5)	416.74	511.81	584.92	620.03
3.6 Staff Expenses	70.28	74.78	77.64	73.47

CONTI.

S.N	Particulars	Q I	Q II	Q III	Q IV
		Mid Jul -	Mid Oct -	Mid Jan -	Mid Apr -
		Mid Oct 2015	Mid Jan 2015	Mid Apr 2016	Mid Jul 2016
3.7	Other Operating Expenses	79.53	81.86	101.29	120.23
	C. Operating Profit Before Provision (B - 3.6-3.7)	266.93	355.17	405.98	426.33
3.8	Provision for Possible Losses	152.49	99.13	17.62	56.54
	D. Operating Profit (C - 3.8)	114.43	256.04	388.37	369.78
3.9	Non Operating Income/ Expenses (Net)	31.64	69.10	17.95	25.35
3.10	Write Back of Provision for Possible Loss	78.83	101.40	75.01	176.50
	E. Profit from Regular Activities (D + 3.9+3.10)	224.91	426.53	481.33	571.63
3.1	Extraordinary Income/ Expenses (Net)	-	6.71	(0.00)	-
	F. Profit before Bonus and Taxes (E + 3.11)	224.91	433.25	481.32	571.63
3.1	Provision for Staff Bonus	20.45	39.39	43.76	51.97
3.1	Provision for Tax	61.68	118.16	131.27	154.53
	G. Net Profit/Loss (F - 3.12-3.13)	142.78	275.70	306.30	365.13
	H. Net Profit/Loss after Share of Non- Controlling Interest (G-3.14)	142.78	275.70	306.30	365.13

The quarter to quarter growth rate in deposit has been recorded to be 8.25 percent, 10.84 percent and 6.81 percent respectively in the 2nd, 3rd and 4th quarters of the year. Total deposit for the year has been recorded to be NPR 47,393.50 Million which is higher than that of the previous year by 32.45 percent i.e. by NPR 11,611.37 Million. Along with the deposit, there has been improvement in loan and advances. The same has increased by 5.25 percent, 12.78 percent and 7.20 percent respectively in the 2nd, 3rd and 4th quarters of the year. Total loans and advances for the year have been recorded to be NPR 40,567.28 Million which is higher than that of the previous year by 38.93 percent i.e. by NPR 11,366.90 Million. Similarly, the investment has increased by 32.83 percent to NPR 7,520.37 Million in the review year as compared to the previous year investment of NPR 5,661.84 Million. The investment has increased by 12.80 percent and 7.92 percent in the 2nd and 3rd quarters respectively and in the 4th quarter, it has decreased by 2.59 percent. The quarter to quarter growth rate in net interest income has been recorded to be 32.72 percent, 8.72 percent and 3.62 percent respectively in the

2nd, 3rd and 4th quarters of the year. There has been a change of NPR 100.69 Million, NPR 35.63 Million and NPR 16.09 Million respectively during these quarters. Total net interest income for the year has been recorded to be NPR 1,620.26 Million which is higher than that of the previous year by 27.71 percent i.e. by NPR 351.52 Million. Along with the interest earnings, there have been improvements in the commission and discount incomes, foreign exchange gains, and provision for possible losses that have led the Bank to higher profit than that of the previous year. In the 4th quarter, significant net write back of loss provisions has been made by NPR 176.50 Million. Quarterly net profit after tax has increased by 93.10 percent, 11.10 percent and 19.21 percent respectively in each of 2nd, 3rd and 4th quarter respectively. The absolute changes in net profit after tax are NPR 132.92 Million, NPR 30.59 Million and NPR 58.83 Million in the 2nd, 3rd and 4th quarter respectively. Year end unaudited net profit after tax has been recorded to be NPR 1,089.91 Million which is 50.56 percent higher than that of the previous year.

SEGMENT REPORTING

Profitability, risks and growth prospects are different when the Bank has different nature of operations and the same is operated in different location. As such, the progress and success of a diversified Bank composites of the progress and success of its several segments. Our segmental performance analysis is done in a manner that assists Executive Committee, that is responsible for allocating resources and assessing performance of the operating segments, and has been identified as the chief operating decision maker. All transactions between segments are conducted on pre- determined transfer price with Treasury Department as the fund manager.

The segmental performance analysis is mainly done on the basis of:

A. Primarily, nature of operations of the Bank - Banking, Treasury, Cards, Remittance and BLB

B. Secondly, the segmental performance is done on the basis of 7 different states (as declared in the Constitution of Nepal, 2072).

A. Segmental Performance Analysis on the basis of Nature of Operations

Banking Operations (including loans, deposit and corporate office) is the major segment of the Bank that constitutes 81.45% of the total segment results. Similarly, Treasury, Card and Remittance contributed 17.72%, 0.95% and 0.35% respectively whereas the BLB contributed negatively by 0.53%. The Banking operations result includes the fees and commission pertaining to treasury, card and remittance operations as well shared on the pre- determined transfer pricing rate with Treasury Department, Card Department and Remittance Department.

(NPR IN MILLION)

Particulars	Banking	Treasury	Card	Remittance	Total
1. Interest Income	3,281	160	3	-	3,443
2. Interest Expenses	1,802	23	-	-	1,824
3. Net Interest Income (1+2)	1,479	137	3	-	1,620
4. Fees and Commission	63	0	27	7	98
5. Other Income	260	2	11	0	272
6. FX Income	17	126	0	1	143
7. Total Operating Income (3+4+5+6)	1,819	265	41	9	2,133
8. Staff Expenses	290	2	2	2	295
9. Other Operating Expenses	344	6	22	1	373
10. Operating Profit Before Provision (7-8-9)	1,186	257	16	6	1,465
11. Provision for Possible Losses	356	-	-	-	355
12. Operating Profit (10-11)	830	257	16	6	1,110
13. Non Operating Income/Expenses (Net)	101	43	-	-	144
14. Write Back to Provision for Possible Loss	432	-	-	-	432
15. Profit from Regular Activities (12+13+14)	1,364	300	16	6	1,686
16. Extraordinary Income/Expenses	7	-	-	-	7
17. Segment Result (15+16)	1,370	300	16	6	1,693
18. Provision for Staff Bonus	-	-	-	-	154
19. Provision for Tax	-	-	-	-	458
20. Net Profit/Loss (17-18-19)	-	-	-	-	1,080

B. Segmental Performance Analysis on the basis of Geographical State

The segmental performance on the basis of the location of the branches in the seven states constitutes our secondary segment reporting. Treasury Department, Card Department and Remittance Department are all included in Number 2 state as it is under Head Office Function. From the 1st to the 7th state, each state contributes 7.62%, 4.02%, 76.96%, 2.48%, 4.55%, 2.07% and 2.36% respectively.

(NPR IN MILLION)

Particulars	1	2	3	4	5	6	7	Total
1. Interest Income	323	205	4028	95	149	81	78	4961
2. Interest Expenses	159	97	2944	40	49	24	28	3342
3. Net Interest Income (1-2)	164	109	1084	55	100	57	51	1620
4. Fees and Commission	3	2	87	1	2	1	1	98
5. Other Income	22	12	196	8	17	9	8	272
6. FX Income	1	-	141	-	-	-	-	143
7. Total Operating Income (3+4+5+6)	191	124	1509	64	119	67	60	2133
8. Staff Expenses	21	14	222	7	13	11	8	295
9. Other Operating Expenses	27	20	269	10	20	17	10	373
10. Operating Profit Before Provision (7-8-9)	143	89	1019	47	86	39	42	1465
11. Provision for Possible Losses	19	25	288	5	10	5	3	355
12. Operating Profit (10-11)	123	64	731	42	76	35	39	1110
13. Non Operating Income/Expenses (Net)	-	-	144	-	-	-	-	144
14. Write Back to Provision for Possible Loss	5	4	421	-	-	-	2	432
15. Profit from Regular Activities (12+13+14)	129	68	1296	42	77	35	40	1686
16. Extraordinary Income/Expenses	-	-	7	-	-	-	-	7
17. Segment Result (15+16)	129	68	1303	42	77	35	40	1693
18. Provision for Staff Bonus	-	-	-	-	-	-	-	154
19. Provision for Tax	-	-	-	-	-	-	-	458
20. Net Profit/Loss (17-18+19)	-	-	-	-	-	-	-	1080

PRODUCT WISE LOANS AND ADVANCES

(NPR IN MILLION)

S.N.	Particulars	As at Mid July 2015		As at mid July 2016	
		Outstanding	%	Outstanding	%
1	Term Loan	6,230.71	21%	8,183.94	20%
2	Overdraft	6,241.79	21%	6,387.47	16%
3	Trust Receipt Loan/ Import Loan	624.90	2%	692.58	2%
4	Demand & Other				
	Working Capital Loan	3,399.75	12%	3,372.37	8%
5	Residential Personal				
	Home Loan (Upto NPR 10 Million)	1,738.14	6%	2,331.45	6%
6	Real Estate Loan	3,601.14	12%	4,809.21	12%
7	Margin Nature Loan	893.01	3%	2,882.12	7%
8	Hire Purchase Loan	1,166.55	4%	2,103.26	5%
9	Deprived Sector Loan	1,205.30	4%	1,699.33	4%
10	Bills Purchased	105.69	0%	128.06	0%
11	Other Products	3,993.40	14%	7,977.49	20%
Total		29,200.38	100%	40,567.28	100%

Major part of the loans and advances, comprises of term loan (20 percent), as compared to the previous year (21 percent). Similarly, 16 percent and 8 percent of loans were extended as trust receipt loan/import loan and demand and other working capital loan respectively. Real estate loan is 12 percent which seems to be constant throughout both review years.

