



बैंक अफ काठमाण्डू लुम्बिनी लि.
BANK OF KATHMANDU LUMBINI LTD.
we make your life easier

2015-16
Bank of Kathmandu Lumbini Limited
Annual Report

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To become a significant contributor to the economic development of Nepal by distinguishing the Bank as an efficient, competitive, safe and top-quality financial institution.



Mission

To offer financial services and become the “Bank of Choice” by dedicating the progress and growth of the institution to the community, customers, employees and stockholders by:

- Promoting economic growth and becoming a caring corporate citizen
- Providing excellent customer services by offering personalized quality services and products
- Including modern technologies of banking that add value to customer services
- Following strict risk-control mechanisms
- Enhancing shareholders value
- Providing challenging career and learning opportunities for our employees



Core Values

The Bank has defined following core values for achieving the vision and mission:

- Embrace a commitment to excellence
- Develop knowledgeable, competent and professional employees
- Deliver quality services
- Provide value to the stockholders
- Be accountable for delivering what we promise
- Demonstrate honesty and integrity in all actions
- Be balanced in customer orientation and risk consciousness
- Be efficient and technology oriented

CHAIRMAN'S MESSAGE

“BOKL will continue to pursue its defined strategy to build stronger relationship with its stakeholders.”



DEAR SHAREHOLDERS,

On behalf of the Board of Directors, it is my privilege to present the annual report and consolidated financial statements of Bank of Kathmandu Lumbini limited for the year end 15th July 2016 for Financial Year 2015/16.

This year has been remarkable for us both internally & externally. The overall economy of the country faced another jolt immediately after the devastating earthquake in the form of supply disruptions in the southern border resulting in anemic private sector credit growth coupled with low interest rate regime almost throughout the year.

Having said that, this year also brought forth unique opportunity for us as we witnessed a successful merger between erstwhile Bank of Kathmandu Limited & Lumbini Bank Limited. The merger between two banks has laid the foundation for us to achieve the minimum paid-up capital requirement of NPR 8 billion stipulated by Nepal Rastra Bank until the end of FY 2073/74.

Post-merger, the consolidated balance sheet size of the Bank has increased significantly as evident from the growths observed in major financial parameters. Total deposit, loan & investment have reached NPR 67.84 billion, NPR 58.22 billion & NPR 9.78 billion respectively. Compared to last year's total customer base of 406,000 this year our total clientele base has reached 509,000.

Furthermore, the Bank has been able to increase its network throughout the country providing services through 74 branches, 66 ATMs & 7 extension Counters. The Bank has been able to earn an operating profit of NPR 2.08 billion & net profit of NPR 655.27 million respectively. Similarly, there has been an increment in the Capital reserve by NPR 395.53 million due to the merger swap ratio of 1:0.8281. Accordingly, from the accumulated profit and capital reserve, this year, a final bonus share of 23% has been proposed. After the bonus share issue, the Bank's total paid-up capital will reach NPR 5.63 billion.

Due to the stipulation put forth by Nepal Rastra Bank at the time of providing approval for merger to restructure the existing proportion of share holding of Promoter & Public shareholders from 45.64:54.36 to 51:49, we do not have any option but to issue fresh promoter shares. Therefore, a proposal to issue maximum 6,208,132 number of additional promoter shares has also been proposed.

It is also my pleasure to inform that the Bank has already taken prudent steps to smoothen the transition of merger process. Till date, the Bank has already put in place critical policies such as Credit Policy, Investment Policy, Human Resource By-Laws, Financial By-Laws, Credit Write-off By-Laws etc.

Going forward, I firmly believe that we will be able to build on the synergies created through this merger in terms of expanding our branch network of more than 100 branches and continue to bring in financial inclusion in the truest sense by scaling up our lending initiatives in the unbanked areas of the

country through continued partnerships with UKAID (Sakchyam) and other counterparts.

Finally, we have always valued the suggestions, advice and support of our respected shareholders for the bank's progress and improvement. I would like to express my sincere gratitude to all our respected Shareholders, Customers, Government of Nepal, Nepal Rastra Bank, Company Registrar's Office, Security Board of Nepal, Nepal Stock Exchange Limited, various association and organizations, Bank's directors, auditors, advisors, employees and all our well wishers who have been providing their relentless support directly or indirectly to help reach the Bank to its present position. We are assured that we will continue to have your valuable support and good wishes in the coming days as well.

Thank you

Satya Narayan Manandhar
Chairman

BOARD OF DIRECTORS



Satya Narayan Manandhar
Chairman

Chairman since July 2013 (Shrawan 2070). Mr. Manandhar holds a Bachelor's degree in Commerce (B. Com.).

Current affiliations:

Director - Nepal Insurance Co. Ltd
Executive Director - Supreme Electrical Pvt. Ltd.

Past affiliations:

Ex- Vice Chairman - Nabil Bank Ltd.
Director - Lalitpur Finance Company Ltd.
Director - Nepal Byapar (Business) Bikash Company Ltd.
Chairman - Bijuli Bazar (Market) Company Ltd.
President - Nepal Electrical Association



Santa Bar Singh Thapa
Director

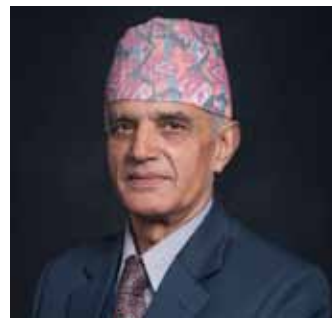
Director since August 2013 (Shrawan 2070) Mr. Thapa holds a Bachelor's degree in Arts (Economics). He was also selected as director for 2 years in December 2007.

Current affiliations:

Member - Kabir Ashram, Baneshwor
Member Central Committee – Bagala Thapa Kul Guthi

Past affiliations:

Finance Manager - Nepal Airlines, Hong Kong
Director - Aviation and Tourism Consultancy Service
Founder Member - Children Paradise School
Deputy Director, Financial Planning & Control – Nepal Airlines
Finance Manager, Revenue – Nepal Airlines



Govinda Prasad Sharma
Director

Director since July 2009 (Shrawan 2066) Mr. Sharma holds a Bachelor's degree in Commerce (B. Com.).

Current affiliations:

Consultant and involved in Social Organizations

Past affiliations:

Government Service: 1979 - 2005: • Ministry of Finance, Revenue Division, • Department of Taxation/Inland Revenue Department, • Tax Office/Inland Revenue Office, • Then Ministry of Industry and Commerce, Commerce and Supply Division
Member - Audit Objections and Arrears Settlement Committee 2007, Ministry of Finance, Government of Nepal, November 2007 – July 2008



Chop Narayan Shrestha

Director

Director since July 2013
(Shrawan 2070)

Current affiliations:

Executive Committee Member
– Federation of Nepalese
Chambers & Commerce and
Industry (FNCCI)
Chairman – Narayan Industrial
& Trading House
Advisor – Nepal Petroleum
Dealers National Association

Past affiliations:

Chairman – Nepal Express
Finance Ltd.
President – Federation
of Nepalese Transport
Entrepreneurs Association
Vice President – Butwal
Chamber of Commerce and
Industry
President - Nepal Electrical
Association



Prof. Dr. Hem Raj Subedi

Director

Director since July 2009
(Shrawan 2066) Mr. Subedi
holds a Ph. D.

Current affiliations:

Professor - Tribhuvan University -
2013 to date
Program Coordinator - Department
of Conflict, Peace and
Development Studies, Tribhuvan
University - 2010 to date
Independent Director - NLG
Insurance Company - 2009 to date
Executive Board Member -
Gramin Adarsha Multiple College
- 2006 to date

Past affiliations:

Associate Professor – Central
Department of Political Science,
Tribhuvan University, Kathmandu,
Nepal - 2009 - 2013
Campus Chief - Saraswoti
Multiple Campus, Kathmandu,
Nepal – 2006-2009



Kedar Nath Gautam

Director

Director since May 2015 (Jestha
2072) Mr. Gautam Bachelor's
Degree from Tribhuvan University.

Current affiliations:

Deputy Chief Officer, Employees
Provident Fund, Nepal

Past affiliations:

Employees Provident Fund,
Nepal : Deputy Chief Officer
(Work Experience 27 Years)
Clean Energy Development Bank
: Alternative Director
(2065 – 2072.02.07 BS.)
Rasuwagadhi Hydro Power Co.
Ltd. :
Director (2069.03.08 –
2072.02.07 BS.)



Subarna Lal Shrestha

Director

Director since November 2008 (Jestha 2065) Mr. Shrestha holds a Masters in Commerce and Bachelors in Law degree from Tribhuvan University.

Current affiliations:

Finance & Administration Expert
: Himalayan General Insurance Co. Ltd.

Past affiliations:

Senior General Manager :
Himalayan General Insurance Co. Ltd.
Chief Manager : National Trading Co. Ltd. (2031 – 2049 BS.)
Chief Of Account : Employees Provident Fund (2019 – 2031 BS.)
Director : Nepal Transport Corporation
Director : Bishal Bazar Co. Ltd.
Director : Rastriya Chawal Karkhana
Alternative Director : Salt Trading Co. Ltd.
Member : Custom Valuation Committee



Madan Lal Joshi

Director

Director since December 2004 (Poush 2061) Mr. Joshi holds a Bachelor's Degree in Commerce from Tribhuvan University.

Current affiliations:

Managing Director : Furniture Land Pvt. Ltd.
Promoter : Narayani Finance Ltd.

Past affiliations:

Proprioter : Chitwan Supply Center Company
Secretary : Narayani Finance Ltd. (2054 to 2056 BS)
President : Narayangarh Chamber of Commerce & Industry (2061 – 2063 BS)
President : Rotary Club of Chitwan (1997 – 1998)
Asst. Governor : Rotary Dist. 3292, Zone X



Dibyanidhi Bista

Director

Director since April 2007 (Poush 2061) Mr. Bista holds Master's Degree in Commerce from Tribhuvan University.

Current affiliations:

Chief Advisor : Brihaspati Bidhya Sadan

Past affiliations:

Executive Director : Nepal Rastra Bank (Work Experience 34 year)

CEO'S MESSAGE

“Collaboration and partnership working are particular strengths for go-ahead. We have always worked closely with our key strategic partners and are continually striving to strengthen these relationships.”





For us, it has been a year of transition. It's been a year where we embarked on a new journey, fortified by the merger that has culminated in synergies we hope shall empower us to set new horizons to set into.

On the other hand, we also had to manage the challenges presented by the negative externalities which I believe will have a long term impact on the overall economy of the country.

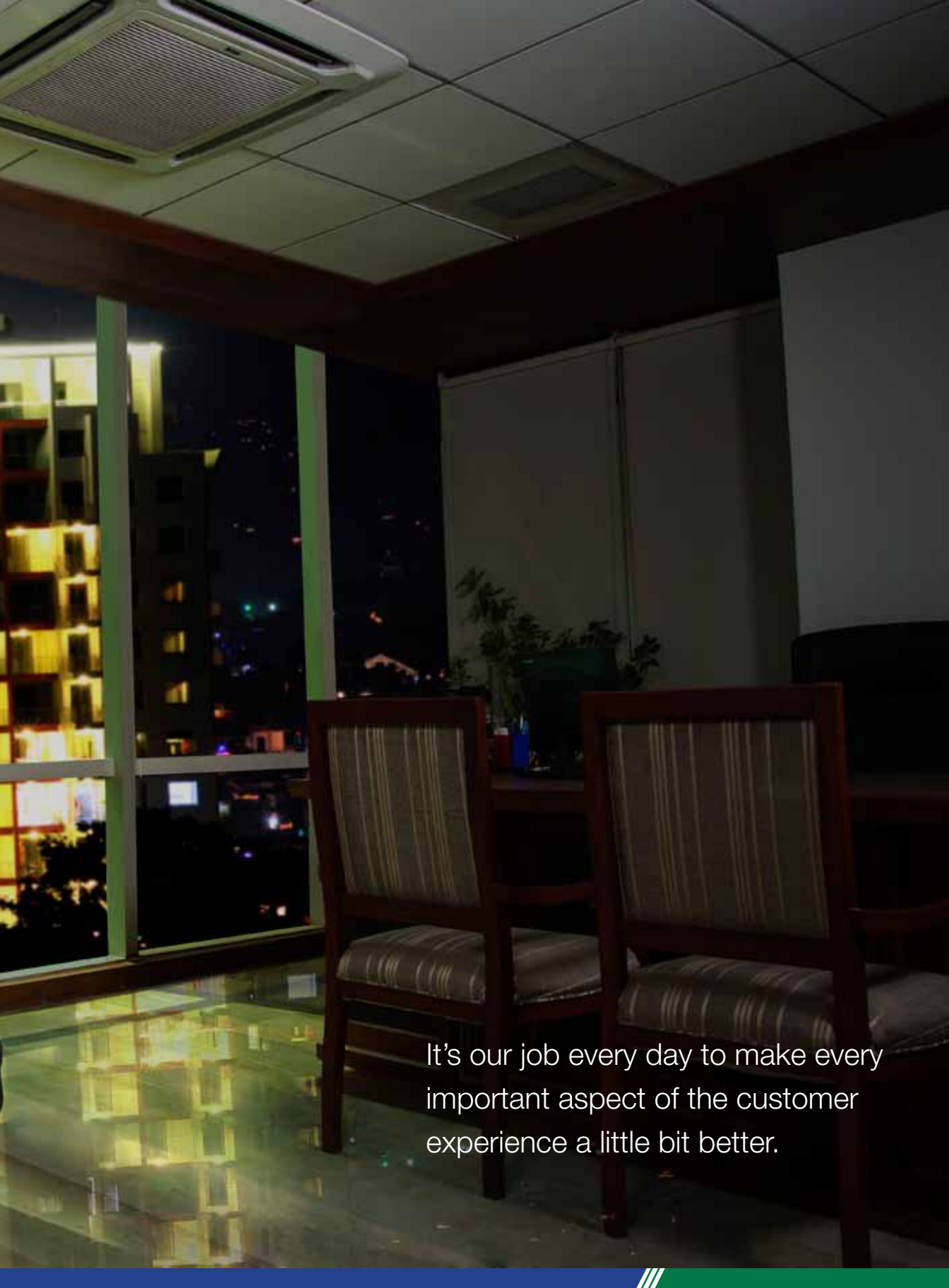
Increment in paid-up capital requirement has also brought with it the risk of systemic failure of financial sector as Banks now have become systemically important. Irregular swings in the interest rates coupled with asset liability mismatches have given a new dimension to liquidity & market risks eating away profit margins and threatening long term sustainable growth.

In this backdrop, we look forward to building a Bank for everyone through capitalizing on the opportunities presented by this unique merger of business, culture, ideas and carefully navigating the risks & challenges in our journey.

A handwritten signature in black ink, appearing to read 'Ajay Shrestha', written over a diagonal line.

Ajay Shrestha
Chief Executive Officer





It's our job every day to make every important aspect of the customer experience a little bit better.



PRODUCT AND SERVICES

Making your life easier

SERVICES

365 DAYS BANKING/ EVENING COUNTER BOKL has 365 days banking services from its head office in Kamaladi as well as from many other branches, for services like cash withdrawal/deposit, foreign currency exchange, etc.

ATM/DEBIT CARD/ CREDIT CARD

BOKL Debit Card allows holders to withdraw cash, inquire balances, and make payments through a wide network ATMs and merchant outlets of VISA and SCT Network in Nepal and India. BOKL also issues Visa Credit Card which is a domestic credit card valid in Nepal and India only, and BOKL also issues Visa International Debit Card



REMITTANCE

BOKL has tied up with foreign & domestic money transfer companies, setting up a reliable time bound service, thus enabling inflow of foreign exchange earnings to the country with high level of security. You can receive your remittances within few minutes of payment instruction made through allied foreign money transfer companies. The service is available from all branches of Bank of Kathmandu Lumbini Ltd.

CASH MANAGEMENT

BOKL is one of the leading banks to provide cash management services in Nepal. If you are in the export business engaged in exports to various parts of India, BOKL can be your best business partner in collecting your receivables more efficiently.

You simply need to enroll for the service and provide details of your customers that include names and addresses of your remitters/business affiliates in India. BOKL will deliver your export proceeds or payments to your account in a shorter span of time than your normal transaction time.



BOKL SMS BANKING

BOKL SMS Banking allows its customers to access their accounts through mobile phones to inquire about balances, know their transaction history, and request cheque book and statement.

DEMAND DRAFT

You can buy/sell bank drafts drawn on/by different international banks at BOKL. The Bank has a strong foothold in the issuance of US Dollars and Indian Rupees bank drafts.

SAFE DEPOSIT LOCKER FACILITY

BOKL provides safe deposit locker facilities, enabling its customers to safeguard their valuables, jewelry, and important documents.

SWIFT TRANSFERS

BOKL offers fast and reliable money transfer services via SWIFT. SWIFT stands for Society for Worldwide Interbank Financial Telecommunication; the secured network used for interbank financial transactions and communications worldwide. You can receive remittances and be credited in your bank account virtually from anywhere around the globe. Similarly, you can transfer money abroad through SWIFT transfer even without having any account with the Bank.



BANCASSURANCE

Protection and Prosperity

One of the most important reasons to procure an insurance policy is to ensure your loved ones are financially secure even in ones absent. Our management team has toiled to pursue a one stop financial solution to our valued customers while keeping in mind the security and protection of their loved ones. We at BOKL making your life easier have come up with Bancassurance Service, providing a range of solution and customized products to protect and enrich our customers standard of living, providing them with a peace of mind by assuring cost efficient and hassle free insurance solution. We ensure that throughout the tenure, before and after the insurance policy procurement, all the facilities requested by the customer shall be accessible from the branch premises itself.