SECTOR WISE LOANS AND ADVANCES

AS AT MID JULY 2016

(NPR IN MILLION)

S.N	Loan Sector	Number	Amount	% of Total loans	% of core
				& advances	capital
1	Agriculture	89	268.00	0.66%	5.24%
2	Fishery	14	72.00	0.18%	1.41%
3	Mining	18	73.00	0.18%	1.42%
4	Agriculture, Forestry & Beverage Production Related	285	2,608.00	6.43%	50.93%
5	Non-food Production Related	278	3,734.00	9.20%	72.90%
6	Construction	183	1,069.00	2.64%	20.88%
7	Electricity, Gas & Water	55	2,117.00	5.22%	41.34%
8	Metal Production, Machinery and Electrical Tools	25	62.00	0.15%	1.22%
9	Transportation, communications and Public Services	198	400.00	0.99%	7.81%
10	Wholesaler and Retailer	1,084	7,258.00	17.89%	141.72%
11	Finance, Insurance and Fixed Assets	139	4,422.00	10.90%	86.35%
12	Hotel or Restaurants	41	795.00	1.96%	15.53%
13	Other Service Industries	379	2,000.00	4.93%	39.06%
14	Consumable Loans	10,533	5,997.00	14.78%	117.10%
15	Local Government	3	2.00	0.00%	0.03%
16	Others	6,753	9,689.00	23.88%	189.19%
Total		20,077	40,567.00	100.00%	792.13%

The Bank has disbursed the loans and advances to the different sectors of the economy. Wholesaler and Retailer is the dominant sector of lending with 17.89 %share of total loan followed by consumable loans 14.78% and Finance, Insurance and Fixed Assets 10.90 percent.

COLLATERAL (SECURITY) WISE STATEMENT OF LOAN & ADVANCES

(NPR IN MILLION)

S.N. Collateral	FY 2015/16			FY 2014/15		
	Outstanding Balance			Outstanding Balance		
	No.	Principal	%	No.	Principal	%
1 Gold and Silver	9,315.00	2,636.74	6.50%	7,019	1780.07	6.10%
2 Government Securities	2.00	2.29	0.01%	3	2.52	0.01%
3 Non Governmental Securities	281.00	2,865.37	7.06%	143	887.31	3.04%
4 Fixed Deposit Receipts	171.00	209.15	0.52%	184	126.35	0.43%
5 Collateral of Properties	9,575.00	30,969.64	76.34%	8,015	23,141.13	79.25%
6 Against security of Bill	41.00	836.59	2.06%	29	785.28	2.69%
7 Against Guarantee	146.00	72.11	0.18%	67	36.59	0.13%
8 Credit Card	245.00	4.28	0.01%	0	0	0
9 Others	301.00	2,971.11	7.32%	214	2,440.67	8.36%
Total	20,077	40,567.28	100%	15,674	29,199.91	100%

All of the loans and advances, disbursed by the Bank, are secured by the securities. In mid-July 2016, 76.34% (previous year 79.25%) of the total loans and advances are secured by the property as collateral. Similarly, 7.06% (previous year 3.04%) of the total loans and advances are secured by Non Government securities and 6.50 % (Previous year 6.10%) by gold and silver.

E-BANKING SERVICES

Branchless Banking Services	FY 2015/16	FY 2014/15
Number of branchless banking centre	93.00*	226
Number of branchless banking customers	114,281.00	112,306
Number of BLB customers per counter	1,229.00	497

*Branchless banking centers were closed after successful completion of services as agreed in the agreement signed to distribute social security allowances with Ministry of Federal Affairs Local Development.

Mobile Banking Services	FY 2015/16	FY 2014/15
Number of mobile banking customers	54,646	42,482

Internet Banking Services	FY 2015/16	FY 2014/15
Number of Internet banking customers	9,247	7,709

Card Services	FY 2015/16	FY 2014/15
Total number of ATM	49	45
Number of debit card holder	56,759.00	50,642
Number of debit card holder per ATM	1,158.00	1,125

The above table shows the present status of electronic banking of the Bank. This depicts a growing trend in the use of electronic banking services.

The Bank is providing following types of electronic banking services:

- a) Branchless Banking
- b) Mobile Banking
- c) Internet Banking
- d) Card Services

a) Branchless Banking

Branchless banking is a distribution channel strategy used for delivering financial services without relying on the Bank's branches. It is serviced through point of transaction (POT) machine by using smart cards. It is an agent based service. The services include deposit, withdrawal, balance enquiry, and fund transfer. As on mid July 2016, there are 93 branchless banking centers (Previous year 226) with 114,281 customers (Previous Year 112,306) throughout the country. In the review year, the number of BLB Customers has increased by around 1,975 customers.

b) Mobile Banking

The Bank is providing services like balance inquiry, mini statement, last transactions information, withdrawal alerts, cheque book inquiry/request, intra-bank fund transfer,

utility bill payments etc. through mobile banking. As on mid July 2016, there are 56,646 (Previous year 42,482) users of mobile banking.

c) Internet Banking

The Bank is offering Internet Banking services to the customers. As on mid July 2016, there are 9,247 (Previous year 7,709) internet banking users of the Bank. The Bank is providing the service of utility payments, fund transfers and the generation of account statements as internet banking services.

d) Card Services

The Bank is providing debit card services to the customers. There are 56,759 debit card users of the Bank, as on mid-July 2016 and 50,642 users as on mid July 2015. In the review year, the Bank has expanded the service for the convenience of valued customer. As a result, the number of debit card holder per ATM is 1,158 (Previous year 1,125.37).

e) Automated Teller Machines (ATMs)

The Bank has installed ATMs in different places of the country for the convenience of the customers. As on mid July 2016, there are 49 ATMs (Previous year 45) installed by the Bank.

VALUE ADDED STATEMENT

Value Generated by the Bank

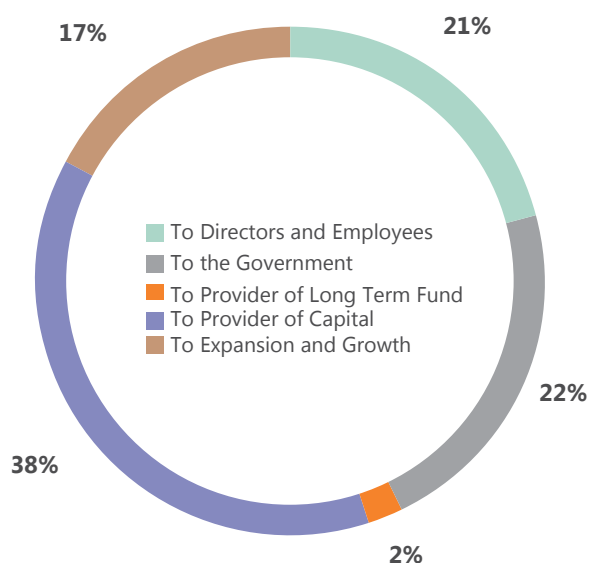
The Bank has its own defined objectives, as such how much value (wealth) the Bank created through utilization of capacity, capital, staff, and other resources, and how it is allocated among different stakeholders viz. employees, lenders, shareholders, government, etc.

During review year the Bank has generated total value of NPR 2.109 billion. This is a

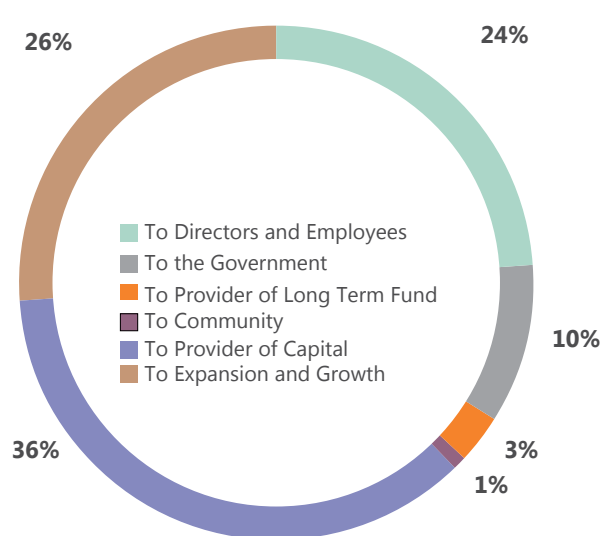
growth of 41.28 percent or NPR 616.27 million as compared to that of previous year. Highest value has been added to provider of capital which stands at 38 percent (previous year 36 percent). Value additional to expansion and growth stands at 17 percent of total value generation (previous year 26 percent). Value generated to government stands at 22 percent of total value generated as compared to previous year which stands at 10 percent.

Particulars	(NPR IN MILLION)			
	July 15, 2016 (Ashad 31, 2073)	%	July 16, 2015 (Ashad 31, 2072)	%
To Directors and employees	451.53	21%	351.77	24%
To the government	464.83	22%	147.65	10%
To provider of Long term Fund	42.50	2%	42.50	3%
To Community	1.06	0%	10.75	1%
To provider of Capital	790.19	38%	537.76	36%
To Expansion and Growth	359.23	17%	402.63	26%
Total value Added	2,109.33	100%	1,493.06	100%

July 15, 2016 (Ashad 31, 2073)



July 16, 2015 (Ashad 31, 2072)



Economic Value Added by the Bank

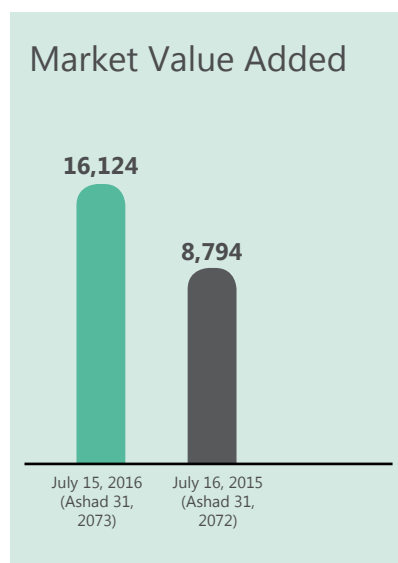
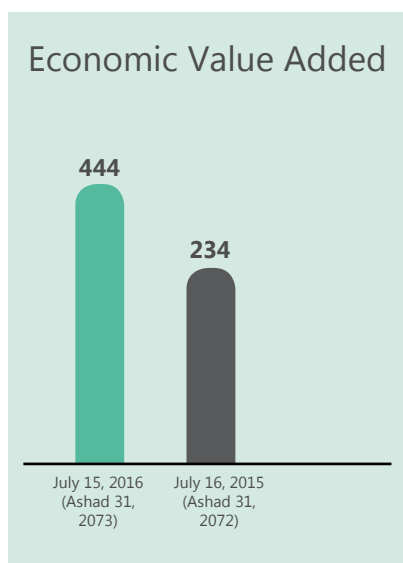
Economic value added (EVA) measures the Bank's financial performance based on the residual wealth calculated by deducting cost of capital from its operating profit. During review year the Bank has generated economic

value of NPR 443.74 million. This is a growth of 89.53 percent. The Bank has assumed the cost of capital (Economic costs) of 12 percent that is bank rate is 7 percent plus 5 percent risk premium.

STATEMENT OF ECONOMIC VALUE ADDED

(NPR IN MILLION)

For the Year ended	July 15, 2016 (Ashad 31, 2073)	July 16, 2015 (Ashad 31, 2072)
A. Shareholders Fund	5,305.30	3,739.88
B. Net Profit	1,080.38	720.31
Return on Shareholders Fund	20.36%	19.26%
C. Economic cost (Bank Rate plus 5% risk premium)	12.00%	13.00%
D. Economic Costs (A*C)	636.64	486.18
E. Economic Value Added (B-D)	443.74	234.12



Market Value Added by the Bank

Market Value added (MVA) measures the difference between the market value of the Bank and the capital contributed by shareholders.

During review year the Bank has heightened its market value addition by NPR 7,330.16million which is a growth of 83.36 percent.

For the Year ended	July 15, 2016 (Ashad 31, 2073)	July 16, 2015 (Ashad 31, 2072)
A. No of Shares	30,652,338.00	25,543,615.00
B. Market Price per Share	680.00	489.00
C. Total market Capitalization (A*B)	20,843.59	12,490.83
D. Shareholders Fund	4,719.89	3,697.29
E. Market Value Added (C-D)	16,123.70	8,793.54

REVISED CAPITAL PLAN 2016

1. NRB Provision with respect to Capital of Banks

Nepal Rastra Bank in its Monetary Policy 2072 has announced policy for increasing the minimum ceiling of paid up capital for banks and financial institutions so as to

increase the capital base so that fund for long term development is available and to ensure financial stability of banks and financial institutions that are in operations, following requirements have been pronounced:

a) Classification of Banks and Financial Institutions and Minimum Capital Requirement

CLASS NATIONAL LEVEL	4-10 DISTRICTS	1-3 DISTRICTS
A NPR 8000 million		
B NPR 2500 million	NPR 1200 million	NPR 500 million
C NPR 800 million	NPR 800 million	NPR 400 million

b) Banks and financial institutions that are in operations are supposed to submit business plan/ capital plan so as to increase the minimum paid up capital as required by new policy proportionately by Mid July 2017 (Ashadh 2074). Banks are required to submit their plan by Bhadra end 2072 to Banks and financial Institutions Regulations and Supervision Department.

- c) Following actions shall be taken to Banks and Financial Institutions not maintaining the minimum paid up capital as required:
- Barring from bonus share and cash dividend declaration and distribution.
 - Barring from deposit collection.
 - Barring from loan disbursement.
 - Barring from Branch expansion.

2. Capital position of CBIL

As on Mid July 2016 the paid up capital base of the bank stands at NPR 4,401 million and hence

in the coming year bank needs to increase the paid up capital proportionately by NPR 3,599 million.

3. Capital plan of CBIL

Following are the capital plan to maintain the paid up capital of the bank at NPR 8,000 million by Mid July 2017.

- Distribution of bonus share of 25.78% from distributable profit on paid up capital of NPR 3,065,233,819 of FY 2015/16 and issuing 1 share for every 0.28 shares of the then shareholders of Premier Finance Ltd and maintaining paid up capital of the Bank by Mid October 2016 at NPR 5,537 million.
- Right share issuance at the rate of 100:25 by the end of third quarter of FY 2016/17 and maintaining paid up capital of the bank at NPR 6,921 million.
- Distribution of bonus share of 16.00% from distributable profit of FY 2016/17 and including it in paid up capital of the bank to make it NPR 8,029 million.

Note: Cash dividend to cover the tax deduction at source prevalent shall be distributed.

(NPR IN MILLION)

SN	Particulars	FY 2015/16 NPR	FY 2016/17 NPR
1	Opening Balance of Paid Up Capital NPR	3,065.23	4,401.32
2	Calls In Advance	585.41	(585.41)
3	Right Share Issue NPR @55%	-	1,685.88
4	Acquisition of Premier Finance Limited NPR	-	35.56
5	Right Share Issue NPR @25%	-	1,384.34
6	Total Paid up Capital NPR	3,650.64	6,921.69
7	Undistributed Profit of last year NPR	82.61	42.04
8	Current Year Profit NPR	1,080.38	1,300.00
9	Transfer to General Reserve and Other Reserves NPR	(330.76)	150.00
10	Distributable Profit NPR	832.23	1,492.04
11	Issue of Bonus Share NPR @16%	750.68	1,107.47
12	Cash Dividend NPR @5%	39.51	346.08
13	Undistributed Profit at the end of the year NPR	42.04	38.49
14	Paid up Capital at the end of the year NPR	4,401.32	8,029.16

Old Corporate Building of the Bank in Kamaladi, Kathmandu where the Bank operated since its inception for over 10 years before shifting to own Corporate Building.



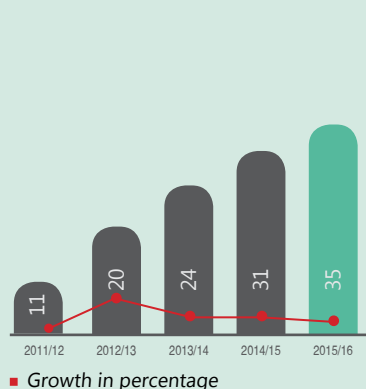
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THE BANK'S PERFORMANCE IN NUMBER

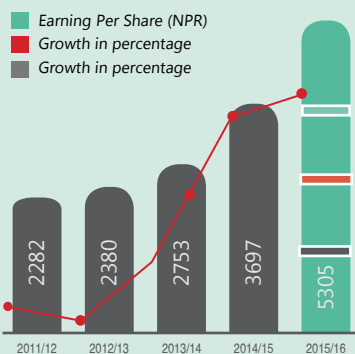
EARNING PER SHARE

The portion of the Bank's profit allocated to each outstanding share of common stock.



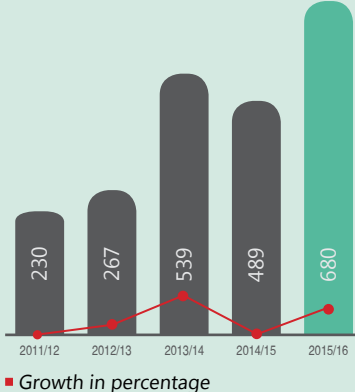
NET ASSETS

The total assets minus total liabilities



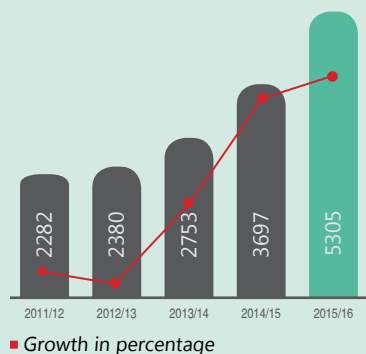
STOCK PERFORMANCE

The price at which a stock can be readily bought or sold in the current market place.



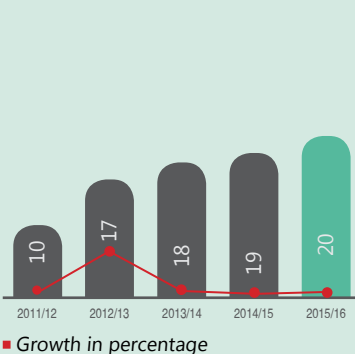
SHAREHOLDER'S FUND

The total assets (what the Bank owns) minus the total liabilities (what the Bank owes).



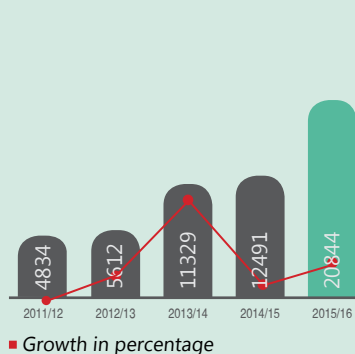
RETURN ON SHAREHOLDER'S FUND

The amount of net income returned as a percentage of shareholder's equity.