Signing up with Bancassurance Service our customers will have access to both Life insurance as well as Non-life insurance facility from all our service outlets. Our staffs shall educate and assist the customer to select and take up the best possible product as per their need and requirement.

MANAGEMENT TEAM



Mr. Ajay Shrestha
Chief Executive Officer

Mr. Anand Pandey
Executive Manager
Retail Banking

Mr. Mahesh Mishra
AGM Service And
Support Operations

Mr. Pushpa Raj Bhandari
AGM Credit Service And
International Trade

Mr. Sudeep Paudel
Head Corporate Legal
Affairs and HR

**Mr. Chetan Bar
Singh Thapa**
AGM Integrated Risk
Management



Mr. Prabin Prakash Chhetri
Chief Operating Officer

Mr. Deepak Gautam
Executive Manager
Recovery Management

Mr. Manish Kumar Singh
Executive Manager Treasury
And Correspondent Banking

Mr. Chandra Raj Sharma
AGM Head Office Operations

Mr. Shrawan Maskay
Deputy Chief Executive
Officer

DIRECTORS' REPORT

Twenty-second Annual General Meeting

Respected Shareholders,
Board of Directors (BOD) of this bank cordially welcomes and greets all our respected shareholders, representatives from the regulatory agencies, bank's management, employees and invited guests who have come to attend the glorious twenty-second

Annual General Meeting of Bank of Kathmandu Lumbini Limited. On behalf of this bank, the BOD seeks permission to share this report to informing the shareholders about achievements realized by this bank in e FY 2072/73, stipulated programs and future plans.

Report and Bank's Financial Highlights of the Current Period

NPR in Million

Major Achievements/Results	2011/12	2012/13	2013/14	2014/15	2015/16	Compared to previous year	This year till Jan 13, 2017
Operating Income	1535	1,630	1,654	2,687	3,056	13.73 %	1,673
Operating expenses	557	628	758	1,089	1,167	7.16 %	653
Operating Profit (before provision)	979	1,002	896	1,598	1,888	18.15%	1,021
Net Profit after Tax	608	617	254	678	1,015	49.70%	601

Key Portfolio Indicators

NPR in Million

Topic	2011/12	2012/13	2013/14	2014/15	2015/16	Compared to previous year	This year till Jan 13, 2017
Paid-up Capital	1604	1,684	1,920	4,121	4,576	11.04%	5,629
Deposits	24,991	27,701	34,116	59,739	67,836	13.54%	70,001
Loans	19,319	23,049	28,867	50,625	60,317	19.14%	62,789
Fixed Assets (Net)	546	560	567	869	950	9.32%	949

Major Indicators

NPR in Million

Subject	2011/12	2012/13	2013/14	2014/15	2015/16	This year till Jan 13, 2017
Net Profit/ Operating Income	39.58%	37.85%	15.36%	25.30%	33.22%	35.94%
Operating expenses / Operating Income	36.26%	38.53%	45.83%	40.63%	38.19%	39.00%
Return on assets	2.10%	1.90%	0.65%	0.99%	1.27%	1.42%
Number of Permanent employees	451	490	552	720	787	787
Number of Branches	45	50	50	68	74	74

Note: The indicators of FY 2014/15 and 2015/16 shown above are presented as the sum of the respective indicators of the then Lumbini Bank Ltd. and Bank of Kathmandu Ltd.



DEPOSIT MOBILIZATION

In this reporting FY, mixed challenges have been encountered in deposit mobilization as they were in the past years. The first half of this year, there was a significant increment in private sector credit growth due to which the second half witnessed rising interest rates and credit crunch that eventually shot up the cost of deposits of Banks & Financial Institutions for the remainder of the year. NPR 59.74 billion rupees was the total deposit which increased by 13.54% and reached to NPR 67.83 billion by the end of this FY including the portion of deposit of domestic currency NPR 66.77 billion.

The deposit in domestic currency which are free of interest like; current and margin accounts depend upon the daily activities of few companies, government revenue and import/guarantee based transactions and hence, increase in such deposits does not see an instinctive growth. Additionally, such customers' sensitivity to the interest has been increasing and hence such deposits haven't increased in high rates. Current account deposits were NPR 4.38 billion rupees in the last year which increased by 7.31% amounting to a total of NPR 4.70 billion rupees by the end of this Fiscal Year.

Total Deposit (in billion)



Domestic Deposit (in billion)



Report and Bank's Financial Highlights of the Current Period

Amount (in billion)

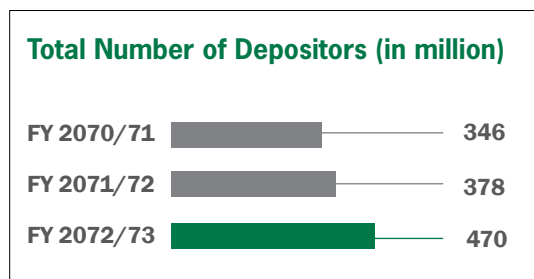
Deposit	Amount	FY 2071/72	2072/73	Growth rate (%)
Current	Domestic	4.12	4.37	6.07%
	Foreign	0.26	0.334	26.92%
	Total	4.38	4.70	7.31%
Saving	Domestic	16.96	20.85	22.94%
	Foreign	0.28	0.36	28.27%
	Total	17.25	21.21	22.96%
Fixed	Domestic	23.05	26.92	16.79%
	Foreign	0.51	0.07	(86.27%)
	Total	23.55	26.98	14.56%
Call	Domestic	13.53	13.97	3.25%
	Foreign	0.50	0.31	(38.00%)
	Total	14.03	14.28	1.78%
Others	Domestic	0.53	0.65	22.64%
	Foreign	0.00	0.002	(100%)
	Total	0.53	0.65	22.64%

In the last Fiscal Year, the saving deposit amount combined from both the banks was 17.25 billion rupees, which by the end of this year reached to 21.21 billion rupees increasing by 22.96%. According to the plan for further improving the cost of deposit by diversifying the deposit, the bank has been giving special emphasis in the mobilization of current and savings deposit in the review FY and in the coming FY, the bank plans to implement various promotional activities to further improve these deposits.

Call deposit in this bank are majorly the deposits from the financial institutions except from the 'A' class financial institutions. In the last FY, call deposit was 14.05 billion rupees. and in the reporting year, the same has increased by 1.78% totaling to 14.28 billion rupees by the end of the reporting period.

Additional to the increase in other deposits, in the reporting FY, incremental cost of the fixed deposit in the bank is higher than the past FY. Combining fixed deposits of both banks, the last FY fixed deposit was

23.55 billion rupees which increased by 14.60% in this FY and by the end reached to 26.98 billion rupees. This increment credited to both institutional and personal deposits. This bank plans to further expand this type of deposit service in the coming days for the customers who are sensitive to the interest rate.



LOAN EXPANSION AND MANAGEMENT

In the reporting FY, the demand for loans in the financial market has been estimated to be low in proportion to the increase in deposit. The same impact has been seen in the expansion of business of this bank. In this FY, combining business of both the banks, gross loan has increased by 19.16% and by the end of the FY it has reached to 60.32 billion rupees from 50.62 billion rupees.

Contribution of small and medium loans in the overall growth of loans of the Bank is on an increasing trend. These types of loans comparatively have better returns and hence the bank has put these types of loans in its first priority. By the end of reporting FY, these types of loan contribute to have 45.06% share of the gross loan amount. Additionally, these types of loans has been distributed to the customers hailing from various geographical areas, these types of loans also help reduce the risk based on loan portfolio of the bank compared to the bigger loans. For marketing these types of loan mobilization, branch and regional units have significant involvement.

Net Loan (in billion)**Business Loan (in billion)****Institutional Loan (in billion)****Micro Finance Loan (in billion)****Consumer Loan (in billion)**

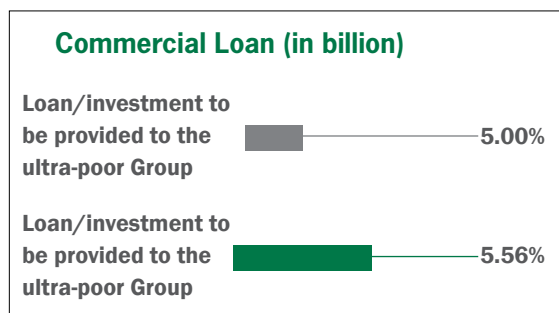
In the reporting FY, the progress of the bank on the special sectors specified by the Nepal Rastra Bank in the sectors in which minimum loan is to be mobilized are as follows:

a) By the end of FY 2072/73, based on the approved limits, at least 20% of the gross loan has to be mobilized in the specified productive sectors, and in the same period, 23.53% of the gross loan has been mobilized in the sector by the bank.

b) By the end of FY 2072/73, based on the approved limits, at least 12% of the gross loan has to be mobilized in the agricultural and energy sector and in the same period, 13.87% of gross loan amount has been mobilized in the sector by the bank. In the energy sector, by the end of the reporting period, a total of 1.96 billion rupees has been mobilized by both the banks in hydropower projects through co-financing. In this fiscal year, the bank has played the role of the lead bank in co-financing in one additional hydropower project. The bank has been regularly emphasizing increase in micro lending. This type of loan form a major component of the loans mobilized to micro finance institutions and cooperatives.

c) By the end of FY 2072/73, it was specified to mobilize at least 5% of the gross loan amount to the ultra-poor group, and the same has reached 5.56% of gross loan in the period by the bank.

But, by developing the loan services useful for some target groups, bank itself has also been mobilizing loan to the ultra-poor groups. In the last FY, the bank under the program Access to Finance of an international organization Louis Berger has signed contract for two projects aiming to increase the banking access and financial inclusion among the ultra-poor groups. Under the first project, the bank had provided short term loan to the sugarcane farmers associated with Mahakali Sugar Industries Pvt. Ltd. at Beldandi, Kanchanpur and under the second project, the bank expanded a total of six branches and providing services in various districts of Mid and Far-Western Development Regions, which have limited access to finance.



Similarly, the consumer loan or the small commercial loan of period type or the retail loans have also reached an amount of 8.14 billion rupees by the end of the reporting period. House, auto, study, private and small business loans, etc. are the major loans under this sector. The branches have played significant roles in this sector as well. Similarly the loans provided to the bigger organizations have reached to 22.86 billion rupees by the end of the reporting period. Loans sanctioned to the sectors like energy, agriculture, educational institute, health, industries, tourism, import, cement, form the major proportion of this type of loan.

The bank has continued the policy of being considerate to sanctioning loan to real-estate sector,

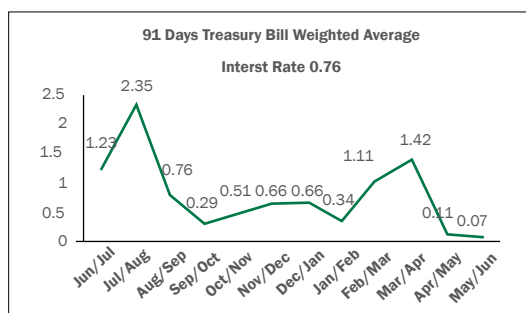
which is defined as the high risk sector of economy. This type of loan makes 5.35% of the total loan. This was at 2.51% in the last FY. Similarly, the bank isn't much interested in margin (share) loans. The bank has been emphasizing in providing loans to the productive sectors than in these sectors.

By the end of the reporting FY, ratio of non-performing loans of the bank is at 2.51%. Last FY, this ratio was at 3.47%. By this, through the provision for bad debt, the bank's ability to face the loan risk is strong and two different units with legal capacity are active in the bank for the management of non-performing loans.

INVESTMENT AND TREASURY FUND MANAGEMENT

The constantly volatile interest rate and liquidity scenario has rendered the job of fund management a challenge for Banks & Financial Institutions. This year similar to the last FY, government bonds, especially interest rates on treasury bills remained substantially low. Compared to the last fiscal year, the 91-days Treasury bill that matured on Ashad 2073 and inter-bank weighted average interest rate went down. Weighted average interest rate of 91 days Treasury bill was 0.1739% in Ashad 2072 which is maintained at 0.0456% in Ashad 2073. Similarly, weighted average inter-bank interest rate among the commercial bank in Ashad 2072 was at 1.10% which dropped to 0.69% in Ashad 2073.

In the FY 2071/72, total investment of the bank



was NPR 6.03 billion which increased by 62.35% in the reporting year amounting to a total of NPR 9.78 billion. Investment made on government bonds and treasury bills has made a major portion in the total investment. By the end of the reporting FY, total investment in the Treasury bill by the bank has reached to NPR 3.34 billion while in the government bond, the investment is at 4.57 billion rupees. Excess liquidity was maintained in the entire period of the reporting year and hence the short-term interest rate was low, which affected the interest income from the government bonds and Treasury bills.

This FY, government has issued long term bonds and the bank has purchased government bond worth NPR 1.12 billion. The interest rate of the public debt, however, was decided after tender, therefore net return is not significant. In regards to other investments, since last year, the Bank has been provided with the opportunity to invest in Mutual Funds. In the process, this FY, the bank has invested in Global IME Sammunat Scheme -1.

Likewise, this Bank has continued its investment in Nepal Gramin Bikas Bank, Rural Microfinance Development Center Limited, Chhimek Laghu Bitta Bikash Bank Limited, Credit Information Bureau, Nepal Clearing House Limited, National Banking Institute, Nepal Electronic Payment System Limited, NMV Sulav Investment, NIBL Samriddhi, Hydro-electricity Investment and Development Company Ltd. and RSDC Micro Finance Limited.

Regarding mobilization of foreign currency fund, temporary investment in the accounts like call deposit in the bank's correspondent banks form the major portion. In the fiscal year 2071/72, this investment was worth NPR 420 million which has increased to NPR 1.37 billion in the reporting year.

FIXED ASSETS EXPANSION AND MANAGEMENT

The net fixed asset in this reporting FY is worth NPR 950 million. This was NPR 869 million in the last year. After the merger process with Lumbini Bank Limited the bank's geographical expansion has also increased and hence the fixed assets have been automatically increased. The main constituents of the fixed assets are vehicles, building, land, leasehold improvement etc.

ACTIVITIES RELATING TO POTENTIAL LIABILITIES

In regards to the potential liabilities from the import transaction, the facilities of letter of credit provided to importers of industrial raw materials and general consumable goods matters and services have been the major constituent. The Bank has issued letter of credit worth of 14.32 billion rupees in this FY including transaction of both banks. This was at 13.18 billion rupees in the last FY. By the end of reporting FY, the potential liabilities of letter of credit including acceptance is worth NPR 4.7 billion similar to that of the last year.

In the reporting FY, the Bank has issued Bank Guarantee worth of NPR 2.27 billion. The bank had issued Bank Guarantee worth NPR 1.81 billion in the last year. At the end of the reporting FY, the contingent liability of bank guarantee related transaction is NPR 2.82 billion which was worth NPR 2.76 billion in the last FY.

In situations where in the exchange rate of foreign currency is highly fluctuating, transactions related to forward booking increases. In this FY, this type of foreign exchange rate has been stipulated in the buying and selling transaction worth USD 326.8 million. In the last FY, forward booking foreign exchange rate was stipulated for USD 232.8 million.

CAPITAL MANAGEMENT AND RETURN

Pursuant to the instruction issued by Nepal Rastra Bank to raise the paid-up capital of 'A' class banks to 8 billion rupees by the FY 2073/74, after successful completion of the merger process the bank's paid-up capital has increased to NPR 4.57 billion. In the reporting FY, a resolution to distribute 23% bonus share among the total distributable profit has been proposed. Upon the approval of the resolution, the paid-up capital of the Bank will be maintained at NPR 5.63 billion. In the process of granting final approval for the merger Nepal Rastra Bank has directed to increase the promoters to general shareholders share ratio from 45.64:54.36 to 51:49. To reach and maintain the ratio, the bank has proposed a resolution to the AGM for approval to issue maximum 62, 08,132 units of promoters' shares in premium.

The bank has issued bond worth NPR 1 billion (estimated) including bond of worth NPR 400 million and NPR 600 million in previous FYs. These bonds are now being used as supplementary capital and for the payment of which a certain amount from each year's profit is transferred in Bond Redemption Reserve. A total of NPR 300 million has been deposited to date. After the full payment of the bonds, the amount shall be transferred to the Capital Adjustment Reserve.

At the end of the FY 2072/73, the bank's core capital is worth 7.61 billion rupees which is 10.64% of the total risk weighted asset of worth 71.52 billion rupees.

MAJOR INFORMATION ABOUT THE BANK'S OPERATING INCOME AND PROFIT AND LOSS STATEMENT

In the reporting FY, total operating profit and net profit of the bank is NPR 992.6 million and NPR 655.2 million respectively. During last FY it was NPR 131.6 million and NPR 334.6 million respectively. Some important points on the matter are as follows:

- In the reporting FY, the gross interest income, gross interest expenditure, and net interest income are NPR 3.09 billion, NPR 1.55 billion and 1.54 billion respectively. Last FY the figure was NPR 2.84 billion, NPR 1.46 billion and NPR 1.38 billion respectively. Compared to last FY, the net interest income of the bank has increased by 11.69%. Increase in the loan transaction has mostly contributed in the increase of gross interest income. The proper management of interest expenses, however, also has a major contribution towards the increase in net interest income. Improvement in the interest rate in investment lacked and hence the interest amount generated from it did not see the increase as expected in this year as well. This bank is capitalized by the direction of Nepal Rastra Bank to keep the spread rate at 5%. The spread rate is maintained at 4.14% by the bank at the end of this reporting FY.