MARKET CAPITALIZATION

The total market value of all of the Bank's outstanding shares.

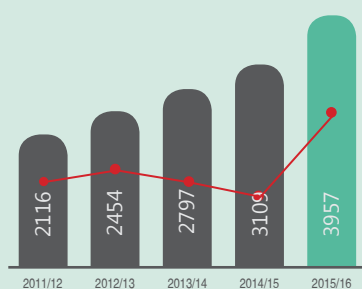


HORIZONTAL & VERTICAL ANALYSIS/ TREND ANALYSIS

OPERATING PERFORMANCE/ INCOME STATEMENT

TOTAL REVENUE

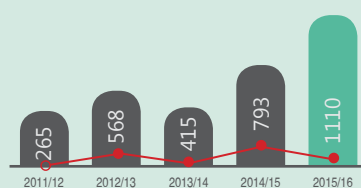
The total receipts of the Bank.



■ Growth in percentage

OPERATING PROFIT

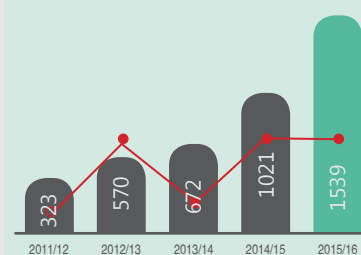
The profit earned from a bank's normal core business operations. This value does not include any profit earned from the bank's investments.



■ Growth in percentage

PROFIT BEFORE TAX

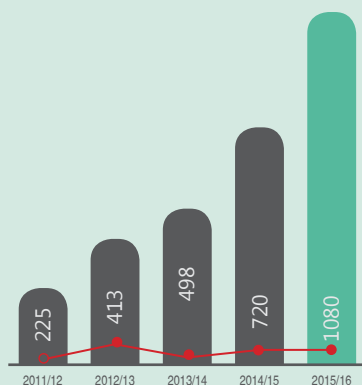
A profitability measure that looks at a bank's profits before the Bank has to pay corporate income tax. This measure deducts all expenses from revenue including interest expenses and operating expenses, but it leaves out the payment of tax.



■ Growth in percentage

PROFIT AFTER TAX

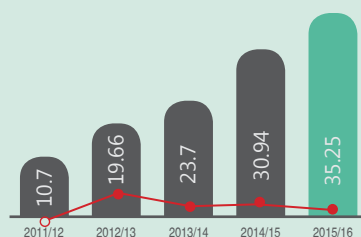
The net amount earned by the Bank after all taxation related expenses have been deducted.



■ Growth in percentage

EARNING PER SHARE

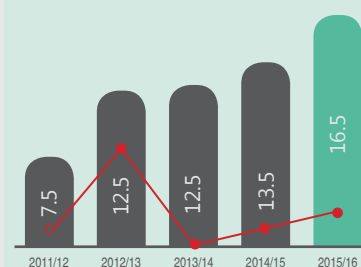
The portion of the Bank's profit allocated to each outstanding share of common stock.



■ Growth in percentage

NET PROFIT PER STAFF

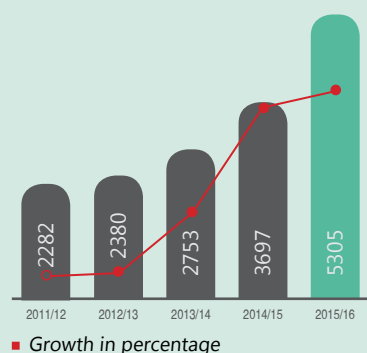
The ratio that measures average net profit earned by the staff of the Bank.



STATEMENT OF FINANCIAL POSITION/BALANCE SHEET

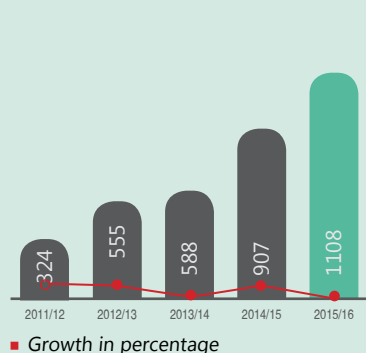
SHAREHOLDER'S FUND

The total assets (what the Bank owns) minus the total liabilities (what the Bank owes)



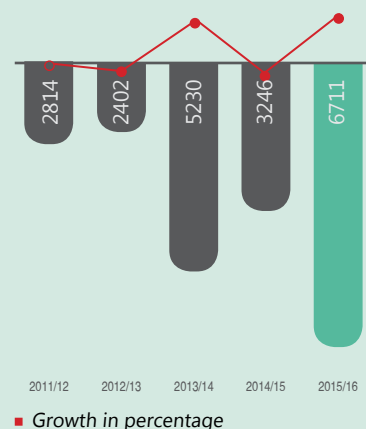
FIXED ASSETS

The asset of Bank that is vital to business operations and is expected to be used for more than one year.



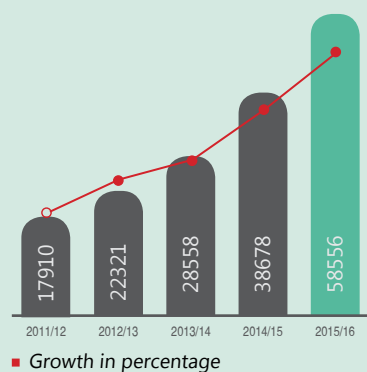
NET CURRENT ASSETS

Current assets minus current liabilities



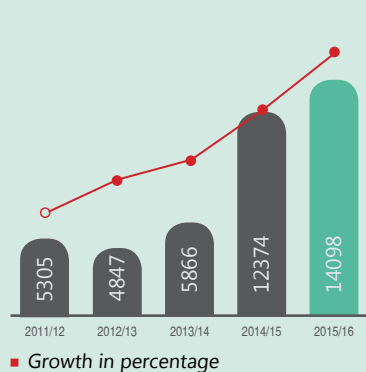
CURRENT LIABILITIES

The debts or obligations of the Bank that are due within one year.



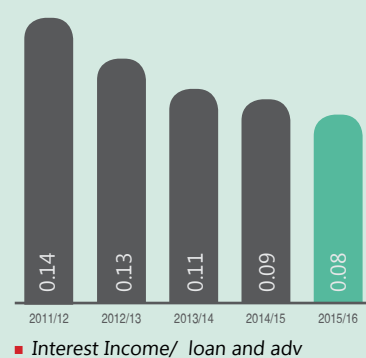
LONG TERM LIABILITIES

The loans and financial obligations lasting over one year.



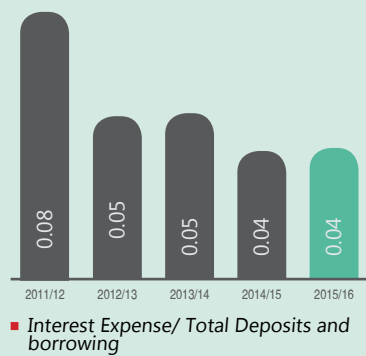
INTEREST INCOME/LOANS & ADVANCE

The average interest income earned by the Bank on its year end loans and advances.



INTEREST EXPENSES/TOTAL DEPOSIT & BORROWINGS

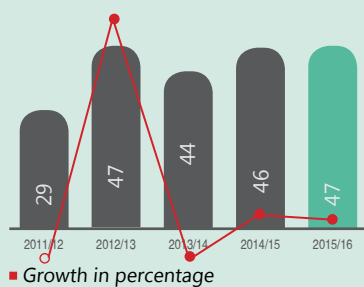
The average interest expenses paid by the Bank on its year end deposits and borrowings



PROFITABILITY/ DIVIDENDS/PERFORMANCE & LIQUIDITY RATIOS

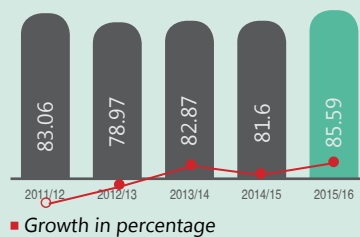
GROSS PROFIT RATIO

The proportion of profits generated by the sale of products or services, before selling and administrative expenses.



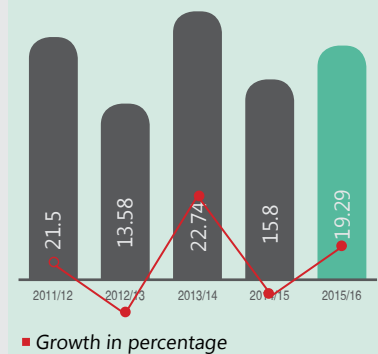
CREDIT TO DEPOSIT RATIO

A commonly used statistic for assessing a bank's liquidity by dividing the Bank's total loans by its total deposits.



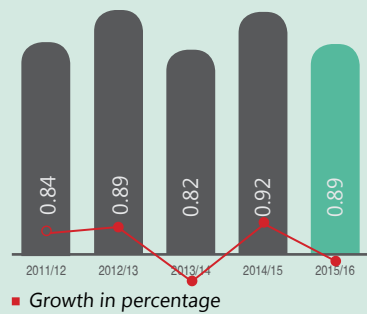
PRICE EARNING RATIO

The ratio that measures its current share price relative to its per-share earnings.



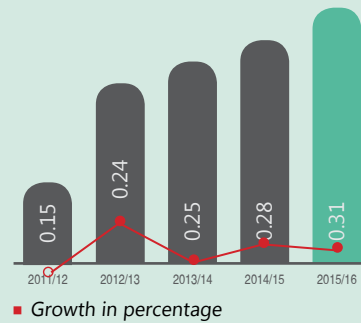
CURRENT RATIO

The financial ratio that measures whether or not the Bank has enough resources to pay its obligations over the next 12 months. It compares the Banks current assets to its current liabilities.



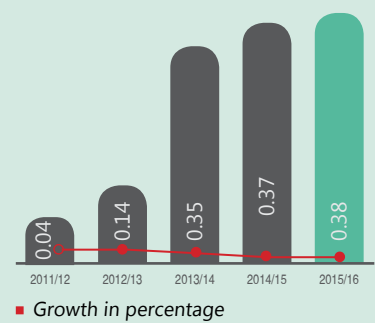
RETURN ON CAPITAL EMPLOYED RATIO

The profitability ratio that measures how efficiently a company can generate profits from its capital employed by comparing net operating profit to capital employed.



DEBT EQUITY RATIO

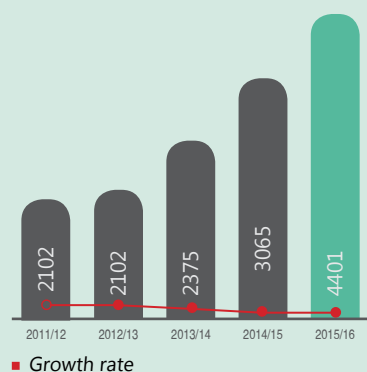
The debt ratio is used to measure the Bank's financial leverage, calculated by dividing a company's total liabilities by its stockholders' equity.



YEAR ON YEAR PROGRESS

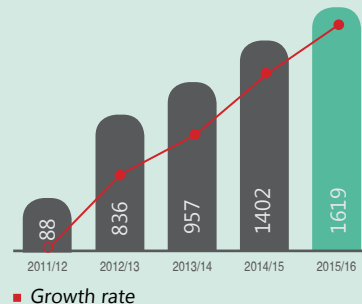
PAID UP CAPITAL

Paid up Capital of the Bank which stood at NPR 3.06 billion in FY 2014/15 has increased to NPR 4.40 billion by the end of FY 2015/16



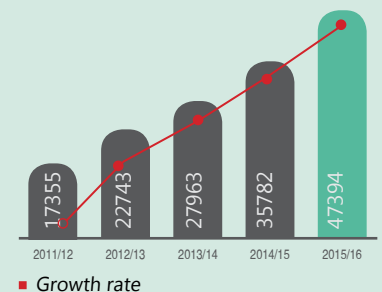
BORROWINGS AND DEBENTURE

To maintain Adequate Capital Fund, Bank has issued NPR 500 Million Citizens Bank Bond, 2021 in January 2014 with coupon rate 8.50% per annum payable quarterly. The Bond is unsecured and hence qualifies for inclusion in Tier-II capital.



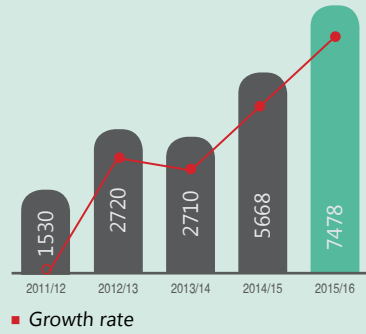
DEPOSITS

Despite the liquidity and deposit crisis, the Bank was able to retain the deposit to a level of NPR 35.78 billion by the end of FY 2014/15 which has been increased to NPR 47.39 billion by the end of FY 2015/16.



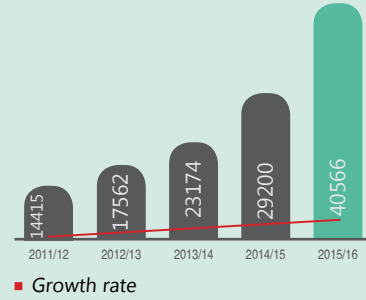
INVESTMENTS

Investment has been made mostly in government securities and other short term investments so as to maintain the level of investment well above the minimum SLR requirement and to use the excess fund productivity to generate revenue to the Bank.



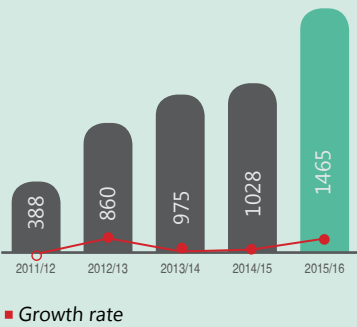
LOANS AND ADVANCES

The Bank has been able to expand its loans and advances portfolio to NPR 40.56 billion from NPR 29.20 billion at the end of FY 2015/16 compared to previous year.

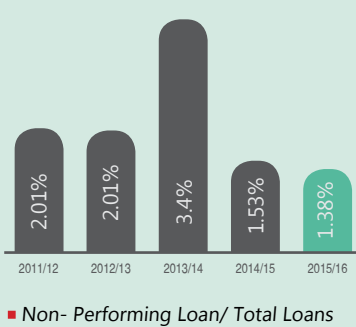


OPERATING PROFIT (BEFORE LLP)

Operating profit has increased by 42.45% compared to previous year and has reached NPR 1.46 billion in FY 2015/16.

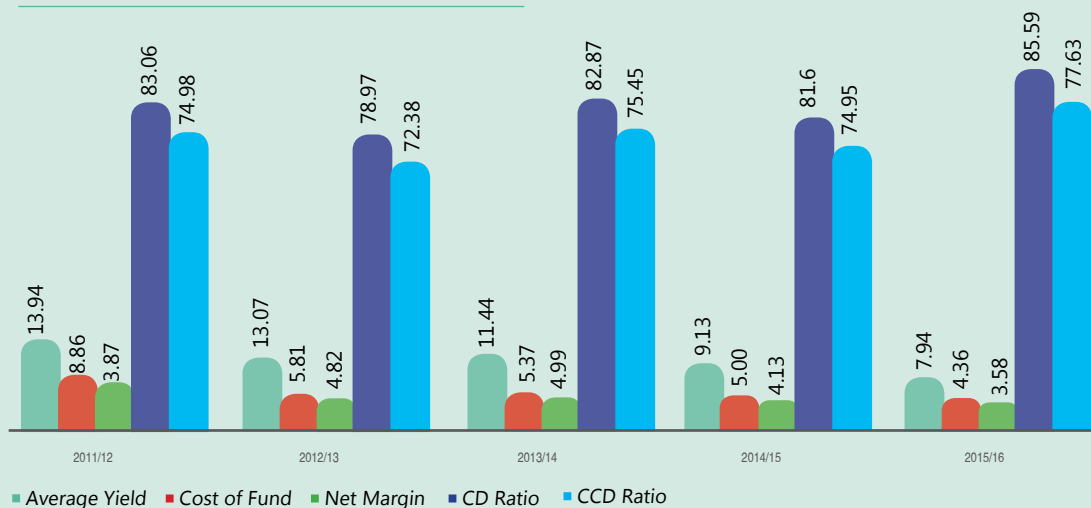


NON-PERFORMING LOANS/TOTAL LOANS

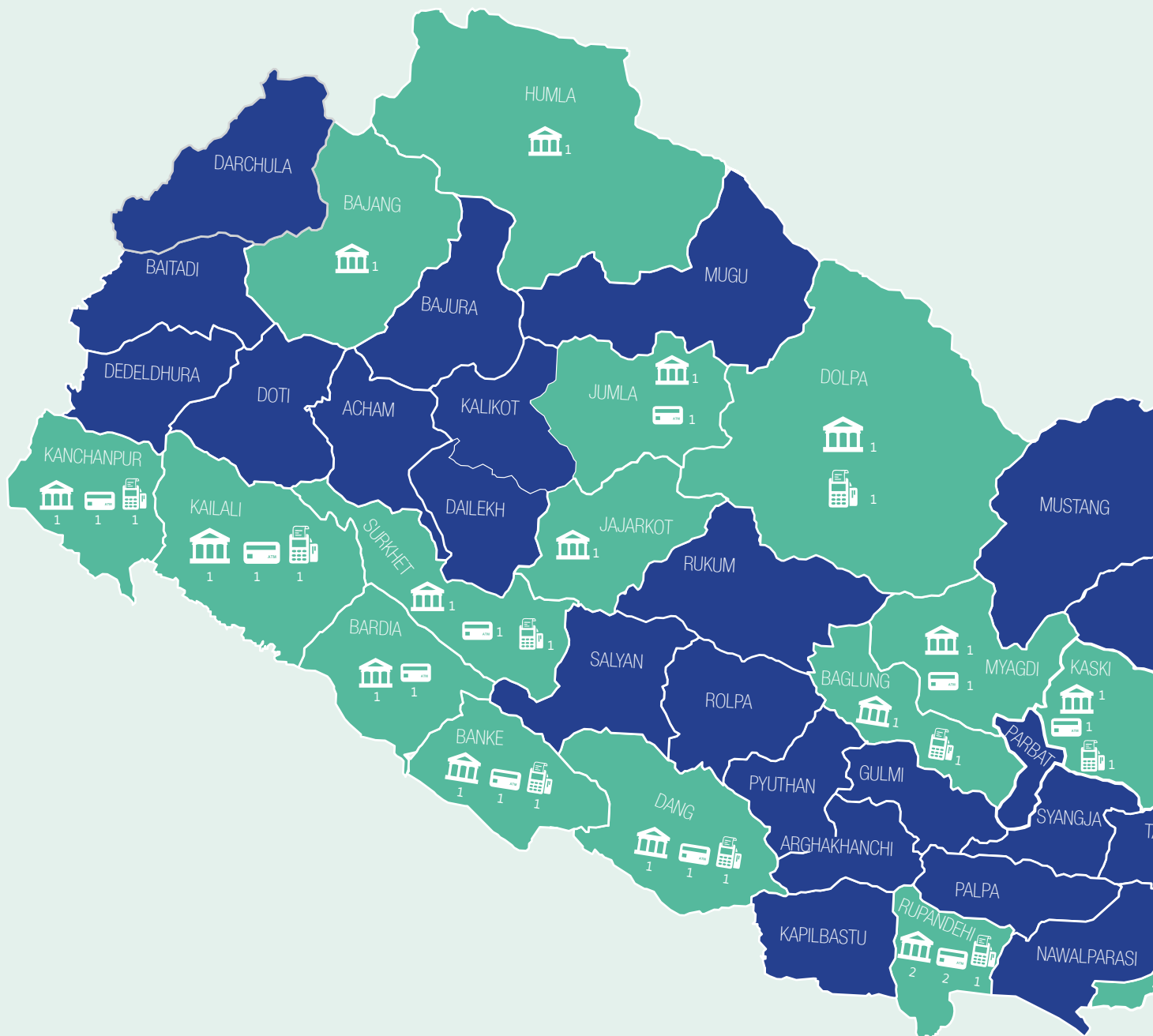


OTHER KEY RATIOS OF THE BANK

Major Ratios of the Bank over the years are as follows:



BRANCHES LOCATION



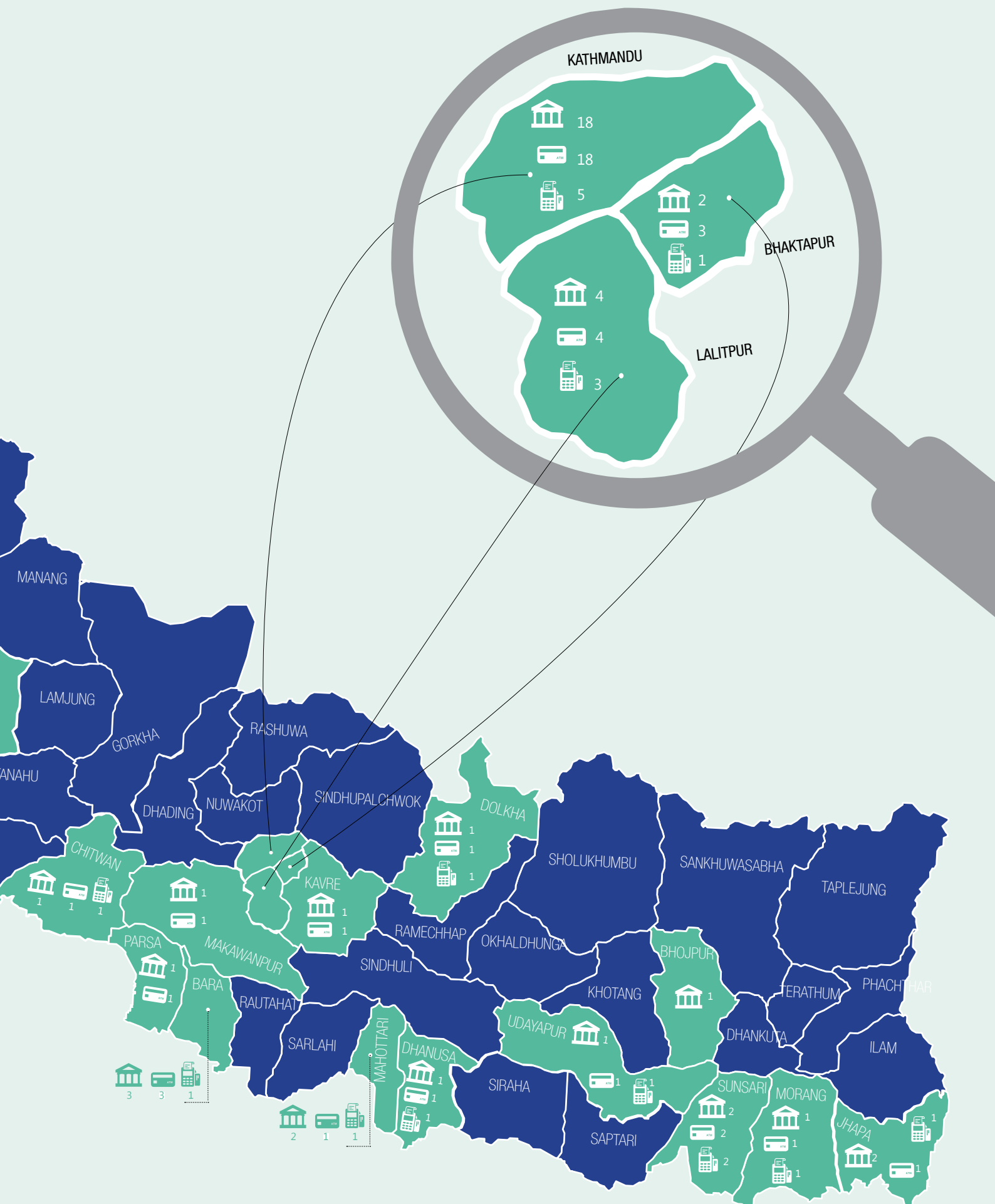
58 Branches



47 ATMs



93 Branchless Banking Locations



BRANCH NETWORKS

BRANCHES INSIDE VALLEY

Corporate Office / DurbarMarga Branch

Branch Incharge: Sabina Basnet
P.O.BOX: 19681
Narayanhiti Path, Kathmandu
TEL:01-4427842/43/24
FAX: 01-4427044
EMAIL:info@ctznbank.com
SWIFT: CTZNNPKA

Bouddha Branch

Branch Manager: Deepak Kumar Shrestha
Jorpati -3, Bouddha, Kathmandu
TEL: 01-4915020,4915640
Fax No. 01-4915054
EMAIL:boudha@ctznbank.com

Kapan Branch

Branch Manager: Shikha Chipalu
Saraswatinagar 6, Kapan Marg, Kapan,
Kathmandu
TEL:977-01-4822811/812
FAX:977-01-4822810
EMAIL: kapan@ctznbank.com

Koteshwor Branch

Branch Manager: Sudhir Regmi
Koteshwor, Kathmandu
TEL:977-01-4601510,4601501
Fax : 977-01-4601523 EMAIL: koteshwor@
ctznbank.com

Narayan Gopal Chowk Branch

Branch Manager: Min Bahadur Bhandari
Narayan Gopal Chowk , Maharajgunj,
Kathmandu
TEL:977-01 - 4017591,4374720
FAX:977-01 - 4375833
EMAIL: narayangopalchowk@ctznbank.com

Maitidevi Branch

Branch Manager: Madhusudhan Chaulagai
Setopul, Maitidevi, Kathmandu
TEL:977-01-4423537,4436720
FAX:977-01-4437223
EMAIL: maitidevi@ctznbank.com

Thahity Branch

Branch Manager: Kiran Kumar Awale
Thahiti Chowk, Thahiti, Kathmandu
TEL:977-01-4216027/93
FAX:977-01-4216109
EMAIL: thahiti@ctznbank.com

Nayabazar Branch

Branch Manager: Bishal Dahal
V.S. Complex, Sohrakhutte, Nayabazar,
Kathmandu
TEL:977-01-4388601, 01-4388607
FAX:977-01-4388499
EMAIL: nayabazar@ctznbank.com

New Road Branch

Branch Manager: Akhil Devkota
Park Plaza Building,KhichaPokhari,
Newroad-22
TEL: 01-4223979, 01- 4220948, 01-4220947
FAX: 01-4223879
EMAIL:newroad@ctznbank.com

Kalanki Branch

Branch Manager: Sushant Ballav Pant
Ganesh Man Singh Marg, (Near Kalanki
Mandir),Kathmandu
TEL:977-01-4286534/36
FAX:977-01-4286465
EMAIL: kalanki@ctznbank.com

Kirtipur Branch

Branch Manager: Shanti Pal
Naya Bazar 17, Kirtipur, Kathmandu
TEL:977-01 4335556
FAX:977-01 - 4335839
EMAIL: kirtipur@ctznbank.com

Kumaripati Branch

Branch Manager: Savidh Basnyet
Lalitpur-5,Kumaripati, Kathmandu
TEL: 01-5551020 , 01-5551050, 01-5551040
FAX: 977-01-5550840,
EMAIL:kumaripati@ctznbank.com

Patan Dhoka Branch

Branch Manager: Saurav Tiwari
Chayabahal-21, Lalitpur, Kathmandu
TEL:977-01-5004521 / 4520
FAX:977-01-5525022
EMAIL: patan@ctznbank.com

Bhaktapur Branch

Branch Manager: Sudeep Adhikari
Durbar Square Area, Khauma-15,
Bhaktapur
TEL:977-01-6612061/654
FAX:977-01-6612487
EMAIL: bhaktapur@ctznbank.com

Thimi Branch

Branch Manager: Manoj Adhikari
Bayakha Bazar 7, Thimi, Bhaktapur
TEL:977-01-6636534/ 535
FAX:977-01-5639973
EMAIL: thimi@ctznbank.com

Samakhushi Branch

Branch Manager: Subarna Budhathoki
Samakhushi, Kathmandu
TEL:01-4356557,01-4357681
FAX:01-4359942
EMAIL: samakhushi@ctznbank.com

Thapathali Branch

Branch Manager: Kiran Mahat
Thapathali, Kathmandu
TEL:01-4100578
FAX:01-4100577
EMAIL: thapathali@ctznbank.com