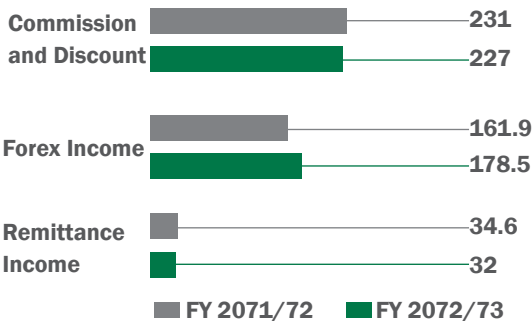
Net Interest Income (in billion)



- The gross commission, other income and exchange gain was increased by 10.12% totaling to NPR 542.6 million. Last year, this income was NPR 492.7 million. Income generated through remittance and issuance of letter of credit, and commission generated for issuance of bank guarantee have contributed majorly to this income. The income generated by remittance decreased by 6.10% compared to the last FY due to decrease in import related remittance inflow. Similarly, through the transaction relating to import, export and guarantee, income worth NPR 61.3

million was generated. Another major source of income is the income from foreign exchange. In the reporting FY, the Bank has earned NPR 178.6 million from foreign exchange, an increase of 10.27% compared to the last FY.

Income during last two fiscal years (in million)



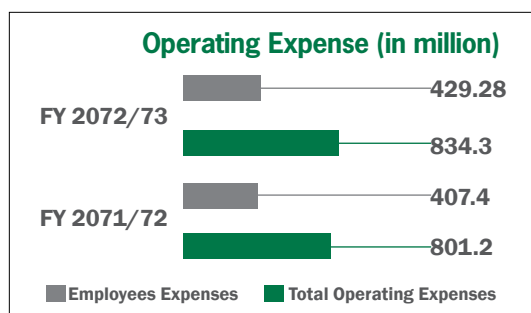
- In the reporting FY, there has been a raise in the income generated by the issuance and renewal of debit card and credit card. The income under this heading was NPR 28.7 million in the last FY which saw an increment by 46% totaling to NPR 42 million in the reporting FY. To date, the Bank has installed 180 POS machines in 122 places of official merchants. The Bank has a total of 66 ATMs. Likewise, the bank has been able to increase its number of updated customers in NEPS system using Visa Debit Card, Visa Credit Card and Visa International Debit Card to 81,000.
- In the reporting FY, total expense of the bank over the employees is NPR 429.9 million. This was at NPR 407.4 million in the last FY. Compared to the last FY, this expense has increased by 5.5% which has been partially affected by the increment in the salary and facilities of the employees. Similarly, since the last FY, process of rewarding employees based on their performance has started to boost their morale. This also accumulates a portion in this year's expenses over the employees. In the

employee expense head, expenses other than the salaries and allowances, expenses like retirement, compensation against reserved leaves, etc. are also included. This expense is calculated on the basis of employees' salaries and hence increase in the number of employees working in the bank over a longer period of time and increment in their salaries increases this type of expenses. The bank has considered real expenses as basis for retirement payments while in the case of reserved leaves, the bank has considered actuarial as the basis.

Card Service Income (in million)



- In the reporting FY, the other gross operation expense is NPR 404.5 million which was NPR 393.8 million in the last FY, an increase by 2.71%. Some major expenses are house rent which gets increased based on the pre-determined contract terms. Increase in the expenses based on contract like insurance and security related expenses has also affected in this kind of expenses. Since FY 2068/69, the bank has been insuring deposits as prescribed by Nepal Rastra Bank. With an increase in the numbers of small depositors in the bank, this expense is also increasing. Security cost also accumulates a major portion in the bank's expenses. This kind of expense incurs through the contract agreed with the companies providing security guard services. Apart from that the bank has been cautious towards the expenses under some other headings like advertisement, repair and maintenance, fuel for vehicles & generators, printing and logistics which has helped to control the total expenses.
- In regards to Loan loss provision, the bank has allotted an additional amount of NPR 258.5 million. In the last FY, an additional amount of NPR 941.3 million was allotted under this heading. In



this, loss provision made on force loan through the claim on guarantee was the major portion. The court case on the claim on guarantee issued by this bank to Melamchi Water Supply Project at the counter of China Construction Bank Corporation, Henan Branch, China is still under trail in the court.

- The bank is able to write back NPR 39.5 million from loan loss provision of the last year due to the improvement of loan categorization and recovery of the loan.
- The other non operating incomes include dividends from investment in various companies like Rural Microfinance Company Limited, Chhimek Laghubitta Bikash Bank Limited, Credit Information Bureau Limited, Nepal Banking Institute Limited, etc.
- In FY 2072/73, the bank has provisioned a total of NPR 303.6 million of for the income tax expenses.
- Regarding profit appropriation from NPR 1.3711 billion of the distributable amount, the Bank has transferred back NPR 131 million to the General Reserve, NPR 4 million to exchange fluctuation fund, NPR 166.7 million to BOK Bond 2076 and 2079 Adjustable Reserve. After above transfer of fund, we have proposed resolution to distribute bonus share worth NPR 1.05 billion. After the distribution and transfer, the Bank's retained profit will be of NPR 16.7 million. After issuance of proposed bonus shares, the Bank's paid-up capital will be maintained at NPR 5.63 billion.

Note: After the merger between the erstwhile Lumbini Bank Limited and Bank of Kathmandu Limited, Bank of Kathmandu Lumbini has started their unified transaction effective from July 14, 2016. Thus, for the period of July 17, 2015 to July 13, 2016, the expense and income of the erstwhile Lumbini Bank Limited has been calculated in different accounts and the profit from that bank has been transferred to the Profit and Loss statement of erstwhile BOK and distributed and hence the same expenses and income hasn't been included in the respective headings in this document.

STAFF MANAGEMENT AND SKILL DEVELOPMENT

After the merger between the two banks, by the end of FY 2072/73, the total number of employees including both; permanent and temporary is 787. This number was 757 in the last year including total number of employees at both the banks. The bank recognizing the contribution of every employee and to provide timely and competitive banking services, the bank has been regularly organizing in house training and increased their participation in the appropriate training run by external organizations to increase their capacity. The transfer and promotion of the personnel as means to facilitate their career development has also continued in this FY. In the reporting FY, a total of 476 employees were made to participate in a total of 168 training programs in and outside the country. The bank has adopted policy to provide its employees with the opportunities to attend the training programs to help achieve its professional objectives by providing skilled and effective services to the customers.

The Bank has been using services from service providers for Bank's security guard, messengers and the like based on specified standards.

BANK'S RELATIONS WITH MAJOR INTERNATIONAL ORGANIZATIONS

The Bank has been successful in developing and maintaining relationship with international banks and financial institutions also their credentials and reputation for conducting foreign business transactions such as letter of credit, bank guarantees, remittance, investment and other banking transactions. In addition, the Bank has also continued its business relationship with International Financial Corporation (IFC), international organization under the World Bank, in this reporting FY. In this regard, the Bank has been moderating Letter of Credit transactions for various importers. Besides, the Bank has also been receiving support in foreign business transactions from the Asian Development Bank

In the last year, in order to increase access to banking services and financial inclusion amongst ultra-poor groups, Bank had entered into an agreement for implementation of two projects under the program: Sakchyam Access to Finance of Louis Berger. Under the first project, the bank provided short term loan facility to sugarcane farmers associated with Mahakali Sugar Industries Pvt. Ltd. at Beldandi, Kanchanpur. The target was to facilitate credit facilities to 4,000 farmers in three years out of which the bank already has provided credit facilities to more than 948 farmers. Similarly, under the second project, the bank established a total of six branches and has been providing services in various districts of Mid and Far-Western Development Regions which has low access to finance viz. Dang, Bardiya, Kanchanpur, Kailali, Pyuthan and Rupandehi in order to increase the financial access to the women, youth and farmer communities.

RISK MANAGEMENT

- **Credit Deposit Ratio:** At the end of the report FY, pursuant to Nepal Rastra Bank's definition, the Bank's credit deposit ratio is at 77.06%. Last FY, this ratio was 76.03%. This ratio is less than the maximum limit of 80% set by Nepal Rastra Bank.

In the reporting FY, even though the rates were volatile and we also experienced credit crunch, despite of that, CD ratio was maintained at relatively lower levels.

- **Liquidity and Cash Reserve Ratio:** At the end of reporting FY, the Bank's liquidity ratio was 23.50%, which is above 20% as required by Nepal Rastra Bank. Likewise, at the end of the reporting year, the bank's Cash Reserve Ratio (CRR) was 8.71%, which is above 6%, more than the minimum ratio as stipulated by Nepal Rastra Bank.
- **Non-performing Loan Ratio:** Non-performing loan is at 2.50% of the gross loan amount which was at 3.47% in last FY.
- **Loan on Real Estate and Unproductive Sectors:** The Bank has remained vigilant whilst sanctioning loans in the real estate sectors that attract higher risks. At the end of the reporting year, loans to this sector remained at 5.35% which was at 2.51% in the last FY. The bank carries out an intensive research process before sanctioning any new loan in this sector considering the high risk associated. Likewise, the bank has not emphasized on increasing loan investment in the unproductive sector because of the inherent high risk in the sector and further achieving the productive sector lending target becomes more challenging due to such lending.
- **Capital Adequacy and Review:** At the end of the reporting FY, the bank's capital adequacy ratio remained at 13.01%, which is above 10% as stipulated by Nepal Rastra Bank. Last FY, this was 13.00%. Further, last FY, the Bank had issued 7-year debentures worth NPR 600 million at 8% interest for capital requirement to raise the business. Based on the site inspection carried out by Nepal Rastra Bank, considering the total risk provision, pursuant to the direction issued on May 11, 2016, the bank has increase 2% on its total risk weighted assets and maintained at 4%. In addition, for operational risks, Nepal Rastra Bank has issued further instructions to provide additional capital charge of 3% of gross income while calculating the capital

adequacy ratio. . The abovementioned capital adequacy ratio has been calculated after considering both the adjustments.

There is an Internal Capital Adequacy Assessment policy approved by the bank's Board of Directors. This policy evaluates that the bank has capacity to ensure adequate resources to manage the various risks that might arise during the course of the Bank's daily activities and to maintain more capital than the capital adequacy ratio as stipulated by the regulatory agency. The Bank's Risk Management Committee has been reviewing internal capital adequacy on a quarterly basis to evaluate whether the bank's capital is adequate to manage bank's risk situation and its future plans, and this report is presented to the Board of Directors on quarterly basis.

- **Stress Test to Measure Risks:** Risk Management Committee of the Bank, consisting of members of the Board of Directors and high level management officials, has been appraising outcomes of stress tests based on certain pre-determined variables such as risk of deposit withdrawal, potential risks associated with unfavorable categorization of real estate loans as well as total loans, risks associated with changes in interest rates, risks associated with fluctuation in share market, etc., and evaluating means to minimize them on quarterly basis. The stress test report is submitted to Board of Directors' for review and also forwarded to Nepal Rastra Bank on quarterly basis. The stress tests conducted till date have found the Bank's position to be satisfactory.
- **Sectoral Loans:** The bank has set limit for sectoral lending in the Credit Policy of the Bank which to date is noted as satisfactory. Further, regarding the sectors and monitoring as prescribed by Nepal Rastra Bank, the bank has been in total compliance. The Bank has also been strictly complying with Single Obligor Limit stated by Nepal Rastra Bank.
- **Customer Identification:** The Bank is complying fully with the instructions issued by Nepal Rastra

Bank concerning customer identification (Know Your Customer) and anti-money laundering. For this purpose, the Bank has appointed the manager of every branch as the AML Officer. Further, from this FY, the bank has also continued online software (acuity) and SWIFT screening for acquiring information about the customers listed under high risk and prohibited lists. The bank has established a separate department to monitor and eliminate the financial investment in the anti-money laundering and terrorist acts. In this regard, the Bank has given continuation to activities such as organizing customer details, updating the same in an interval of a specific period, and classifying customers according to possible risks in this year as well. The bank also has its own internal policy and circular regarding customer identification. In addition, the bank staff have been periodically receiving the necessary training on standards and methods concerning customer identification. In the future, too, the Bank will continue to apply a policy of international standard transparency in all activities to do with customer identification.

- **Information Technology Expansion and Management:** The bank has been endeavouring towards making its internal information management system effective and reliable. With an objective of continuing its services without any obstacles in the emergency situation and to reduce the unexpected risks, the bank has set up its Disaster Recovery Site in Bhairahawa by using modern structures on computer record protection. In order to reduce various operational risks associated with the information technology and to make the bank's information technology system further effective and systematic; the bank has transferred some of its information technology related structures to the high quality and secured structures provided by external service providers. Further, by the use of virtualization system of different major software it has been effectively systematized and the associated cost has been reduced.

- **Internal Control Mechanism:** The bank has established a total of nine regional offices including four offices in the Kathmandu valley and one each at Biratnagar, Narayangarh, Butwal, Nepalgunj and Dhangadhi. For the necessary monitoring and loan and operation related risk management in branches associated with the regional offices, a regional operation manager and regional loan manager have been appointed in every region. This has facilitated the bank to monitor and manage its branch offices. The bank has set rights and limits to each official for the reduction of risks associated to the transactions performed in the bank.

Likewise, the Integrated Risk Management and Compliance Department works to develop and implement internal policies, circulars, operating guidelines, etc. in compliance with external policies, rules, laws and directions. It is hoped that this will help the bank in managing risks associated with activities relating to credit, operation, liquidity, etc. The Branch Operation Department has been examining and monitoring branch activities to ensure the standard procedures are followed at all levels.

Beside this, there is an independent Audit Department under the bank's Audit Committee. This department conducts audits on a regular basis and presents its reports to the Audit Committee. The comments made in the reports are discussed in detail by the committee and provides directions/suggestions to make the necessary reforms and to avoid repeat of such remarks in the future.

- **Deposit and Loan Security:** Pursuant to Nepal Rastra Bank's direction, in this reporting FY as well, the bank has provisioned to insure deposit amount up to NRs 200,000 by a natural being in fixed and saving account through Deposit and Credit Guarantee Corporation. Along with it, this FY also witnessed the continuation of insurance service to loans under small, medium, and ultra-poor groups' loan.

CORPORATE GOVERNANCE

BOARD OF DIRECTORS AND OTHER OPERATION LEVEL MAIN COMMITTEES

Before the bank was merged into Bank of Kathmandu Lumbini Limited, Bank of Kathmandu Limited had Mr. Balaram Neupane, Prof. Dr. Hem Raj Subedi, Mr. Chop Narayan Shrestha, Mr. Govinda Prasad Sharma, Mr. Santa Bar Singh Thapa, Mr. Ramesh Nath Dhungel as the board members and Mr. Satya Narayan Manandhar as the chairperson.

Similarly, Lumbini Bank Limited had Mr. Kedar Nath Gautam, Mr. Subarna Lal Shrestha, Mr. Sushil Kumar Aryal, Mr. Ramkaji Kone, Mr. Madan Lal Joshi, Mr. Sabin Joshi, Mr. Dibyanidhi Bista as the board members and Mr. Prakash Shrestha as the chairperson.

After receiving the approval for merger from Nepal Rastra Bank through a letter dated 8th July 2016, the board meeting of 14th July 2015 formed a new board which has Mr. Satya Narayan Manandhar, Mr. Subarna Lal Shrestha, Mr. Kedar Nath Gautam and Mr. Santa Bar Singh Thapa as the representatives of the promoter shareholders and Mr. Govinda Prasad Sharma, Mr. Chop Narayan Shrestha, Prof. Dr. Hem Raj Subedi and Mr. Madan Lal Joshi as representatives of public shareholders whereas Mr. Dibyanidhi Bista being the professional director. Mr. Satya Narayan Manandhar being the chairman of the board. The Board of Directors' activities are focused on policy making and management supervision. There were 30 meetings of the Board of Directors in the financial year and total meeting allowance of NPR 20 lakh 30 thousand were provided to the Board Members.

Audit Committee

This committee has been formed, under the purview of Nepal Rastra Bank's instructions, to review the Bank's financial condition, internal controls, auditing



program, and overall activities concerning auditing, and to present the necessary opinions/advice to the Board of Directors.

Mr. Kedarnath Gautam is the chairperson of this committee while Prof. Dr. Hem Raj Subedi, Mr. Govinda Prasad Sharma, and Mr. Chop Narayan Shrestha are the members of the committee from the Board of Directors' side. From the management side, Ms. Sabina Rana being the Secretary. In the financial year, there were 17 meetings held by this committee and total meeting allowance of NPR 6 lakh 20 thousand were provided to the board members.

In the Financial Year, besides authorizing permission to the work plan of the internal audit program, the Committee of the Board of Directors also thoroughly discussed and presented to the management the necessary instructions and suggestions concerning internal audit program permission, audit report arrived at through quarterly audits received from the Audit Department, audit report from external auditors, and supervisory report from Nepal Rastra Bank along with management's responses on this, etc., the committee presented suggestions and recommendations concerning the above to the Board of Directors.

Risk Management Committee

This Committee has been formed, under the purview of Nepal Rastra Bank's instructions, to present the necessary opinions/advice concerning the Bank's risk

management. Mr. Dibyanidhi Bista is the coordinator of this Committee while Mr. Kedar Nath Gautam (due to being the Audit Committee coordinator) is the member of this Committee from the Board of Directors side. From the management side, Chief Operating Officer Mr. Prabin P. Chhetri and Mr. Chetan Bar Singh Thapa, Assistant General Manager – Integrated Risk Management and Compliance Department are members of this Committee. In the Financial Year, there were total of 6 meetings of this committee and total meeting allowance of NPR 1 lakh 20 thousand were provided to the board members of this Committee.

The Committee conducts internal evaluations concerning the Bank's capital adequacy on a quarterly basis, and monitors sector-wise limits and compliance, stress tests etc. and presents the same to the Board of Directors every quarter. In addition to this, the Committee also conducts activities like acquiring various information concerning risks to the Bank and presents its opinions, advice, and recommendations to the Board of Directors.

Human Resource Service Facility Committee

Following the instructions of Nepal Rastra Bank, with the objective to present necessary opinions, suggestions, and recommendations on issues pertaining to employees' service benefits, the Bank has formed this Committee. The coordinator of this Committee is Mr. Santa Bar Singh Thapa while Mr. Subarna Lal Shrestha is the member of this Committee

from the Board of Directors side. Chief Executive Officer Mr. Ajay Shrestha, Assistant General Manager – Head Office Operations Mr. Chandra Raj Sharma and Head – Human Resource Development Mr. Sudeep Paudel are the other members. In the Financial Year, there were 8 meetings held by this committee and total meeting allowance of NPR 1 lakh 60 thousand were provided to the board members of this Committee.

After the study and analysis of the employee salary and service benefits structures, this Committee establishes work areas of staff and reviews work appraisals, prepares other terms concerning staff management etc. and presents its opinions, advice, and recommendations to the Board of Directors. In addition, this Committee also prepares the Bank's annual human resource program and presents it to the Board of Directors.

Joint Merger Committee

A nine-membered joint merger committee was formed on 24th December 2015 for the process of merger and acquisition between Bank of Kathmandu Limited and Lumbini Bank Limited. This committee had finalized the merger process by forming different taskforces related to the process. In the Financial Year, there were 27 meetings held by this committee and total meeting allowance of NPR 14 lakh 80 thousand were provided to the board members of this Committee. This Committee was automatically dissolved with the initiation of a joint operation on 14th July 2016 under the name of Bank of Kathmandu Lumbini Limited.

Some Special Initiatives Taken By the Bank to Expand Business and Future Goals

Due to the prevalent transitional political and economic situation, market expansion in the banking sector and liquidity management activities proved challenging in this reporting year as well. Despite the unfavorable situation, the Bank has been able to establish itself as a strong pillar of Nepal's banking sector has been consistently focused on contributing towards the growth of financial sector. The Bank

has been continuously developing its capability and network expansion for high-quality service offerings to existing and potential customers. In this situation, the Bank has taken some concrete initiatives to keep itself competitive in this sector, the results of which can be expected in the coming days. Among these, the following are the major ones:

Initiatives taken to increase lending to small and medium enterprises: Lately, due to reasons like the improvement in the law & order and labor relations etc., the number of individuals working at the small and medium scale enterprises is on the rise. In this context, the Small Enterprise Loan was expanded across all branches throughout the country, targeting small and medium sector businesses. The Bank, has been granting loans to small and medium businesses as per its strategy, aims to focus more in this sector and increase the loan in this sector. The increase in lending to the small and medium businesses also contributes to the growth and development of the productive sector. Therefore, the Bank has been giving special attention to the expansion of lending in this sector. Additionally, the Bank has made a provision to subsidize the loan interest rates for the firms registered in the Department of Cottage and Small Industries in order to encourage them.

Initiatives taken to Encourage Women Entrepreneurs:

The Bank has made available "Women Entrepreneurship Loan" with a view of promoting economic development and growth of small scale firms operated by women. Under this service, women may apply for loans up to NPR4 lakh which can be repaid within three years. Further, accidental insurance of the woman availing "Women Entrepreneurship Loan" has been arranged by the Bank. Likewise, to encourage the saving habit of women, the Bank has been making timely amendments in deposit services targeted to women.

Initiatives taken to Encourage Farmers: In the current situation, where farmers' reach of the banking service is noticeably low, the Bank has re-introduced

“B.O.K. Kisan Banking Sewa” initiated in 2010/11 with necessary amendments after some studies, research, and tests in all of its branches. In addition to this, in this Financial Year, targeting the rural farmers, the Bank has also initiated “B.O.K. Kisan Sajilo Khetipati Karjaa” under which each farmer can take an overdraft loan of up to NPR 3 lakh. It is believed this will benefit both the depositors and credit customers under this product. To address the migration of youth from the rural areas and to attract youth towards agriculture, Nepal Rastra Bank has released grant related statutes on an agricultural loan provided to youth for commercial agriculture. On the basis of the same, the Bank has prepared internal working statutes to facilitate the release of the loan and which has been in function in all the branches. The Bank believes that this kind of loan will contribute toward the modernization, diversification, and commercialization of agricultural sector.

For the accessibility of banking and to enhance micro inclusiveness in the deprived sectors, the Bank had made an agreement with Louis Berger’s Sakchhyam Access to Finance Program to provide short-term credit facility to sugarcane farmers. Over 948 farmers have already been benefited under this program. The Bank will continue working towards the expansion of agricultural sector in collaboration with various institutions and organizations who have been working towards the development and promotion of agricultural sector.

Initiatives taken to achieve investment goals in Productive, Agriculture, Energy, and Marginalized Sectors

The Bank has been making consistent efforts to provide credit facilities to enhance financial services and financial inclusiveness in productive sectors as defined by Nepal Rastra Bank (Agriculture, Energy, Tourism, and Cottage and Small Industries) and marginalized class. In this context, till date, the Bank has supported in the production of 196.57 MW of energy by investing in 27 different hydropower projects. Besides this, the Bank is doing

its homework for investing on further 6 different hydropower projects. Among the projects, the Bank has invested in 8 projects as a lead bank, member bank in 19 projects and a sole lender in one of the projects.

At the end of the Financial Year, the Bank has invested more than 3.25 % of its total loan portfolio in the hydropower sector. The Bank has also invested in agriculture and tourism sector projects. Till the end of the Financial Year, about 4.78% of total loans have been invested in cottage and small scale industries. In the coming days, priority will be given to such sectors. Similarly, at the end of the Financial Year, the Bank’s lending in deprived sector was 5.56% against required 5% of total loan portfolio by Nepal Rastra Bank. To ensure lending in the productive sector, Nepal Rastra Bank has directed “A” class banks to invest minimum of 20% of total loan to this sector (agriculture, energy, tourism, and cottage and small industries) within Financial Year 2015/16, out of which, a minimum of 12% of loan investments must be in agriculture and energy sectors. In the Financial Year, as per the direction of Nepal Rastra Bank, banks, and financial institutions can regard the permitted gross loan limitation in the productive sector as the affected loan. As a result of the same, the Bank has invested 23.53% of total loans to the stipulated productive sectors, and among these, 13.87% has been invested in agriculture and energy sectors.

The Bank intends to expand loans in the identified good projects under the productive sectors specified by Nepal Rastra Bank in coming days. However, these sectors have their own problems like productivity, modernization, expertise, insurance, etc. and because of this it is not easy to increase investments rapidly. Similarly, there are few problems seen in the construction of hydropower projects due to project implementation related issues like arranging financial resources, land purchase, geographical and social issues, etc.

Expansion of Loan Portfolio of Branch Offices

In the Financial Year, continuation has been given to staff training and additional manpower has been arranged for branches with the potential of increased business. In addition, the Bank has established four regional offices in Kathmandu Valley and nine regional offices outside the valley including offices in Biratnagar, Narayangadh, Butwal, Nepalgunj, and Dhangadhi. To expand loan business and to ease loan approval process, regional managers have been appointed and delegated credit authority. Regional credit officers have also been appointed to assist the regional managers in loan-related activities and inform them about the loan portfolio at the regional level. In the Financial Year too, the Bank has been reviewing the market situation and has been making the necessary amendments in loan related circulars, due to which the Bank was successful in gaining significant growth in loan investments in the Financial Year. This will be continued in the coming days as well.

Remittance Business

The decrease in remittance inflow during the financial year has affected deposit mobilization of banks and financial institutions too. In the financial FY, the remittance inflow through the Bank has decreased by 15%. At present, the number of remittance payout transactions by the Bank is approximately 10,069 on average every month. Up until last year, the Bank was engaged in nearly about 11,357 remittance payout transactions.

This year as well, the Bank has continued its efforts to provide combined banking services useful to those going for foreign employment. The Bank had initiated "B.O.K. Foreign Employment Banking Service" in order to provide consolidated financial services for deposits, remittance, and loans to those going for foreign employment. The Bank has taken this initiative considering the increasing number of people going for foreign employment and their minimal reach to banking services. In this context, cash incentives on deposits

in foreign employment account through remittance, an arrangement to disburse remittance payout through agents and loans to families of those going for foreign employment or the employment seekers themselves are the major initiatives. The Bank has arranged remittance payouts through all the branches contributing towards growth in remittance transactions.

Capital Growth Plan

After the issuance of proposed bonus shares for FY 2014/15, the total paid-up capital of the Bank shall reach NPR 2.67 billion. The paid up capital has increased to NPR 4.57 billion following the merger. This financial year, the Bank has proposed to issue bonus shares of NPR 1.05 billion from the distributable profits. After issuance of this proposed bonus share, the Bank's paid-up capital will reach NPR 5.63 billion. Nepal Rastra Bank had released a paid-up capital growth related policy on 6th August 2015 targeting at licensed banks and financial institutions under which licensed "A" class commercial banks need to achieve minimum NPR 8 billion requirements by financial year 2017/18. In this regard, as per the direction of Nepal Rastra Bank, the Bank has already presented the capital plan as to how to manage paid-up capital of NPR 8 billion by the set deadline. According to the same, the Bank plans to reach the target of NPR 8 billion of paid-up capital by issuing maximum 62,08,132 units of promoter shares at a premium and distributing bonus shares from the profits of FY 2073/74.

Expansion of Branch Network and Customer Base: With the objective to provide banking service to the customers and to expand the network, the Bank has established branches in all the development areas of the country. At the end of the financial year, the Bank has a total of 74 branches, 7 extension counters and a total of 66 ATM. Similarly, at the end of the reporting FY, the total number of customers has reached 509,000 thousand. Through the medium of modern technology, all the branches of the Bank have

been functioning through central statistics system. The Bank plans to increase the number of its total branches to 101 within next two years. Similarly, after the merger, there have been duplication of branches in eight different places. The Bank is taking steps to relate the redundant branches to appropriate places for business expansion.

Currently, the Bank is operating following extension counters:

- High Court, Ramshah Path, Kathmandu
- Nepal Oil Corporation, Thankot, Kathmandu
- Nepal Oil Corporation, Biratnagar
- Kathmandu Medical College, Sinamangal, Kathmandu
- Bir Hospital, Kathmandu
- Inland Revenue Office, Pokhara
- Land Revenue Office, Pokhara

The Bank is not leaving any stone unturned to making timely and region-based programs and successfully applying them so as to increase the number of customers as well as the business of branches established and brought into operation in the past few years. Similarly, in the course of expanding network through the medium of branchless banking, the Bank has also been providing banking services via agents using modern banking technology, that is, technology such as point of transaction (P. O.T.) and mobile banking. Till date, the Bank has appointed 34 agents and installed P. O.T. machines in various places of the country for P. O.T. service.

Last year, the Bank signed an agreement to establish 6 branches in various districts of the mid-western and far western region where access to finance is low in order to increase the access to banking among the deprived communities under the Sakchhyam Access to Finance programme operated by Louis Berger. As per the agreement, branches have been established and are being operated in Belauri Municipality of

Kanchanpur district, Lamki Municipality in Kailali district, Rajapur Municipality in Bardiya district, Lalmatiya VDC Bhalubang in Dang district, Bijuwar Municipality in Pyuthan district, and Devdaha Municipality in Rupandehi district.

The Bank and National Reconstruction Authority have reached an agreement to distribute the grant amount for reconstruction of the private houses damaged by the earthquake. As per the agreement, the Bank will open the accounts of the beneficiaries as instructed by the National Reconstruction Authority and help in the distribution of the grant amount. Amongst the districts affected by the earthquake, the Bank has branches in Banepa and Panauti Municipalities in Kavre district and Hetauda in Makawanpur district. The Bank has already opened accounts of 5,442 beneficiaries. In this financial year, the Bank has entered Bancassurance agreement with different insurance companies (Nepal Insurance Company, Premier Insurance Company Nepal, Shikhar Insurance, Prudential Insurance Company, United Insurance Company, and Sagarmatha Insurance Company) under which the customers of the Bank can take out non-life insurances of these companies, pay the premium amount in an easily and efficiently, and receive claims and all other insurance related services from any of its branches. Life insurance agreement with Metlife, Nepal life and National life.

CORPORATE SOCIAL RESPONSIBILITY

The Bank is earnest about fulfilling its corporate social responsibility. Since its inception, the Bank has been contributing through various social and affiliated institutions especially in the field of education, health, sports, and culture. It has also been helping people affected by natural disasters. Following are the major CSR activities of the bank:

- Financial support provided to Swijansheel Apan-ga Aawaj, NGO to provide assistive devices such as wheelchairs, crutches, canes, and artificial or-

- gans to disabled and helpless children,
- Financial support provided to Shree Setidevi Primary School in Matatirtha, Kathmandu to purchase educational materials, school uniform, and raincoats for the children studying in the school,
 - Financial support provided to Smile Nepal, NGO located in Thamel, Kathmandu to feed helpless street children and to reconstruct an old age home in Arkhauli, Nuwakot that was destroyed by the earthquake of April 25, 2015,
 - Financial support provided to Greener Kathmandu Lalitpur Project to plant trees alongside the road from Jawlakhel to Lagankhel
 - Financial support provided to Sarlahi Samajwesi Kalyankari Pariwar – Malangwa to conduct free eye camp for the poor and the helpless,
 - Financial support provided to Maitri Samaj Nepal, NGO in Balkhu, Kathmandu for organizing a natural disaster safety training for the blind and providing them assistive materials such as white canes,
 - Financial support provided to Siddhartha Primary School in Sidhupalchok Nawalpur Ward No. 4 for the repair and maintenance of the school building and the purchase of educational materials for the children,
 - 4 sets of old computers provided to Naya Gaun Barrack of Shree Bhawani Box Battalion which has been deployed for the protection of Shuklaphata Wildlife Reserve,
 - Financial support provided to Bindhyabasini Religious Area Development Committee of Pokhara sub-metropolitan city for the conservation of Bindhyabasini Temple, a well-known religious spot, while opening a savings account at the bank,

- Financial support provided for the conservation of Ram Janaki Temple in Janakpur while opening a savings account in the Bank.

Respected shareholders,

We feel it is our duty to express our heartfelt gratitude for your advice and suggestions to maintain the prestigious image of the Bank and for its utmost progress. In addition, we would like to assure you of our commitment to further raising the standards of the Bank's services and making them more convenient and popular.

Thank you!

Date: March 16, 2017

Dibyanidhi Bista
Member

Prof. Dr. Hem Raj Subedi
Member

Madan Lal Joshi
Member

Chop Narayan Shrestha
Member

Subarna Lal Shrestha
Member

Govinda Prasad Sharma
Member

Kedarnath Gautam
Member

Santa Bar Singh Thapa
Member

Satya Narayan Manandhar
Member

DETAILS ACCORDING TO CLAUSE 109 SUB-CLAUSE 4 OF COMPANY ACT 2063

A. Review of last year's business:

Details regarding this are discussed fully in the Board of Directors' Report.

B. National and international events and their impacts (Source: Monetary Policy 2074):

In the FY 2015/16, the actual GDP growth rate (at production prices) has been estimated to be 0.6 %, much below the initial target of 6% whereas the growth rates of agricultural and non-agricultural sectors are estimated to be 1.3% and 0.6% respectively. The inflation for the FY 2015/16 is predicted to be around 9.9% and the Balance of Payment by the 11th month of 2015/16 has remained a surplus of NPR 171.15 billion.

As of June 14, 2016, the weighted average interest rates of 91-day treasury bills have reached 0.12%. Similarly, the weighted average interest rate of interbank lending of commercial banks is at 0.69%. As of June 14, 2016, there are 29 class "A", 68 class "B", 44 class "C", and 41 class "D" financial institutions in the country making 182 financial institutions in total. The number of merging banks and financial institutions has been increasing. As of June 14, 2016, 96 licensed banks and financial institutions have merged to become 35 institutions. In the review period, the deposit of banks and financial institutions has increased by 18.5% while loan released in the private sector has increased by 20.30%. According to the World Economic Outlook issued by International Monetary Fund in July 2016, the worldwide economic growth rate is predicted to be 3.20% in 2016 and 3.50% in 2017. The inflation of emerging and developing countries is predicted to be at 4.50% in 2016.

The depreciation of Nepali currency with regards to foreign currency is likely to increase the cost of imports

and create inflationary pressures. As a result, the cost of production of industrial products is also likely to increase resulting in a decrease in competitiveness of local products. Depression in the international markets is likely to affect tourism and remittance income directly and thereby, the overall banking sector.

C. Board of Directors' opinion on achievements of the current year till Report Year date and future plans:

This has been discussed in detail in the Board of Directors' Report.

D. Company's industrial and business relations:

About the Bank's business relation, details have been discussed in the Board of Directors' Report.

E. Changes in the Board of Directors and reasons thereof:

A new Board of Directors was formed from the Board Meeting held on July 14, 2016. Detailed information has been provided about this in the Board of Directors' Report.

F. Identification of major problems and challenges affecting the Bank's business:

Following major problems and challenges affecting the Bank's business have been identified:

1. Potential risks arising from increased competition due to the continual establishment, up-gradation, or if the process of merger continues then competition created by it.
2. Potential risks arising from providing loans and non-funded facilities by the Bank.
3. Potential risks arising from unexpected changes in interest rates due to unnatural fluctuations in liquidity.
4. Potential risks arising from changes in the country's economic, currency and fiscal policies.