Dillibazar Branch

Branch Manager: Binay Rauniyar
Batuleghar, Kathmandu
TEL:01-4430528,4430838
EMAIL: dillibazar@ctznbank.com

Kuleshwor Branch

Branch Manager: Suraj Kumar Neupane
Agni Complex, 2nd floor
Kuleshwor, Kathmandu
TEL :014671214, 014671215
Fax:014281743
EMAIL: kuleshwor@ctznbank.com

MahaBoudha Branch

Branch Manager : Smita Pant
Mahaboudha, Kathmandu
TEL:01-4158536/37/38/39
Fax: 01-4225115
EMAIL: mahaboudha@ctznbank.com

New Baneshwor Branch

Branch Manager : Ashok Thapa
Shankhamul Marg, New Baneshwor,
Kathmandu
TEL : 016200341,01-4783299
FAX : 01-4783289
EMAIL: newbaneshwor@ctznbank.com

Chabahil Branch

Branch Manager: Bibek Bandhu Neupane
Kumari Building, Chabahil, Kathmandu
TEL : 01-4481683,01-4482391
EMAIL: chabahil@ctznbank.com

Bhaisepti Branch

Branch Manager: Sumit Bhandari
Bhaisepti, Kathmandu
TEL : 01-5592709, 01-5592764
FAX : 5592697
EMAIL: bhaisepti@ctznbank.com

Gwarko Branch

Branch Manager : Mahesh Karki
Gwarko -6, Harati Bhawan , Lalitpur, Nepal
TEL : 016200342
EMAIL: gwarko@ctznbank.com

BRANCHES OUTSIDE VALLEY

Birtamod Branch

Branch Manager: Mukti Nath Timsina
Kakadvitta Road, Anarmani VDC-3, Birtamod,
Jhapa
TEL: 977-023-540255, 544750
FAX: 977-023-544751
EMAIL: birtamod@ctznbank.com

Biratnagar Branch

Branch Manager: Suman Niraula
P.O. Box 26, Dharan Road-8, Biratnagar, Morang
TEL: 021-440501/2/3
FAX: 021-440504
EMAIL: biratnagar@ctznbank.com

Itahari Branch

Branch Manager: Subrat Roy
Itahari-1, Dharan road,
Sunsari.
TEL: 977-025-580665
FAX: 977-025-580596
EMAIL: itahari@ctznbank.com

Gaighat Branch

Branch Manager: Kul Prasad Ghimire
Triyuga Municipality-02,
Gaighat, Udayapur
TEL: 977-035 421330/31
FAX: 977-035 - 421332
EMAIL: gaighat@ctznbank.com

Janakpur Branch

Branch Manager: Prabhakar Jha Mukesh
Bhanu Chowk-2,
Janakpur
TEL: 977-041-528581/582
FAX: 977-041-528583
EMAIL: janakpur@ctznbank.com

Charikot Branch

Branch Incharge: Suraj K.C
Bhimeshwor Municipality-10, Beech Bazaar, Dolakha
TEL: 977-049-421926, 977-049-421927
FAX: 977-049-421928
EMAIL: charikot@ctznbank.com

Hetauda Branch

Branch Manager: Vishal Lal Shrestha
Parijat Path, Hetauda-4
Makwanpur
TEL: 977-057-527306/ 527296
FAX: 977-057-527309
EMAIL: hetauda@ctznbank.com

Nijgadh Branch

Branch Manager: Nirajan Shrestha
Nijgadh, Bara
TEL: 977-053-540480/81
FAX: 977-053-540482
EMAIL: nijgadh@ctznbank.com

Kolhabi Branch

Branch Incharge: Ravi Thapa
Kolhabi, Bara.
Telephone: - 053-410030, 410031
Fax: - 053-410032
EMAIL: klhabi@ctznbank.com

Pathalaiya Branch

Branch Incharge: Suwas Poudel
Pathalaiya, Pipra Simra - 9, Bara
TEL: 977-053 521883
EMAIL: pathalaiya@ctznbank.com

Birgunj Branch

Branch Manager: Diwash Singh Thakuri
Adarsha Nagar Chowk, Main Road
Birgunj-7, Parsa
TEL: 051-520782, 051-527982, 051-533699
FAX: 051-530633
EMAIL: birgunj@ctznbank.com

Narayanghat Branch

Branch Manager: Bashu Dev Sedhai
Lions Chowk, Bharatpur-4, Chitwan
TEL: 977-056-571111/12
FAX: 977-56-571113
GPO BOX 112
EMAIL: narayanghat@ctznbank.com

Siddharthanagar Branch

Branch Manager: Suman Hamal
Bank Road, Siddharthanagar (Bhairahawa), Rupandehi.
TEL: 977-071-521163/64
FAX: 977-071-521165
EMAIL: siddharthanagar@ctznbank.com

Butwal Branch

Branch Manager: Kapil Pokharel
Amarpath Line
TEL: 977-071-540681/82
FAX: 977-071-540782
GPO BOX 87
EMAIL: butwal@ctznbank.com

Baglung Branch

Branch Manager: Bikash Paudel
Bal Mandir Road, Baglung
TEL: - 068-522992/93
FAX: - 068-522994
EMAIL: baglung@ctznbank.com

Pokhara Branch

Branch Manager: Binod Bhandari
P.O. Box No. : 262, New Road, Pokhara-9, Kaski
TEL: 061-527083, 061-527084
FAX: 061-527089
EMAIL: pokhara@ctznbank.com

Beni Branch

Branch Manager: Binod K.C
New Road 1, Beni Bazar,
Myagdi
TEL: 977-069-521019
FAX: 977-069-521019 ext: 206
EMAIL: beni@ctznbank.com

Ghorahi Branch

Branch Manager: Pawan Kaji Khatri
New Road -2, Ghorahi, Dang
TEL: 977-082 - 563307/09
FAX: 977-082 - 563308
EMAIL: ghorahi@ctznbank.com

Nepalgunj Branch

Branch Manager: Arbind Regmi
P.O.Box-21, Dhambouji Chowk,
Nepalgunj-2 Banke
TEL:977-081-527471/72/73
FAX:81-527474
EMAIL: nepalgunj@ctznbank.com

Surkhet Branch

Branch Manager: Bishwa Bharati
Sunny Hall Line, Surkhet-6
TEL:977-083-520850/51
FAX: 977-083-520835
EMAIL: surkhet@ctznbank.com

Dolpa Branch

Branch In-Charge: Jaga Bhandary
Dunai Bazar, Dolpa
TEL:977-087-550189/190
FAX:977-087-550073
EMAIL: dolpa@ctznbank.com

Jumla Branch

Branch Manager: Trilok Chandra Upadhyay
Chandannath vdc-07,
Jumla
TEL:977-087-520586
FAX:977-087-520587
EMAIL: jumla@ctznbank.com

Jajarkot Branch

Branch Incharge: Rabindra Poudel
Khalangawa Bazar,
Jajarkot
TEL:977-089-430175
FAX:977-089-430071
EMAIL: jajarkot@ctznbank.com

Simikot Branch

Branch Manager: Prakash Mahat
Simikot-2, Mathilo Bazaar,
Humla.
TEL:977-087680206
FAX:977-087-680205
EMAIL: simikot@ctznbank.com

Dhangadhi Branch

Branch Manager: Govind Dev Pant
Main Road,Dhangadhi-4,
Kailali
TEL:977-091-527485/86
FAX:977-091-527487
EMAIL: dhangadhi@ctznbank.com

Mahendranagar Branch

Branch Manager: Narendra Chand
Bheemdatta Municipality-4 (Nearby Buspark),
Mahendranagar, Kanchanpur
TEL:977-099-520485/486
FAX:977-099-520487
EMAIL:mahendranagar@ctznbank.com

Bajhang Branch

Branch Incharge: Liladhar Bhatt
Chainpur,Bajhang
TEL:977-092-421377
FAX:977-092-421378
EMAIL: bajhang@ctznbank.com

Sanoshree Branch

Branch Manager: Tarjan Adhikari
Sanoshree-03, Kusumba Bazar Bardiya
TEL.: 977- 084-440376/77
Fax No.: 977-084-440378
EMAIL: sanoshree@ctznbank.com

Bhojpur Branch

Branch Manager: Sikandar Thapa
Address: Bank Road ,Bhojpur Municipality-7, Bhojpur.
Tel: 029-420729
Fax Number: 029-420719
EMAIL: bhojpur@ctznbank.com

Dharan Branch

Branch Manager: Pushkar Koirala
Putaliline, Dharan -9, Sunsari, Nepal
TEL.: 977-025-533779/533801
Fax No.: 977-025-533643
EMAIL: dharan@ctznbank.com

Banepa Branch

Branch Manager: Hem Bahadur Lama
Banepa Municipality-10, Kavre
TEL: 011-660967
Fax: 011-660968
Email: banepa@ctznbank.com

Gaushala Branch

Branch Incharge:Dileep Kumar Shrestha
Gaushala bazaar,Mahottari,Nepal
TEL: 977-044-556156, 556157
Fax no: 977-044-556158
EMAIL: gaushala@ctznbank.com

Damak Branch

Branch Manager:Raju Niraula
Damak-11, Thana Road
TEL:023-582878, 023-582879
Fax:023-582880
EMAIL: damak@ctznbank.com

Bardibash Branch

Branch Incharge : Jay Prakash Sah
Bardibash,Mahottari, Nepal
Phone No. 044-550441
Fax No. 977-044-550440
EMAIL:bardibash@ctznbank.com