5. Potential risks due to fluctuations in exchange rates when conducting foreign currency exchange transactions.
6. Financial risks arising from not recovering loans in time because of the overall impact on economic transactions by the sluggishness in real estate business.
7. Potential risks arising from the development of unhealthy competition due to the contraction of loan and investment prospects.
8. Potential risks of impact in Nepali market from sluggishness in the international economy and financial sectors in the Nepali market.
9. Potential risks due to possible fluctuations in the capital market.
10. Challenge of minimizing operating and other risks while adhering strictly to set guidelines regarding client identification and simplification of fiscal procedures.
11. Challenge of providing consistently high returns to investors by maintaining set guidelines related to capital at a time when there is a contraction of income sources.
12. Challenge of developing high-quality staff and availing of their continuous service under the present circumstances where there is a brain drain of skilled human resources.
13. Challenge of selecting the most appropriate technology at a time of rapid development of Information technology as well as the development of the capability to get continuous returns on investment on technology so chosen.
14. Challenge of developing the capability to minimize possible operating risks arising from an increase in the Bank's branches and ATMs due to expansion.

To manage potential risks arising from deterioration of Bank's lending & investment and exchange rate fluctuations, the Bank, as per Nepal Rastra Bank's direction, and also through self-internal analysis, has created provisions for Loan Loss, Contingent Reserve, Exchange Fluctuation Reserve etc from this Financial Year's profit. Likewise, the Bank has also made appropriate arrangements as per guidelines set by Nepal Rastra Bank for calculating capital fund in regard to operational risk. Detailed information is provided in the Board of Directors' Report about the various risks of the Bank and steps taken by the Bank to manage them.

G. Board of Directors' response to any comments in Auditor's Report:

We would like to inform that except for routine comments concerning banking business in the FY 2015/16, there were no serious comments of other nature. The Board of Directors attention has been drawn to these comments and necessary arrangements have also been made to take steps for improvement.

H. Amount recommended for dividend distribution:

Bonus shares of NRs 1,05,26,85,000 has been proposed.

I. Number of shares confiscated, and their number, if any; listed price of such shares; net amount received by company for such shares before confiscation; amount received by company on sale of such confiscated shares; and details of amount returned in lieu of confiscated shares:

No shares have been confiscated by the Bank in the financial year.

J. Progress of company's or its subsidiary company's business in the last financial year and review of the situation at the end of that financial year:

While detailed information on the Bank's progress in this Reporting FY has been given in the Board of Directors' Report, the Bank does not have any subsidiary company.

K. Major transactions of company and its subsidiary company at the end of the financial year and any significant changes in the company's business during that period:

While detailed description of the Bank's transactions in this Reporting FY has been given in the Board of Directors' Report, the Bank does not have any subsidiary company.

L. Information made available to the company by the company's primary shareholders in the last financial year:

The Bank's primary shareholders have not made available any information to the Bank in this Reporting FY.

M. Details of shares owned by the company's directors and office bearers in the last financial year and if they have been involved in transactions of the company's shares, information received by the company from those concerned:

The Bank's directors and office bearers have not been involved in transactions of the company's shares except for the bonus shares distributed to them for their share ownership.

N. Detailed Information available of any personal

motives of any director or his close relatives concerning agreements related to the company in the last financial year:

None.

O. If the company has purchased its own shares, then the reasons for doing so, the number of such shares and their listed price, as well as the amount paid by the company for purchasing such shares:

The Bank has not purchased its own shares in the reported financial year.

P. Whether there is an internal control system or not, and if there is, a detailed description of the same:

The Bank has an internal control system, the detailed description of which is discussed in the Board of Directors' Report.

Q. Details of the last financial year's net operating expenses:

Details of the net operating expenses of the reported financial year are as follows:

Staff expenses: NPR 42, 98, 13,345

Office operating expenses: NPR 40, 45, 09,920

R. Names of Audit Committee members, reimbursements received by them, allowances and facilities, details of work done by said committee, and details of suggestions, if any, given by said committee:

In the review period, Mr. Ramesh Nath Dhungel was the Chairman of the Audit Committee while Prof. Hem Raj Subedi, Ph.D., Mr. Balaram Neupane, and Mr. Chop Narayan Shrestha were the members of the Committee. Meeting allowance of Rs. 10,000 was provided to each member for each meeting. There were 17 meetings held by the committee during this Financial Year. This committee provided necessary suggestions related to Bank operations.

S. Balance remaining to be paid, if any, by Director, Managing Director, Chief Executive Officer, company's primary shareholders or their close relatives or any firm, company, or organization they are involved with:

None.

T. Salaries, allowance, and facilities provided to Director, Managing Director, Chief Executive Officer, and office bearers:

In the case of the Chief Executive Officer, salaries and facilities as stipulated by the Board of Directors, and Directors' allowances and facilities according to the regulations, which are as follows:

Designation	Salary	Allowance/Facilities
Chairperson	-	NPR 12,000 per meeting
Director	-	NPR 10,000 per meeting
Facilities: In addition, when going on domestic or foreign visits in the course of the Bank's business, all directors will be provided with expenses against hotel facility along with daily boarding expenses and other expenses as per regulations. Besides this, the Board's chairman and members are being provided NPR 15,000 every month against telephone, mobile, and journal expenses.		
Chief Executive Officer	NPR 90,75,000	Facilities as per the rules (such as provident fund, medical expenses, vehicle facility, mobile phone reimbursement facility, and bonus according to the Bonus Act, etc.)

Annual salaries and facilities of the Bank's other office bearers: In the financial year, the Bank's office bearers (manager and above except CEO) were provided NPR 2, 90, 91, 364/91 against salaries and facilities, and employees were provided facilities as per the rules (such as provident fund, medical expenses, vehicle, mobile phone reimbursement facility, etc.) as well as bonus according to the Bonus Act.

U. Balance dividend amount yet to be received by shareholders:

Of the dividends distributed from the Bank's profits from F.Y. 2001/02 to 2014/15 as returns on investment in this Bank's shares by our respected shareholders, the remaining uncollected cash dividend balance as on July 14, 2016, is NPR 2,35,95,763. In case the concerned shareholder or his nominee does not come forward to receive this dividend within five years from the date of the Bank's declaration of the dividends, the shareholder's name along with details are put on the Bank's own website by the month following the end of the financial year.

V. Purchase or sale of assets as per Clause 141:

No such purchase or sale in this Reporting FY.

W. Details of transactions between related companies as per Clause 175:

It is informed that this Bank has no associate or primary or any other related company.

X. Other subjects to be disclosed in the Board of Directors' Report as per the Company Act and prevalent laws have already been stated in the said report.

CORPORATE SOCIAL RESPONSIBILITIES

Corporate social responsibility (CSR) is the process of contributing to the society where it operates. Beyond its stakeholder's there is also an equally important responsibility of any institutions where it operates its day-to-day activities. More practically, it often represents the policies, practices and initiatives a company commits to in order to govern themselves with honesty and transparency and have a positive impact on social and environmental well being.

Bank of Kathmandu Lumbini Limited is committed to behave ethically and will contribute to economic development while contributing to the betterment of all our stakeholders. This FY, the Bank has targeted its CSR initiatives in areas such as Education, Health and Environment. The activities carried out is detailed as below:

Distribution of computer to Shree Bhawani Bax Gan-Nayagaun Barrack. The barrack is situated in Mahendranagar and focuses on prevention and protection of Shuklapantha National Regional Park in the region. The computers were handed over to set up IT lab.
Fund support for stationaries to students of Siddhartha Primary School.
Fund Support to Setidevi School, Matatirtha for providing free education to underprivileged students.
Animal Nepal - Purchase of Charity tickets-animal Nepal support – to support the cause through charity show – this show has been specially organized to raise funds to help and improve the quality of life animal in need.
BOKL reaches out for cold weather relief- BOKL distributed the warm blankets to 370 families in Jajarkot and Solukhumbu districts. This relief materials were distributed in coordination with social organizations – Women for Human Rights and Being Homosapiens.
Ticket Purchase as fund support for charity to Earthquake victims (4 tickets)
Fund Support to Greener Kathmandu Lalitpur Project. – tree plantation program from Jawalakhel to Lagankhel in both side of footpath to make area green. Tree plantation all around Patan and Kathmandu area.
Financial Support to help to the helpless council for purchasing educational materials for orphan children in local schools in Dharan.
Financial Support to Jayanti Memorial Trust in order to support the fight against cardiovascular diseases in Nepal .
Organized free health camp for heart patients at Jumla Region.
Fund Support to Saypatri Yuba Club in order to support cleanliness programme.
Fund Support to Maitry Samaj Nepal – Fellowship Society for visually impaired.
Fund Support to SAAR Nepal in order to support elderly people.
Fund Support to Sarlahi Social Club to support free eye camp as well as to support cataract operation.
Fund support to shree sidhartha primary school, Sindhupalchok for renovation and distribution of education material.
Fund Support to NGO Smile Nepal for welfare for better living and education facilities for children.
Fund Support to Srijanshil Apanga Awaj, Manamaiju, to physically challenged girls who need educational scholarships to continue their studies. Educational expenses includes uniform, transportation, tiffin, and other expenses.



CORPORATE GOVERNANCE

Bank's Philosophy on Corporate Governance

Effective Corporate Governance is critical to the proper functioning of the banking sector and the economy as a whole. Taking cognizance of this fact, the Bank continues to put a top priority on integrity, transparency & accountability, effective risk management, on compliance with regulations and on accurate disclosure of information as part of its corporate governance culture.

Bank has not only continued to comply with the statutory requirements but also voluntarily formulated and adhered to a set of strong Corporate Governance practices with a commitment to follow the best international practices going forward. Moreover, the Bank shall strive hard to best serve the interests of its stakeholders comprising shareholders, customers, regulator, employees and the society at large.

Board of Directors

The Composition of Board of Directors of the erstwhile Bank of Kathmandu Limited was as under:

S.No.	Name	
1	Mr. Satya Narayan Manandhar	Chairman
2	Mr. Santa B.S. Thapa	Promoter
3	Mr. Ramesh Nath Dhungel	Promoter
4	Mr. Balam Neupane	Public
5	Mr. Govinda Prasad Sharma	Public
6	Prof. Dr. Hem Raj Subedi	Public
7	Mr. Chop Narayan Shrestha	Public

The Composition of Board of Directors of the erstwhile Lumbini Bank Limited was as under:

S.No.	Name	
1	Mr. Prakash Shrestha	Chairman
2	Mr. Kedarnath Gautam	Promoter
3	Mr. Subarna Lal Shrestha	Promoter
4	Mr. Sushil Kumar Aryal	Promoter
5	Mr. Sabin Joshi	Promoter
6	Mr. Madan Lal Joshi	Public
7	Mr. Ram Kaji Kone	Public
8	Mr. Dibyanidhi Bista	Professional Director
9		

The Composition of Board of Directors of the Bank as on 15th July 2016 is as under:

S.No.	Name	
1	Mr. Satya Narayan Manandhar	Chairman
2	Mr. Subarna Lal Shrestha	Promoter
3	Mr. Kedarnath Gautam	Promoter
4	Mr. Santa B.S. Thapa	Promoter
5	Mr. Govinda Prasad Sharma	Public
6	Mr. Chop Narayan Shrestha	Public
7	Prof. Dr. Hem Raj Subedi	Public
8	Mr. Madan Lal Joshi	Public
9	Mr. Dibyanidhi Bista	Professional Director

BOARD MEETINGS

The Board of directors of the bank has total of nine board members, Mr. Satya Narayan Manandhar is the chairman of this board while Mr. Kedarnath Gautam, MR. Santa B.S. Thapa and Subarna Lal Shrestha were the representatives from the promoter share holder and Mr. Govinda Prasad Sharma, Mr. Chop Narayan Shrestha and Prof. Dr. Hem Raj Subedi were representatives from public shareholder. In the financial year, there were total 30 board of directors meetings conducted and total meeting allowance of NPR 20 lakh 30 thousand were provided to the board members.

“Relationship are not perfect. Perfect is when you and I can go through anything and still stand strong together.”



FINANCIAL REPORT



**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
BANK OF KATHMANDU LUMBINI LTD.**

Report on the Financial Statements

We have audited the accompanying financial statements of **Bank of Kathmandu Lumbini Ltd.** (*hereinafter referred to as 'the Bank'*), that comprises of Balance Sheet as at July 15, 2016 (*Ashadh 31, 2073*) and the related Profit & Loss Account, Cash Flow and Changes in Equity Statements for the year then ended. **However, these financial statements have not been prepared in accordance with Nepal Financial Reporting Standards (NFRS) issued by the Institute of Chartered Accountants of Nepal (ICAN), and made applicable for commercial banks from FY 2015-16.**

Management's Responsibility

The preparation & fair presentation of these financial statements are the responsibility of the bank's management.

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 of Auditing and relevant practices. Those standards and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examination on a *test basis*, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Report on the requirements of NRB Directives: Company Act, 2063 & BAFIA, 2063

Based on our examination of the financial statements as aforesaid, we report that:

1. We have obtained all the information and explanations required for the purpose of our audit.
2. The Balance Sheet, Profit & Loss Account, Cash Flow Statement and the Schedules thereto are presented in conformity with the formats prescribed by Nepal Rastra Bank and are in agreement with the books of accounts maintained by the Bank.
3. The accounts and records of the Bank have been maintained as required by law and practice.
4. Returns received from the branch offices of the Bank were adequate for the purpose of our audit though the statements are independently not audited.

5. The capital fund, risk bearing fund and the provisions for possible impairment of assets of the bank are adequate considering the Directives issued by Nepal Rastra Bank.
6. To the best of our information and according to the explanation given to us and from our examination of the books of accounts of the Bank, we have not come across any case where the Board or Directors or any office bearer of the Bank have acted contrary to the provisions of law, or committed any misappropriation or caused any loss or damage to the Bank and violated Directives issued by Nepal Rastra Bank or acted in a manner, as would jeopardize the interest and security of the Bank, its shareholders and its depositors.
7. The business of the Bank has been conducted satisfactorily and operated within its jurisdiction and has been functioning as per NRB Directives.

Opinion

8. In our opinion and to the best of our information and according to the explanation given to us, the said financial statements read together with the Principal Accounting Policies (*Schedule 32*) and Notes to Accounts (*Schedule 33*), **except for the compliance with NFRSs as stated in the opening paragraph**, give a true and fair view, in all material respects -

~ in case of Balance Sheet, of the state of affairs of the Bank as at July 15, 2016 (*Ashadh 31, 2073*),

~ in case of Profit & Loss Account, of the operating results of the Bank for the year ended on that date, and

~ in case of Cash Flow and Changes in Equity Statements, the cash flows and changes in equity of the Bank for the year ended on that date,

in accordance with Nepal Accounting Standards (**applicable hitherto**) so far as applicable in compliance with the prevailing laws and comply with the directives from Nepal Rastra Bank, Banks and Financial Institutions Act, 2063 and Company Act, 2063.



CA. Gopal P. Rajbahak
Senior Partner
G. P. Rajbahak & Co.
Chartered Accountants

Date: December 15, 2016

Place: Kathmandu

BALANCE SHEET

AS AT JULY 15, 2016

Amount in NPR

CAPITAL AND LIABILITIES	SCHEDULE	CURRENT YEAR	PREVIOUS YEAR
1. Share Capital	1	5,629,576,000	2,671,467,500
2. Reserves and Surplus	2	2,149,242,922	1,182,646,924
3. Debentures and Bonds	3	1,000,000,000	1,000,000,000
4. Borrowings	4	2,247,000,000	131,000,000
5. Deposits	5	67,836,390,757	39,456,586,740
6. Bills Payables	6	97,441,879	42,475,201
7. Proposed Dividend		-	29,013,432
8. Income Tax Liabilities		-	-
9. Other Liabilities	7	688,037,700	456,868,453
TOTAL CAPITAL AND LIABILITIES		79,647,689,258	44,970,058,250

ASSETS	SCHEDULE	CURRENT YEAR	PREVIOUS YEAR
1. Cash Balance	8	1,527,376,805	962,745,562
2. Balance with Nepal Rastra Bank	9	6,507,835,474	3,299,135,388
3. Balance with Banks/Financial Institutions	10	1,753,239,535	1,408,495,953
4. Money at Call and Short Notice	11	150,000,000	13,658,000
5. Investments	12	9,785,315,975	6,027,025,500
6. Loans, Advances and Bills Purchase	13	58,222,382,119	31,894,060,062
7. Fixed Assets	14	950,216,300	574,164,717
8. Non Banking Assets	15	-	-
9. Other Assets	16	751,323,050	790,773,068.00
TOTAL ASSETS		79,647,689,258	44,970,058,250

Contingent Liabilities	Schedule 17
Directors' Declaration	Schedule 29
Statement of Capital Adequacy	Schedule 30
Statement of Risk Weighted Exposure for Credit Risk	Schedule 30 (A)
Principal Indicators	Schedule 31
Significant Accounting Policies	Schedule 32
Notes to Accounts	Schedule 33

Schedules 1 to 17 form an integral part of this Balance Sheet

CA. Chandra Raj Sharma AGM- Head Office Operations	Prabin Prakash Chhetri Chief Operating Officer	Ajay Shrestha Chief Executive Officer
Prof. Hem Raj Subedi, Ph. D Director	Chop Narayan Shrestha Director	Govinda Prasad Sharma Director
Santa Bar Singh Thapa Director	Kedar Nath Gautam Director	Subarna Lal Shrestha Director
Madan Lal Joshi Director	Dibyanidhi Bista Director	Satya Narayan Manandhar Chairman

CA. Gopal P. Rajbahak
Senior Partner
G.P. Rajbahak & Co.
Chartered Accountants

Date: December 15, 2016
Place: Kathmandu

PROFIT / LOSS ACCOUNT

FOR THE PERIOD FROM JULY 17, 2015 TO JULY 15, 2016

Amount in NPR

PARTICULARS	SCHEDULE	CURRENT YEAR	PREVIOUS YEAR
1. Interest Income	18	3,087,313,384	2,844,854,785
2. Interest Expenses	19	1,544,407,401	1,463,506,119
Net Interest Income		1,542,905,983	1,381,348,666
3. Commission and Discount	20	258,973,743	265,339,548
4. Other Operating Income	21	105,087,868	65,446,261
5. Exchange Gain	22	178,561,606	161,924,985
Total Operating Income		2,085,529,200	1,874,059,460
6. Employees Expenses	23	429,813,345	407,402,804
7. Other Operating Expenses	24	404,509,920	393,838,473
8. Exchange Loss	22	-	-
Operating Profit before provision for possible losses		1,251,205,935	1,072,818,183
9. Provision for Possible Losses	25	258,560,541	941,260,259
Operating Profit		992,645,394	131,557,924
10. Non Operating Income /(Expense)	26	16,378,299	4,554,488
11. Provision Written Back	27	39,482,089	420,271,191
Profit from Ordinary Activities		1,048,505,782	556,383,603
12. Income/(Expense) from extra-ordinary Activities	28	6,272,580	(14,456,760)
Net profit after incorporating all Activities		1,054,778,362	541,926,843
13. Provision for Staff Bonus		95,888,942	49,266,077
14. Income Tax Expenses		303,613,722	158,091,684
- Current Tax		284,034,922	34,965,626
- Previous Year's Additional Tax		14,964,324	4,945,760
- Current Year's Deferred Tax (Income)/Expense		4,614,476	118,180,298
NET PROFIT/(LOSS)		655,275,697	334,569,082

Schedules 18 to 28 form an integral part of this Profit & Loss Account

CA. Chandra Raj Sharma
AGM- Head Office Operations

Prabin Prakash Chhetri
Chief Operating Officer

Ajay Shrestha
Chief Executive Officer

Prof. Hem Raj Subedi, Ph. D
Director

Chop Narayan Shrestha
Director

Govinda Prasad Sharma
Director

Santa Bar Singh Thapa
Director

Kedar Nath Gautam
Director

Subarna Lal Shrestha
Director

Madan Lal Joshi
Director

Dibyanidhi Bista
Director

Satya Narayan Manandhar
Chairman

CA. Gopal P. Rajbahak
Senior Partner
G.P. Rajbahak & Co.
Chartered Accountants

Date: December 15, 2016
Place: Kathmandu

PROFIT / LOSS APPROPRIATION ACCOUNT

FOR THE PERIOD FROM JULY 17, 2015 TO JULY 15, 2016

Amount in NPR

PARTICULARS	SCHEDULE	CURRENT YEAR	PREVIOUS YEAR
INCOME			
1. Retained Profit upto Previous Year		27,177,575	4,763,693
2. Current Year's Profit		655,275,697	334,569,082
3. Exchange Fluctuation Fund		-	-
4. Transfer from Retained Earning of LUBL		269,081,498	-
5. Transfer From Bond Redemption Reserve		-	-
6. Reversal of dividend received in FY 2066-67		-	-
7. Investment Adjustment Reserve		15,031,688	-
8. Transfer from Other Reserve		-	137,350,100
9. Transfer from contingent reserve		9,038,116	269,337,216
10. Transfer from General Reserve		-	-
11. Transfer from Capital Reserve (Share Swap surplus on Merger)		395,534,680	-
Total		1,371,139,256	746,020,091
EXPENSES			
1. Loss up to Last Year		-	-
2. Current Year's Loss		-	-
3. General Reserve		131,055,139	66,913,817
4. Contingent Reserve		-	-
5. Institutional Development Fund		-	-
6. Dividend Equalization Fund		-	-
7. Staff Related Reserve		-	-
8. Proposed Dividend		-	29,013,432
9. Proposed Bonus Shares		1,052,685,000	551,255,200
10. Special Reserves		-	-
11. Exchange Fluctuation Fund		4,070,854	3,962,862
12. Capital Redemption Reserve		-	-
13. Capital Adjustment Fund		-	-
14. BOK Bond - 2076 Redemption Reserve		66,666,667	66,666,667
15. BOK Bond - 2079 Redemption Reserve		100,000,000	-
16. Investment Adjustment Reserve		-	1,030,538
17. Deferred Tax Reserve		-	-
18. Other Reserve		-	-
Total		1,354,477,660	718,842,516
17. RETAINED PROFIT/(LOSS)		16,661,596	27,177,575

CA. Chandra Raj Sharma
AGM- Head Office Operations

Prabin Prakash Chhetri
Chief Operating Officer

Ajay Shrestha
Chief Executive Officer

Prof. Hem Raj Subedi, Ph. D
Director

Chop Narayan Shrestha
Director

Govinda Prasad Sharma
Director

Santa Bar Singh Thapa
Director

Kedar Nath Gautam
Director

Subarna Lal Shrestha
Director

Madan Lal Joshi
Director

Dibyanidhi Bista
Director

Satya Narayan Manandhar
Chairman

CA. Gopal P. Rajbahak
Senior Partner
G.P. Rajbahak & Co.
Chartered Accountants

Date: December 15, 2016
Place: Kathmandu

CASH FLOW STATEMENT

FOR THE PERIOD FROM JULY 17, 2015 TO JULY 15, 2016

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
(A) CASH FLOW FROM OPERATING ACTIVITIES	1,362,781,717	1,217,054,748
1. Cash Receipts	3,494,618,343	3,250,543,780
1.1 Interest Income	2,966,272,826	2,778,123,923
1.2 Commission and Discount Income	251,755,026	258,400,060
1.3 Exchange Gain	162,278,191	146,073,536
1.4 Recovery of written off Loan	-	2,500,000
1.5 Other Income	114,312,300	65,446,261
2. Cash Payments	2,628,801,598	2,404,383,328
2.1 Interest Expenses	1,685,620,742	1,385,511,425
2.2 Employee Expenses	442,363,554	409,703,325
2.3 Office Overheads	329,255,927	329,493,804
2.4 Income Tax Paid	113,406,739	235,942,748
2.5 Other Expenses	58,154,636	43,732,026
OPERATING CASH FLOW BEFORE WORKING CAPITAL ADJUSTMENTS	865,816,745	846,160,452
CHANGES IN CURRENT ASSETS	(5,408,191,087)	(4,997,343,908)
1. (Increase)/Decrease in Money at Call and Short Notice	163,658,000	(13,658,000)
2. (Increase)/Decrease in Other Short Term Investments	(486,235,840)	(323,794,363)
3. (Increase)/Decrease in Loans, Advances and Bills Purchase	(5,453,686,183)	(4,519,264,869)
4. (Increase)/Decrease in Other Assets	368,072,936	(140,626,676)
CHANGES IN CURRENT LIABILITIES	5,905,156,060	5,368,238,204
1. Increase/(Decrease) in Deposits	3,674,821,162	5,340,915,161
2. Increase/(Decrease) in Certificate of Deposits	-	-
3. Increase/(Decrease) in Short Term Borrowings	2,200,000,000	-
4. Increase/(Decrease) in Other Liabilities	30,334,898	27,323,043
(B) CASH FLOW FROM INVESTING ACTIVITIES	1,515,638,765)	(1,137,807,655)
1. (Increase)/Decrease in Long Term Investment	(1,493,511,333)	(1,123,433,227)
2. (Increase)/Decrease in Fixed Assets	(136,171,974)	(84,046,503)
3. Interest income from Long Term Investments	98,657,761	65,062,689
4. Dividend Income	15,386,781	4,609,386
5. Others	-	-
(C) CASH FLOW FROM FINANCING ACTIVITIES	(102,689,426)	577,442,234
1. Increase/(Decrease) in Long Term Debt (Bonds, Debentures etc)	-	600,000,000
2. Increase/(Decrease) in Share Capital	-	-
3. Increase/(Decrease) in Other Liabilities	(35,227,091)	(17,557,766)
4. Increase/(Decrease) in Capital Expenditure Reserve	16,537,665	-
5. Increase/(Decrease) in Subsidies / Refinance from NRB	(84,000,000)	(5,000,000)
(D) INCOME/ (LOSS) FROM CHANGE IN EXCHANGE		
RATE IN CASH & BANK BALANCES	16,283,416	15,851,449
(E) CURRENT YEAR'S CASH FLOW FROM ALL ACTIVITIES (A+B+C+D)	(239,263,058)	672,540,776
(F) OPENING CASH & BANK BALANCE	5,670,376,903	4,997,836,127
(G) CASH & BANK BALANCE FROM MERGER	4,357,337,968	-
(H) CLOSING CASH & BANK BALANCE (E+F)	9,788,451,813	5,670,376,903

CA. Chandra Raj Sharma
AGM- Head Office OperationsPrabin Prakash Chhetri
Chief Operating OfficerAjay Shrestha
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DirectorDibyanidhi Bista
DirectorSatya Narayan Manandhar
ChairmanCA. Gopal P. Rajbahak
Senior Partner
G.P. Rajbahak & Co.
Chartered AccountantsDate: December 15, 2016
Place: Kathmandu

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM JULY 17, 2015 TO JULY 15, 2016
Amount in NPR

PARTICULARS	SHARE CAPITAL	RETAINED PROFIT/(LOSS)	GENERAL RESERVE FUND	CAPITAL RESERVE FUND	SHARE PREMIUM	EXCHANGE FLUCTUATION FUND	DEFERRED TAX RESERVE	INVESTMENT ADJUSTMENT RESERVE	BOND REDEMPTION RESERVE	OTHER RESERVES	TOTAL
Opening Balance as at July 16 2014	2,671,467,500	27,177,575	948,064,523	164,075	-	52,498,463	-	1,408,954	133,333,334	20,000,000	3,854,114,425
Changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-
Reversal of dividend received in FY 2066-67	-	-	-	-	-	-	-	-	-	-	-
Transfer from General Reserve	-	-	-	-	-	-	-	-	-	-	-
Opening Balance as at July 16 2015	2,671,467,500	27,177,575	948,064,523	164,075	-	52,498,463	-	1,408,954	133,333,334	20,000,000	3,854,114,425
Surplus on Revaluation of properties	-	-	-	-	-	-	-	-	-	-	-
Deficit on Revaluation of Investment	-	-	-	-	-	-	-	-	-	-	-
Net Gains & Losses not recognized in the income statement	-	-	-	-	-	-	-	-	-	-	-
Net profit for the period	-	655,275,697	-	-	-	-	-	-	-	-	655,275,697
Transfer to General Reserve	-	(131,055,139)	131,055,139	-	-	-	-	-	-	-	-
Proposed Dividend/Bonus	-	(657,150,320)	-	(395,534,680)	-	-	-	-	-	-	-
Issue of Share Capital	1,052,685,000	-	-	-	-	-	-	-	-	-	-
Deficit on revaluation of properties	-	-	-	-	-	-	-	-	-	-	-
Surplus on Revaluation of Investment	-	-	-	-	-	-	-	-	-	-	-
Exchange Fluctuation Reserve	-	(4,070,854)	-	-	-	4,070,854	-	-	-	-	-
Capital Adjustment Fund	-	-	-	-	-	-	-	-	-	-	-
Transfer from Capital Adjustment Fund	-	-	-	-	-	-	-	-	-	-	-
Transfer from Bond Redemption Reserve	-	-	-	-	-	-	-	-	166,666,667	-	-
Transfer to Bond Redemption Reserve	-	(166,666,667)	-	-	-	-	-	-	-	(9,038,116)	-
Contingent Reserve	-	9,038,116	-	-	-	-	-	-	-	-	-
Transfer From Deferred Tax Reserve	-	-	-	-	-	-	-	(15,031,688)	-	-	-
Investment Adjustment Reserve	-	15,031,688	-	-	-	-	-	-	-	-	-
Other Reserve	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditure Reserve	-	-	-	-	-	-	-	-	-	16,537,665	16,537,665
Transfer from merger - Lumbini Bank Ltd	1,905,423,500	269,081,498	614,815,835	395,534,680	-	3,512,004	-	27,119,800	-	37,403,819	3,252,891,136
Closing Balance as at July 15, 2016	5,629,576,000	16,661,596	1,693,935,497	164,075	-	60,081,321	-	13,497,066	300,000,001	64,903,368	7,778,818,923

Opening balance of Share Capital includes proposed bonus shares of last Fiscal Year.

CA. Chandra Raj Sharma AGM- Head Office Operations	Prabin Prakash Chhetri Chief Operating Officer	Ajay Shrestha Chief Executive Officer	Prof. Hem Raj Subedi, Ph. D Director	Chop Narayan Shrestha Director	Govinda Prasad Sharma Director
Santa Bar Singh Thapa Director	Kedar Nath Gautam Director	Subarna Lal Shrestha Director	Madan Lal Joshi Director	Dibyandhi Bista Director	Satya Narayan Manandhar Chairman
					CA. Gopal P. Rajbahak Senior Partner G.P. Rajbahak & Co. Chartered Accountants

Date: December 15, 2016
Place: Kathmandu

SCHEDULE 1 SHARE CAPITAL AND OWNERSHIP

AS AT JULY 15, 2016

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Share Capital		
1.1 Authorized Capital	6,000,000,000	3,000,000,000
A) 60,000,000 Ordinary Shares of NPR 100 each	6,000,000,000	3,000,000,000
B) Non-redeemable Shares	-	-
C) Redeemable Shares	-	-
1.2 Issued Capital	4,576,891,000	2,120,212,300
A) 45,768,910 Ordinary Shares of NPR 100 each	4,576,891,000	2,120,212,300
(Previous Year 21,202,123 Ordinary Shares of NPR 100 each)		
B) Non-redeemable Shares	-	-
C) Redeemable Shares	-	-
1.3 Paid Up Capital	4,576,891,000	2,120,212,300
A) 45,768,910 Ordinary Shares of NPR 100 each	4,576,891,000	2,120,212,300
(Previous Year 21,202,123 Ordinary Shares of NPR 100 each)		
B) Non-redeemable Shares	-	-
C) Redeemable Shares	-	-
1.4 Proposed Bonus Share	1,052,685,000	551,255,200
1.5 Call in Advance	-	-
1.6 TOTAL AMOUNT (1.3+1.4+1.5)	5,629,576,000	2,671,467,500

Note: Forfeited but not issued number of shares 4,505

SHARE OWNERSHIP DETAILS

PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
	%	SHARE CAPITAL	SHARE CAPITAL	%
1. Local	100.00%	4,576,891,000	2,120,212,300	100.00%
1.1 Government of Nepal	-	-	-	-
1.2 "A" class Licensed Institutions	-	-	-	-
1.3 Other Licensed Institutions	0.00	42,800	-	-
1.4 Other Institutions	22.92%	1,049,227,600	71,859,700	3.39%
1.5 Individuals	77.07%	3,527,620,600	2,048,352,600	96.61%
1.6 Others	-	-	-	-
2. Foreign	-	-	-	-
TOTAL	100.00%	4,576,891,000	2,120,212,300	100.00%

LIST OF SHAREHOLDERS HOLDING MORE THAN 0.5% SHARES

S.N	NAME OF SHAREHOLDERS	PAID-UP AMOUNT	%	TYPE
1	Employees Provident Fund	254,129,100	5.55	Promoter
2	Mangal Kalas Investment Pvt.Ltd.	152,863,500	3.34	Promoter
3	Ran Bahadur Shah	125,340,900	2.74	Promoter
4	Citizen Investment Trust	106,867,700	2.33	Promoter
5	Dambar Bahadur Malla	101,321,300	2.21	Promoter
6	Rita Malla	93,858,200	2.05	Promoter
7	Sharada Singh	84,715,300	1.85	Promoter
8	Manju Agrawal	67,373,300	1.47	Promoter
9	Radhesh Pant	60,226,500	1.32	Promoter
10	Prem Bahadur Shrestha	52,017,900	1.14	Promoter
11	Sitaula Investment Pvt.Ltd.	50,965,900	1.11	Promoter
12	Bhubnesh Prasad Pant	47,250,800	1.03	Promoter
13	Gandaki Tours and Travels Pvt.Ltd.	47,147,500	1.03	Promoter
14	Alok Singh	45,804,200	1.00	Promoter
15	Bhatbhateni Supermarket Pvt.Ltd.	42,956,600	0.94	Promoter
16	Bhubaneshwori Shrestha	41,070,500	0.90	Promoter
17	Hetauda Investment and Trading Pvt. Ltd.	37,718,000	0.82	Promoter
18	Ambika Shah	35,930,100	0.79	Promoter
19	Machan Wildlife Resort Pvt.Ltd.	31,634,800	0.69	Promoter
20	Girish Prasad Pant	31,547,500	0.69	Promoter
21	Meera Arjyal	23,906,900	0.52	Promoter
22	Nepal Life Insurance Company Ltd.	22,996,800	0.50	Promoter
23	Mangal Kalas Investment Pvt.Ltd.	59,431,700	1.30	Public
24	Citizen Investment Trust	54,779,000	1.20	Public
25	Chop Narayan Shrestha	23,334,600	0.51	Public

SCHEDULE 2 RESERVES AND SURPLUS

AS AT JULY 15, 2016

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. General Reserve	1,693,935,497	948,064,523
2. Capital Reserve	164,075	164,075
3. Capital Redemption Reserve	-	-
4. Capital Adjustment Fund	-	-
5. Other Reserves	378,400,433	154,742,288
5.1 Contingent Reserve	10,961,884	20,000,000
5.2 Institutional Development Fund	-	-
5.3 Dividend Equalization Fund	-	-
5.4 Special Reserve	-	-
5.5 Assets Revaluation Reserve	-	-
5.6 Deferred Tax Reserve	-	-
5.7 Other Free Reserve	-	-
5.8 Other Reserves	37,403,819	-
5.9 Bond Redemption Reserve	300,000,000	133,333,334
5.10 Investment Adjustment Reserve	13,497,066	1,408,954
5.10 Capital Expenditure Reserve	16,537,665	-
6. Retained Profit/(Loss)	16,661,596	27,177,575
7. Exchange Fluctuation Fund	60,081,321	52,498,463
TOTAL	2,149,242,922	1,182,646,924

SCHEDULE 3 DEBENTURES AND BONDS

AS AT JULY 15, 2016

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1 8% BOK Bond - 2076 of NPR 1,000 each Issued on May 19, 2013 and maturity at May 17, 2020 (Balance of Redemption Reserve NPR 200,000,000)	400,000,000	400,000,000
2 8% BOK Bond - 2079 of NPR 1,000 each Issued on June 30, 2015 and maturity at June 27, 2022 (Balance of Redemption Reserve NPR 100,000,000)	600,000,000	600,000,000
TOTAL	1,000,000,000	1,000,000,000

Note: No securities have been pledged for issue of BOK Bond.