ATM LOCATIONS

LOCATION INSIDE VALLEY

Citizens ATM Terminal	Location
NARAYANHITI	Narayanhiti Path
KAMALADI	Kamaladi
BOUDHA	Jorpati
NEWROAD	Park Plaza Building, Khicha Pokhari
KUMARIPATI	Kumaripati
KOTESHWOR	Koteshwor
KALANKI	Ganesh Man Singh Marga
THAIHITI	Thaihiti Chowk
NAYABAZAR	V.S Complex, Sohrakutte
MAITIDEVI	Seto Pul-Maitidevi
KIRTIPUR	Nayabazar, Kirtipur
NARAYAN GOPAL CHOWK	Naryan Gopal Chowk
KAPAN	Saraswotinagar
THIMI	Bayakha Bazar, Thimi
BHAKTAPUR	Durbar Square Area, Kha
PATAN	Chayabahal
GEMS, DHAPAKHEL	Dhapakhel
BHATBHATANI	Bhatbhateni, Tangal
THAPATHALI	Thapathali
SALLAGHARI	Sallaghari, Bhaktapur
SAMAKHUSI	Samakhusi, Kathmandu
NEW BANESHWOR	Shankhamul Marg, New Baneshwor, Kathmandu
CHABAHIL	Kumari Building, Mitrapark, chabahil
MAHABOUDHA	Mahaboudha 6, Wotu , Kathmandu
DILLIBAZAR	Batule Ghar, Dillibazar, Kathmandu
KULESHWOR	Kuleshwor Kathmandu
BHAISEPATI	Karyabinayak Municipality, Ward No. 2
GWARKO	Gwarko Ward No. 6

LOCATION OUTSIDE VALLEY

Citizens ATM Terminal	Location
BIRATNAGAR	Dharan Road
BIRGUNJ	Adarsha Nagar Chowk
POKHARA LAKESIDE	Saleways Department Store, Lakeside
POKHARA	Naya Sadak
NEPALGUNJ	Dhambouji Chowk
NARAYANGHAT	Lions Chowk
BUTWAL	Pushpalal Park
DHANGHADI	Main Road
BIRTAMOD	Kakadvitta Road
BENI	New Road, Beni Bazar
GHORAH	New Road, Ghorahi
GAIGHAT	Gaighat Bazar
MAHENDRANAGAR	Near Buspark, Mahendranagar
CHARIKOT	Beech Bazar, Charikot
ITAHARI	Dharan Road, Itahari
JANAKPUR	Bhanu Chowk
SURKHET	Sunny Hall Line
HETAUDA	Parijatpath
SIDDHARTHANAGAR	Bank Road, Siddharthanagar
JUMLA	Chadannath VDC-07
KOLHABI	Kolhabi Bara
SANOSHREE	Sanoshree-03, Bardiya
DHARAN	Putaliline, Dharan -9, Sunsari
NIJGADH	Sahid Chowk, Nijgadh-7, Bara
BANEP	Chandani Chowk, Banepa, Kavre
PATHALAIYA	Gadhimai 1, Pathalaiya
JAJARKOT	Bherimalika-3, Jajarkot
BARDIBAS	Bardibash, Mahottari

REMITTANCE PARTNER NETWORKS

FOR INTERNATIONAL:

S. N.	Remittance Company	Remittance Product	Remittance Receiving Countries
1	Redha Al Ansari	Citizens Remit	UAE
2	D.Communications INC. Japan	Citizens Remit	JAPAN
3	Alfa Exchange	Citizens Remit	UAE
4	Aftab Currency	Citizens Remit	UK
5	Al Ahalia	Citizens Remit	UAE
6	Al Dahab	Citizens Remit	UAE
7	Xpress Money	Citizens Remit	All over the world
8	Small World Financial Services	Citizens Remit	Uk & other european countries
9	World Remit	Citizens Remit	Uk & other european countries
10	Aussie Forex PTY LTD	Citizens Remit	Australia
11	Max Money	Citizens Remit	Malaysia
12	Casco Financial Service	Citizens Remit	Uk & other european countries

FOR NATIONAL:

S. N.	Remittance Company/ Bank	Remittance Product	Remit Receiving Countries
1	Ipay Reliable	Ipay Reliable	Malaysia/Australia/Dubai/Dubai /Qatar
2	United Remit	Money Gram	Worldwide
3	CG Finco	Western Union	Worldwide
4	Siddhartha development Bank Ltd.	Siddhartha Trust Remit	Malaysia ,Australia
5	Prabhu Money Transfer	Prabhu Money Transfer	Worldwide
6	IME	IME	Worldwide
7	Reliable Development bank	Reliable Remit	Europe/USA/Malaysia/UAE /Dubai
8	City Xpress	City Xpress	Worldwide
9	Himalayan Bank	Batas Remit (Himal)	Worldwide
10	CG Money Remit	CG Money Remit	Qatar/UAE
11	Nepal Investment Bank	Prithvi Remit	Saudi Arab /Qatar/UAE
12	Best Remit	Best Remit	Saudi Arab /Qatar/UAE/Malaysia/Japan
13	Sewa Remit	Sewa Remit	Saudi Arab /Qatar/UAE
14	Nepal Remit	Nepal Remit	European Countries, Gulf Countries, UK, Denmark & USA
15	Samsara remit	Samsara remit	Dubai, Qatar, Kuwait
16	Easylink remit	Easylink remit	Malaysia /Japan
17	JME Remit Company Pvt Ltd.	JME Remit Company Pvt Ltd.	Japan
18	Boom Remit	Boom Remit	Saudi Arab /Qatar/UAE

BRANCHLESS BANKING LOCATIONS (BLB)

NAME OF BRANCH	BLB LOCATION	NAME OF BRANCH	BLB LOCATION
BIRATNAGAR	Katahari Tankisinwari Karsiya	BHAKTAPUR	Sipadol Chhaling Sanga Changu Narayan Tathli Nagarkot
POKHARA	Armala	JANAKPUR	Matiyani Laxminiya Bazar
NEPALGUNJ	Bholagaudi Maina Pokhar Sitalbazar Jamuni Mahadevpuri	PATANDHOKA	Lele/Tika Bhairab Khokana Tika Thali Dhapakhel
NARAYANGHAT	Gunjanagar Meghauli	SURKHET	Chinchu Mehalkuna Babiyachaur
KALANKI	Ramkot	GAUSHALA	Aurahi Ramgopalpur
BUTWAL	Rani Bagiya Kerwani	BAGLUNG	Hatiya
DHANGADHI	Godavari Pahalwanpur Khodpe	DOLPA	Juphal
NAYABAZAR	Tinpiple Kavresthali	SAMAKHUSI	Okharpauwa 1 Kakani 2 Battar 4 Charghare 5 Chaughada 6 Gerkhu 7 Samundratar 8 Sundaradevi 9 Fikuri 10 Tupche 11 Gorshyang 12 Deurali 13 Bidur 14 Mankamana 15 Khadgabhanjyang 16 Thanapati 18 Ganesthan 19 Thansing 20 Balkumari 21 Kharanitar 22 Khanigaun 23 Ralukadevi 24 Bageshwori 25 Budhasing 26 Rautbesi 27 Thaprek 28 Sunkhani 29 Belkot 30 Jiling 31 Taruka 32 Kabilash 33 Narjamandap 35 Laharepauwa 34 Duipipal 17
BIRTAMOD	Gaurigunj Bahundagi Sanishchare Shivgunj	Bhaisepati	Khokana
GHORAH	Dudrash		
GAIGHAT	Beltar Katari		
KIRTIPUR	Machhegaun Chalnakhel		
MAHENDRANAGAR	Beldandi Dodhara Bramhadev		
KAPAN	Zhor		
PATHLAIYA	Piluwa		
CHARIKOT	Boche Sahere Sailungeshwor Suspachemawati Maina Pokhari Namdu		
DHARAN	Chatara		
ITHARI	Khanar Tarhara Laukahi		

CORRESPONDENT BANKS

Standard Chartered Bank

1095, 6th Avenue #38
New York, NY 10036, USA
Nostro Account No: 3582-021189-001
SWIFT Code: SCBLUS33

Mashreq Bank PSC

255 , 5Th Avenue
New York, NY 10016, USA
Nostro Account No: 70008505
SWIFT Code: MSHQUS33

Standard Chartered Bank

B0486 Frankfurt AM Main
Germany
Nostro Account No: 50006503
SWIFT Code: SCBLDEFX

Standard Chartered Bank

London EC2V 7SB
London, United Kingdom
Nostro Account No: 0001255115201
SWIFT Code: SCBLGB2L

Standard Chartered Bank

Kolkota,19 NS Road, G/F
Kolkata, West Bengal, India
Nostro Account No: 222-05350212
SWIFT Code: SCBLINBB

HDFC Bank, Mumbai

Senapati Bapat marg
Mumbai, India
Nostro Account No:
006-00390000544
SWIFT Code: HDFCINBB

KB Kookmin Bank

#9-1 Namdaemunro 2-ga, Jung-gu,
Seoul, South Korea
Nostro Account No: 825-8-USD-01-0
SWIFT Code: : CZNBRSE

Standard Chartered Bank, Tokyo

2 Chome-11-1 Nagatacho, Chiyoda,
Tokyo 100-0014, Japan
Nostro Account No: 23760321110
SWIFT Code: SCBLJPJT

Standard Chartered Bank

Plot#1 Shahajalal Ave,
Dhaka 1230, Bangladesh
Nostro Account No: 222-05350212
SWIFT Code: SCBLINBB

Mashreq Bank, London

1st floor, 2 London Wall Building
1-5 London Wall, London EC2M 5PP, UK
Nostro Account No: 13862
SWIFT Code: MSHQGB2LLND



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