SCHEDULE 4 BORROWINGS

AS AT JULY 15, 2016

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
A. Local		
1. Government of Nepal	-	-
2. Nepal Rastra Bank	47,000,000	131,000,000
3. Repo Obligations	-	-
4. Inter Bank and Financial institutions	2,200,000,000	-
5. Other Organized Institutions	-	-
6. Others	-	-
Total (A)	2,247,000,000	131,000,000
B. Foreign		
1. Banks	-	-
2. Other	-	-
Total (B)	-	-
TOTAL (A+B)	2,247,000,000	131,000,000

SCHEDULE 5 DEPOSITS

AS AT JULY 15, 2016

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Non Interest-bearing accounts		
A. Current Deposits	4,705,241,547	3,806,625,059
1. Local Currency	4,371,661,651	3,569,574,265
1.1 Government of Nepal	716,356,398	864,333,845
1.2 "A" Class Licensed Institutions	351,190,971	126,595,852
1.3 Other Licensed Institutions	194,074,823	49,904,620
1.4 Other Organized Institutions	2,570,691,004	2,369,963,846
1.5 Individuals	334,899,531	158,776,102
1.6 Others	204,448,925	-
2. Foreign Currency	333,579,896	237,050,794
2.1 Government of Nepal	-	-
2.2 "A" Class Licensed Institutions	-	-
2.3 Other Licensed Institutions	210,034	-
2.4 Other Organized Institutions	301,763,238	228,239,429
2.5 Individuals	9,655,621	8,811,365
2.6 Others	21,951,003	-
B. Margin	474,043,146	382,851,581
1. Employees Guarantee	-	-
2. Guarantee Margin	144,305,297	106,344,065
3. Letter of Credit Margin	329,737,849	276,507,516
C. Other	175,170,837	51,347,218
1. Local Currency	173,122,849	51,347,218
1.1 Financial Institutions	-	-
1.2 Other Organized Institutions	153,849,747	50,216,018
1.3 Individuals	19,273,102	1,131,200
2. Foreign Currency	2,047,988	-
2.1 Financial Institutions	-	-
2.2 Other Organized Institutions	2,047,988	-
2.3 Individuals	-	-
TOTAL OF NON-INTEREST BEARING ACCOUNTS	5,354,455,530	4,240,823,858

continued

Amount in NPR

continued

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
2. Interest-bearing accounts		
A. Saving Deposits	21,206,398,939	12,685,506,787
1. Local Currency	20,850,719,780	12,482,063,638
1.1 Organized Institutions	1,107,475,410	445,043,179
1.2 Individuals	19,737,991,418	12,037,020,459
1.3 Others	5,252,952	-
2. Foreign Currency	355,679,159	203,443,149
2.1 Organized Institutions	198,299,407	100,211,041
2.2 Individuals	157,112,866	103,232,108
2.3 Others	266,886	-
B. Fixed Deposits	26,991,805,801	14,263,787,025
1. Local Currency	26,922,051,601	13,757,442,425
1.1 Organized Institutions	19,602,415,351	10,360,565,130
1.2 Individuals	7,007,275,943	3,396,877,295
1.3 Others	312,360,306	-
2. Foreign Currency	69,754,200	506,344,600
2.1 Organized Institutions	3,213,900	456,277,700
2.2 Individuals	66,540,300	50,066,900
2.3 Others	-	-
C. Call Deposits	14,283,730,488	8,266,469,070
1. Local Currency	13,976,464,262	7,959,913,664
1.1 "A" Class Licensed Institutions	-	-
1.2 Other Licensed Institutions	3,937,282,284	2,071,057,485
1.3 Other Organized Institutions	8,011,615,011	5,782,780,879
1.4 Individuals	1,090,548,440	106,075,300
1.5 Others	937,018,527	-
2. Foreign Currency	307,266,226	306,555,406
2.1 "A" Class Licensed Institutions	-	-
2.2 Other Licensed Institutions	-	-
2.3 Other Organized Institutions	274,536,242	306,555,406
2.4 Individuals	30,770,371	-
2.5 Others	1,959,613	-
D. Certificate of Deposit	-	-
1. Organized Institutions	-	-
2. Individual	-	-
3. Others	-	-
Total of Interest bearing accounts	62,481,935,227	35,215,762,882
TOTAL DEPOSITS	67,836,390,757	39,456,586,740

SCHEDULE 6 BILLS PAYABLES

AS AT JULY 15, 2016

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Local Currency	88,785,030	31,037,771
2. Foreign Currency	8,656,849	11,437,430
TOTAL	97,441,879	42,475,201

SCHEDULE 7 OTHER LIABILITIES

AS AT JULY 15, 2016

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Pension/Gratuity Fund	-	-
2. Employees Provident Fund	-	-
3. Staff Welfare Fund	-	-
4. Provision for Staff Bonus	148,045,272	49,266,077
5. Interest Payable on Deposits	229,675,798	201,233,783
6. Interest Payable on Borrowings	258,097	221,556
7. Unearned Discounts and Commission	16,750,257	15,175,494
8. Sundry Creditors	95,287,963	51,453,603
9. Branch Adjustment Account	-	-
10. Deferred Tax Liability	-	-
11. Dividend Payable	23,595,763	24,946,379
12. Others	174,424,550	114,571,561
a. Audit fee / expenses	566,695	1,158,250
b. Interest Payable on BOK Bond	40,217,712	18,372,328
c. Accrued expenses	15,159,606	11,019,941
d. Accumulated staff leave	54,024,253	36,677,942
e. Provision for Claimed Guarantee (MWSDB)	-	-
f. Others	64,456,285	47,343,100
TOTAL	688,037,700	456,868,453

SCHEDULE 8 CASH BALANCE

AS AT JULY 15, 2016

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Local Currency (including coins)	1,497,566,017	942,166,776
2. Foreign Currency	29,810,789	20,578,786
TOTAL	1,527,376,805	962,745,562

SCHEDULE 9 BALANCE WITH NEPAL RASTRA BANK

AS AT JULY 15, 2016

Amount in NPR

PARTICULARS	LOCAL CURRENCY	FOREIGN CURRENCY			CURRENT YEAR	PREVIOUS YEAR
		INR	Convertible	Total		
1. Nepal Rastra Bank	6,474,991,620	-	32,843,854	32,843,854	6,507,835,474	3,299,135,388
a. Current Account	6,474,991,620	-	32,843,854	32,843,854	6,507,835,474	3,299,135,388
b. Other Account	-	-	-	-	-	-
TOTAL	6,474,991,620	-	32,843,854	32,843,854	6,507,835,474	3,299,135,388

Note: As per the statements of NRB, the balance amount is NPR 6,580,938,375.

Major differences are near to the quarter-end transactions, which have been identified & subsequently reconciled.

SCHEDULE 10 BALANCE WITH BANKS/FINANCIAL INSTITUTIONS

AS AT JULY 15, 2016

Amount in NPR

PARTICULARS	LOCAL CURRENCY	FOREIGN CURRENCY			CURRENT YEAR	PREVIOUS YEAR
		INR	Convertible	Total		
1. Local Licensed Institutions	476,980,542	-	5,160,629	5,160,629	482,141,171	375,289,880
a. Current Account	476,980,542	-	5,160,629	5,160,629	482,141,171	375,289,880
b. Other Account	-	-	-	-	-	-
2. Foreign Banks	-	231,824,380	1,039,273,984	1,271,098,364	1,271,098,364	1,033,206,073
a. Current Account	-	231,824,380	1,039,273,984	1,271,098,364	1,271,098,364	1,033,206,073
b. Other Account	-	-	-	-	-	-
TOTAL	476,980,542	231,824,380	1,044,434,613	1,276,258,993	1,753,239,535	1,408,495,953

Note: As per the statements of related banks, the balance amount is NPR 1,813,196,235.

Major differences are near to the quarter-end transactions, which have been identified & subsequently reconciled.

SCHEDULE 11 MONEY AT CALL AND SHORT NOTICE

AS AT JULY 15, 2016

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Local Currency	150,000,000	-
2. Foreign Currency	-	13,658,000
TOTAL	150,000,000	13,658,000

SCHEDULE 12 INVESTMENTS

AS AT JULY 15, 2016

Amount in NPR

PARTICULARS	PURPOSE		CURRENT YEAR	PREVIOUS YEAR
	TRADING	OTHERS		
1. Nepal Government Treasury Bills	-	3,347,346,541	3,347,346,541	2,695,398,877
2. Nepal Government Saving Bonds	-	-	-	-
3. Nepal Government Securities - Others	-	4,576,130,059	4,576,130,059	2,791,787,270
4. Nepal Rastra Bank Bonds	-	300,000,000	300,000,000	-
5. Foreign Securities	-	-	-	-
6. Local Licensed Institutions	-	63,047,025	63,047,025	41,046,750
7. Foreign Banks	-	1,371,740,050	1,371,740,050	422,644,883
8. Corporate Shares	-	88,152,100	88,152,100	39,620,800
9. Corporate Bonds and Debentures	-	-	-	-
10. Other Investments	-	38,900,200	38,900,200	36,526,920
Total Investment	-	9,785,315,975	9,785,315,975	6,027,025,500
Provision	-	-	-	-
NET INVESTMENT	-	9,785,315,975	9,785,315,975	6,027,025,500

SCHEDULE 12(A) INVESTMENTS IN SHARES, DEBENTURES AND BONDS

AS AT JULY 15, 2016

Amount in NPR

PARTICULARS	COST PRICE	MARKET PRICE	PROVISION	CURRENT YEAR	PREVIOUS YEAR
1. Investment in Shares	127,052,300	1,832,045,579	-	127,052,300	76,147,720
1.1 Nepal Grameen Bikas Bank Ltd [698 Ord.Shares of Rs.100/- paid up]	69,800	753,840	-	69,800	3,000,000
1.2 Rural Microfinance Development Centre Ltd. [67,290 Ord.Shares of Rs.100/- paid up;18,800 right shares @ Rs.100/-paid up, bonus share 8,609]	8,609,000	131,442,212	-	8,609,000	7,075,000
1.3 Chhimek Bikash Bank Ltd [12,000 Ordinary Shares of NPR 100/- paid up; 470,127 bonus shares & call in advance for 231,779 right shares]	24,377,900	1,634,844,740	-	24,377,900	7,380,100
1.4 Credit Information Center Ltd. 8,005 Ordinary Shares @ NPR 100/- paid up; 48,463 Bonus Shares & 16,470 Right Shares	2,447,500	Not listed	-	2,447,500	2,000,000
1.5 Nepal Clearing House Ltd. [50,000 Ordinary Shares @ NPR 100/- paid up; 3,515 Promoter Shares @NPR 100/- paid up]	5,351,500	Not listed	-	5,351,500	2,500,000
1.6 National Banking Institute Ltd. [24,000 Ordinary shares @ NPR 100/-]	2,400,000	Not listed	-	2,400,000	1,200,000
1.7 Beed B.O.K Ventures Limited 14,657 Promoter Shares @ NPR 100/-	-	-	-	-	1,465,700
1.8 NMB SULAV INVESTMENT FUND-1 1,565,998 Ord.Shares @ Rs. 10/- paid up	15,659,980	22,080,572	-	15,659,980	15,659,980
1.9 NIBL SAMRIDDHI INVESTMNT FUND - I 2,086,694 units @ Rs. 10/- paid up	20,866,940	21,075,609	-	20,866,940	20,866,940
1.10 Nepal Electronic Payment Systems Ltd. [300,000 Ord.Shares @ Rs. 100/- paid up]	30,000,000	Not listed	-	30,000,000	15,000,000.00
1.11 GLOBAL IME SAMUNNAT SCHEME-1 [2,37,328 units @10/-paid up]	2,373,280	2,838,443	-	2,373,280	-
1.12 Hydroelectricity Investment and Development Co. Ltd [28,964 Ord.share @100/-paid up]	2,896,400	12,541,412	-	2,896,400	-
1.13 RSDC Microfinance Ltd [120,000 Ordinary shares @ NPR 100/-]	12,000,000	Not listed	-	12,000,000	-
Total Investment	127,052,300	1,832,045,579	-	127,052,300	76,147,720
3. Provision for Loss					
3.1 Up to previous year	-	-	-	-	-
3.2 Addition/Deduction this year	-	-	-	-	-
Total Provision	-	-	-	-	-
NET INVESTMENT	127,052,300	1,832,045,579	-	127,052,300	76,147,720

Note: Companies that has not declared dividend since last 3 years

SCHEDULE 12(1) HELD FOR TRADINGAS AT JULY 15, 2016
Amount in NPR

PARTICULARS	COST PRICE	LAST MARKET PRICE (A)	CURRENT MARKET PRICE (B)	PROFIT/LOSS FOR CURRENT YEAR (B-A)	PROFIT/LOSS FOR PREVIOUS YEAR	REMARKS
1. Nepal Government Treasury Bills	-	-	-	-	-	
2. Nepal Government Saving Bonds	-	-	-	-	-	
3. Nepal Government Securities - Others	-	-	-	-	-	
4. Nepal Rastra Bank Bonds	-	-	-	-	-	
5. Foreign Securities	-	-	-	-	-	
6. Shares of Local Licensed Institutions	-	-	-	-	-	
7. Debentures & Bonds of Local Licensed Institutions	-	-	-	-	-	
8. Shares, Bonds and Debentures of Local Organized Institutions	-	-	-	-	-	
9. Placement in Foreign Banks	-	-	-	-	-	
10. Other Investments	-	-	-	-	-	
TOTAL INVESTMENTS	-	-	-	-	-	

SCHEDULE 12(2) HELD TO MATURITYAS AT JULY 15, 2016
Amount in NPR

PARTICULARS	COST PRICE (A)	IMPAIRMENT TILL DATE (B)	IMPAIRMENT FOR CURRENT MARKET PRICE (C)	PROFIT/(LOSS) CURRENT YEAR (A-B-C)	PROFIT/(LOSS) FOR PREVIOUS YEAR	REMARKS
1. Nepal Government Treasury Bills	3,347,346,541	-	-	-	-	
2. Nepal Government Saving Bonds	-	-	-	-	-	
3. Nepal Government Securities - Others	4,576,130,059	-	-	-	-	
4. Nepal Rastra Bank Bonds	300,000,000	-	-	-	-	
5. Foreign Securities	-	-	-	-	-	
6. Shares of Local Licensed Institutions	-	-	-	-	-	
7. Debentures & Bonds of Local Licensed Institutions	-	-	-	-	-	
8. Shares, Bonds and Debentures of Local Organized Institutions	-	-	-	-	-	
9. Placement in Foreign Banks	1,371,740,050	-	-	-	-	
10. Other Investments	63,047,025	-	-	-	-	
TOTAL INVESTMENTS	9,658,263,675			-	-	

SCHEDULE 12(3) AVAILABLE FOR SALE

AS AT JULY 15, 2016

Amount in NPR

PARTICULARS	COST PRICE	LAST MARKET PRICE(A)	CURRENT MARKET PRICE (B)	CURRENT YEAR'S FUND ADJUSTMENT AMOUNT (B-A)	PROFIT/(LOSS) FOR PREVIOUS YEAR	REMARKS
1. Nepal Government Treasury Bills	-	-	-	-	-	
2. Nepal Government Saving Bonds	-	-	-	-	-	
3. Nepal Government Securities - Others	-	-	-	-	-	
4. Nepal Rastra Bank Bonds	-	-	-	-	-	
5. Foreign Securities	-	-	-	-	-	
6. Shares of Local Licensed Institutions	45,056,700	530,162,465	1,767,040,792	-	-	
7. Debentures & Bonds of Local Licensed Institutions	-	-	-	-	-	
8. Shares, Bonds and Debentures of Local Organized Institutions	43,095,400	-	12,541,412	-	-	
9. Placement in Foreign Banks	-	-	-	-	-	
10. Other Investments	38,900,200	-	52,463,375	-	-	
TOTAL INVESTMENTS	127,052,300	530,162,465	1,832,045,579	-	-	

SCHEDULE 13 CLASSIFICATION OF LOANS, ADVANCES & BILL PURCHASE AND PROVISIONING

AS AT JULY 15, 2016

Amount in NPR

PARTICULARS	LOANS & ADVANCES						BILL PURCHASED/DISCOUNTED			CURRENT YEAR	PREVIOUS YEAR
	Deprived Sector		Other	Foreign	Total	Domestic	Foreign	Total			
	Insured	Uninsured									
1. Performing Loan	148,524,477	2,611,368,613	54,358,280,051	28,704,350	57,146,877,491	4,819,325	1,650,513,102	1,655,332,427	58,802,209,918	32,227,753,226	
1.1 Pass Loan	144,985,832	2,610,287,536	51,451,809,862	28,704,350	54,235,787,580	-	1,650,513,102	1,650,513,102	55,886,300,681	28,575,814,757	
1.2 Watch List	3,538,645	1,081,077	2,906,470,189	-	2,911,089,911	4,819,325	-	4,819,325	2,915,909,237	3,651,938,469	
2. Non-Performing Loan	427,647	33,122,977	1,479,216,641	-	1,512,767,265	2,730,000	-	2,730,000	1,515,497,265	1,158,282,931	
2.1 Restructured / Rescheduled	-	-	-	-	-	-	-	-	-	-	
2.2 Sub-standard	239,593	471,647	112,560,486	-	113,271,726	-	-	-	113,271,726	26,542,410	
2.3 Doubtful	188,054	267,149	33,379,228	-	33,834,431	-	-	-	33,834,431	10,393,890	
2.4 Loss	-	32,384,181	1,333,276,927	-	1,365,661,109	2,730,000	-	2,730,000	1,368,391,109	1,121,346,631	
(A) Total Loan	148,952,124	2,644,491,590	55,837,496,692	28,704,350	58,659,644,756	7,549,325	1,650,513,102	1,658,062,427	60,317,707,183	33,386,036,157	
3. Loan Loss Provision											
3.1 Pass	1,449,858	26,102,875	520,717,530	287,044	548,557,308	-	16,505,131	16,505,131	565,062,439	285,758,148	
3.2 Watch List	141,546	43,243	116,258,808	-	116,443,596	192,773	-	192,773	116,636,369	73,038,769	
3.3 Restructured / Rescheduled	-	-	-	-	-	-	-	-	-	-	
3.4 Sub-standard	59,898	117,912	28,140,121	-	28,317,931	-	-	-	28,317,931	6,635,602	
3.5 Doubtful	94,027	133,575	16,689,614	-	16,917,216	-	-	-	16,917,216	5,196,945	
3.6 Loss	-	32,384,181	1,333,276,927	-	1,365,661,109	2,730,000	-	2,730,000	1,368,391,109	1,121,346,631	
(B) Total Provisioning	1,745,329	58,781,786	2,015,083,001	287,044	2,075,897,160	2,922,773	16,505,131	19,427,904	2,095,325,064	1,491,976,095	
4. Provision up to earlier year											
4.1 Pass	585,067	13,610,372	255,784,764	171,048	270,151,252	-	15,606,895	15,606,895	285,758,148	285,620,699	
4.2 Watch List	4,993	10,866	73,022,910	-	73,038,769	-	-	-	73,038,769	-	
4.3 Restructured / Rescheduled	-	-	-	-	-	-	-	-	-	-	
4.4 Sub-standard	-	-	6,635,602	-	6,635,602	-	-	-	6,635,602	7,423,882	
4.5 Doubtful	-	-	5,196,945	-	5,196,945	-	-	-	5,196,945	5,503,649	
4.6 Loss	-	32,072,233	1,089,274,398	-	1,121,346,631	-	-	-	1,121,346,631	263,998,584	
(C) Total Provision Upto Last Year	590,061	45,693,471	1,429,914,620	171,048	1,476,369,200	-	15,606,895	15,606,895	1,491,976,095	562,546,814	
(D) Previous Year's Provision Written back	(9,441)	(1,914,657)	(37,557,991)	-	(39,482,089)	-	-	-	(39,482,089)	(11,830,978)	
(F) Transfer from Merger	-	9,299,304	374,971,213	-	384,270,517	-	-	-	384,270,517	-	
(E) This year's additional provision	1,164,710	24,302,276	997,697,585	115,995	1,023,280,566	2,922,773	898,236	3,821,009	258,560,541	941,260,259	
Net adjustment this year	1,155,269	3,789,011	210,197,168	115,995	215,257,443	2,922,773	898,236	3,821,009	219,078,452	929,429,281	
NET LOAN (A-B)	147,206,794	2,585,709,804	53,822,413,692	28,417,307	56,583,747,597	4,626,552	1,634,007,971	1,638,634,523	58,222,382,119	31,894,060,062	

SCHEDULE 13(A) SECURITY-WISE LOANS, ADVANCES AND BILLS PURCHASE

AS AT JULY 15, 2016

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
(A) Secured	60,107,257,058	33,375,502,494
1. Collateral of Movable/Immovable Assets	49,884,185,096	29,324,091,915
2. Guarantee of Local Licensed Institutions	2,589,685,268	1,206,356,683
3. Government Guarantee	401,878,120	358,710,292
4. Internationally Rated Bank Guarantee	843,777,796	843,777,796
5. Export Documents	1,791,910,793	1,527,169,695
6. Fixed Deposit Receipts	123,628,808	84,095,404
a. Own F.D.R.	123,628,808	84,095,404
b. F.D.R. of Other Licensed Institutions	-	-
7. Government Bonds	42,750,173	5,687,654
8. Counter Guarantee	82,508,686	-
9. Personal Guarantee	-	-
10. Other Securities	4,346,932,318	25,613,055
(B) Unsecured	210,450,125	10,533,663
TOTAL	60,317,707,183	33,386,036,157

SCHEDULE 14 FIXED ASSETS

AS AT JULY 15, 2016

Amount in NPR

PARTICULARS	ASSETS					CURRENT YEAR	PREVIOUS YEAR
	Building	Vehicles	Furnitures	Machinery	Office Equipments		
1. At Cost							
a. Previous Year Balance	73,082,254	158,462,207	40,827,178	-	245,616,076	125,157,875	627,323,485
b. Addition during the Year	-	39,234,800	7,036,505	-	33,259,931	18,256,625	59,652,075
c. Taken over from Merger	104,884,753	87,807,189	35,292,210	-	55,618,781	30,194,054	-
d. Revaluation/Reclassification during the year	-	-	-	-	-	-	-
e. Sale during the Year	-	(19,853,152)	-	-	(185,850)	(3,234,089)	(21,035,332)
f. Write off during the Year	-	-	-	-	-	-	(22,794,637)
Total Cost (a+b+c+d+e+f)	177,967,007	265,651,044	83,155,892	-	334,308,938	170,374,466	643,145,591
2. Depreciation							
a. Up to Previous Year	25,730,920	67,966,022	30,266,399	-	190,721,398	71,366,017	364,976,818
b. For this Year	2,367,567	20,623,651	3,057,361	-	16,291,722	8,554,822	45,430,845
c. On assets taken over from merger	13,723,717	31,278,158	23,828,140	-	37,199,179	20,676,521	-
d. Depreciation on revaluation/Reclassification	-	-	-	-	-	-	-
e. Depreciation adjustment/write back	-	(15,668,735)	-	-	(165,710)	(2,471,655)	(24,356,906)
Total Depreciation (a+b+c+d+e)	41,822,204	104,199,096	57,151,900	-	244,046,589	98,125,705	386,050,757
3. Book Value (Written Down Value) (1-2)	136,144,803	161,451,948	26,003,992	-	90,262,349	72,248,761	257,094,833
4. Land	145,953,732	-	-	-	-	-	145,953,732
Land taken over from Merger	114,418,061	-	-	-	-	-	-
5. Pending Capitalization	91,615,592	-	-	-	-	-	76,247,736
6. Leasehold Assets	112,117,063	-	-	-	-	-	94,868,416
TOTAL (3+4+5+6)	600,249,250	161,451,948	26,003,992	-	90,262,349	72,248,761	574,164,717

SCHEDULE 15 NON BANKING ASSETS

AS AT JULY 15, 2016

Amount in NPR

S.NO.	NAME & ADDRESS OF BORROWER	TAKEN OVER DATE	TOTAL AMOUNT OF NON BANKING ASSETS	LOSS PROVISION		CURRENT YEAR	PREVIOUS YEAR
				%	Amount		
1	Biswas Readymade Garment, Kavre	April 22, 2004	278,425	100%	278,425	-	278,425
2	Harati Wire Industries, Hetauda	July 15, 2005	24,380,000	100%	24,380,000	-	-
3	Less : Provision	-	-	-	-	-	-
GRAND TOTAL			24,658,425		24,658,425	-	278,425

SCHEDULE 16 OTHER ASSETS

AS AT JULY 15, 2016

Amount in NPR

PARTICULARS		CURRENT YEAR	PREVIOUS YEAR
1. Stationery Stock		4,293,895	4,565,573
2. Income Receivable on Investments		47,716,005	18,940,600
3. Accrued Interest on Loan	230,500,378	-	161,457,474
(Less: Interest Suspense)	(230,500,378)		(161,457,474)
4. Commission Receivable		-	-
5. Sundry Debtors	99,307,705	80,119,710	107,412,458
(Less: Provision for loss)	(19,187,995)		(13,460,422)
6. Staff Loans and Advances		339,926,435	249,862,690
7. Prepayments		86,692,102	114,852,694
8. Cash in Transit		-	-
9. Other Transit items (including cheques)		31,367,647	322,000
10. Drafts paid without Notice		-	-
11. Expenses Not Written Off (Computer Software)		22,387,135	13,668,362
12. Branch Adjustment Account		-	-
13. Deferred Tax Assets		51,959,145	19,169,802
14. Others		86,860,976	275,439,311
(a) Advance tax		49,004,593	217,347,231
(b) Claim against interest paid on Government Bonds		-	-
(c) Advance of Right Share of Chimmek Bikas Bank Ltd		-	16,997,800
(d) Other Advances		37,856,384	41,094,280
TOTAL		751,323,050	790,773,068

SCHEDULE 16(A) OTHER ASSETS (ADDITIONAL STATEMENT)

AS AT JULY 15, 2016

Amount in NPR

PARTICULARS	CURRENT YEAR				PREVIOUS YEAR
	Up to 1 Year	1 to 3 Years	Above 3 Years	Total	
1. Accrued Interest on Loan	117,434,221	96,953,948	16,112,209	230,500,378	161,457,474
2. Drafts paid without Notice	-	-	-	-	-
3. Branch Adjustment Account	-	-	-	-	-
4. Local/Foreign Agency Adjustment Account	-	-	-	-	-
TOTAL	117,434,221	96,953,948	16,112,209	230,500,378	161,457,474

SCHEDULE 17 CONTINGENT LIABILITIES

AS AT JULY 15, 2016

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Claims against the Bank, not acknowledged as liabilities	43,461,032	43,461,032
2. Letter of Credit (Full amount)	2,623,575,929	2,316,292,533
a. Below 6 months	1,906,549,416	1,695,929,026
b. Above 6 months	717,026,513	620,363,507
3. Rediscounted Bills	-	-
4. Unmatured Guarantees/Bonds	2,228,645,829	1,321,558,545
a. Bid Bond	272,730,488	46,194,945
b. Performance Bond	1,954,888,341	1,275,363,600
c. Other Guarantee/Bonds	1,027,000	-
5. Unpaid Shares in Investment	-	-
6. Forward Exchange Contracts' Outstanding Liabilities	2,632,697,225	1,761,892,689
7. Bills Under Collection	481,012,322	58,971,363
8. Acceptances and Endorsements	2,079,679,215	2,028,139,169
9. Underwriting Commitments	-	-
10. Irrevocable Loan Commitments	11,871,649,698	6,865,144,045
11. Guarantee issued against Counter Guarantee of Internationally rated Banks	396,709,462	513,572,852
12. Advance Payment Guarantee	181,236,053	44,751,358
13. Financial Guarantee	10,000,000	-
14. Contingent Liabilities on Income Tax	110,216,625	59,088,696
15. Others	4,683,133	4,683,133
TOTAL	22,663,566,523	15,017,555,415

SCHEDULE 18 INTEREST INCOME

AS AT JULY 15, 2016

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
A. ON LOANS, ADVANCES AND OVERDRAFT	2,909,095,669	2,748,130,298
1. Loans and Advances	1,812,466,047	1,842,624,237
2. Overdraft	1,096,629,622	905,506,061
B. ON INVESTMENT	173,514,877	93,530,730
1. Government Securities	169,329,490	93,270,339
a. Treasury Bills	56,568,580	26,041,458
b. Development Bond	112,760,910	67,228,881
c. National Saving Bond	-	-
2. Foreign Securities	-	-
a.....	-	-
b.....	-	-
3. Nepal Rastra Bank Bond	8,054	-
4. Debenture and Bonds	-	-
5. Interest on Inter Bank Lending	4,177,333	260,391
a. Local Banks/Financial institutions	4,177,333	260,391
b. Other Organizations	-	-
C. ON AGENCY BALANCE	8,493	-
1. Local Banks/Financial institutions	-	-
2. Foreign Banks	8,493	-
D. ON MONEY AT CALL AND SHORT NOTICE	268,047	257,849
1. Local Banks/Financial institutions	256,132	256,401
2. Foreign Banks	11,915	1,448
E. ON OTHERS	4,426,298	2,935,908
1. Certificate of Deposits	-	-
2. Inter-Bank/Financial Institutions Loan	-	-
3. Others 4,426,298	2,935,908	-
TOTAL	3,087,313,384	2,844,854,785

SCHEDULE 19 INTEREST EXPENSES

AS AT JULY 15, 2016

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
A. ON DEPOSIT LIABILITIES	1,460,780,292	1,424,816,859
1. Fixed Deposits	966,539,991	720,216,113
1.1 Local Currency	961,749,017	708,705,271
1.2 Foreign Currency	4,790,974	11,510,842
2. Saving Deposits	306,599,136	315,538,754
2.1 Local Currency	303,925,366	313,223,482
2.2 Foreign Currency	2,673,770	2,315,272
3. Call Deposits	187,641,166	389,061,992
3.1 Local Currency	184,835,921	386,562,862
3.2 Foreign Currency	2,805,245	2,499,130
4. Certificate of Deposits	-	-
B. ON BORROWINGS	83,627,109	38,689,260
1. Debentures and Bonds	80,000,000	34,235,616
2. Loan from Nepal Rastra Bank	643,883	708,166
3. Inter Bank/Financial Institutions Borrowing	2,983,226	3,745,478
4. Other Organized Institutions	-	-
5. Other Loans	-	-
C. ON OTHERS	-	-
1.....	-	-
TOTAL	1,544,407,401	1,463,506,119

SCHEDULE 20 COMMISSION AND DISCOUNT

FOR THE PERIOD FROM JULY 17, 2015 TO JULY 15, 2016

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
A. BILLS PURCHASED AND DISCOUNTED	215,668	1,197,269
1. Local Currency	208,301	1,166,803
2. Foreign Currency	7,367	30,466
B. COMMISSION	106,381,422	111,268,122
1. Letter of Credit	40,220,007	35,222,217
2. Guarantee	21,118,488	29,894,365
3. Collection Fee	2,274,621	2,115,465
4. Remittance Fee	32,357,984	34,462,707
5. Credit Cards	-	-
6. Share Underwriting/Issues	-	-
7. Government Transaction	-	-
8. E.Pra. Commission	-	-
9. Exchange Fee (INR only)	10,410,321	9,573,368
C. OTHERS	152,376,653	152,874,157
1. Commission on bills discounting	32,596,089	39,830,071
2. Others	119,780,564	113,044,086
TOTAL	258,973,743	265,339,548

SCHEDULE 21 OTHER OPERATING INCOME

FOR THE PERIOD FROM JULY 17, 2015 TO JULY 15, 2016

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Rent on Safe Deposit Lockers	2,542,000	2,159,800
2. Issue and Renewal of Credit Cards	1,127,805	1,118,650
3. Issue and Renewal of ATM Cards	40,893,938	27,456,842
4. Telex/T.T.	150	-
5. Service Charges	16,916,046	14,089,483
6. Renewal Fees	93,000	-
7. Others	43,514,929	20,621,486
TOTAL	105,087,868	65,446,261

SCHEDULE 22 EXCHANGE GAIN/LOSS

FOR THE PERIOD FROM JULY 17, 2015 TO JULY 15, 2016

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
A. Revaluation Gain	16,283,416	15,851,449
B. Trading Gain (Except INR Exchange Fee)	162,278,191	146,073,536
TOTAL INCOME/(LOSS)	178,561,606	161,924,985

SCHEDULE 23 EMPLOYEES EXPENSES

FOR THE PERIOD FROM JULY 17, 2015 TO JULY 15, 2016

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Salary	185,745,586	182,359,252
2. Allowances	141,694,193	137,580,571
3. Contribution to Provident Fund	15,620,986	15,701,229
4. Training	4,356,072	2,581,984
5. Uniform	3,069,409	-
6. Medical	19,655,486	19,803,377
7. Insurance	686,999	356,371
8. Gratuity	34,835,645	28,979,700
9. Others	24,148,969	20,040,320
a. Staff leave expenses	22,178,914	19,211,660
b. Others	1,970,055	828,660
TOTAL	429,813,345	407,402,804

SCHEDULE 24 OTHER OPERATING EXPENSES

FOR THE PERIOD FROM JULY 17, 2015 TO JULY 15, 2016

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. House Rent	51,015,411	44,722,993
2. Electricity and Water	20,094,680	24,856,022
3. Repairs and Maintenance	11,280,942	9,788,353
(a) Building	3,950,461	3,297,617
(b) Vehicles	2,751,524	3,546,639
(c) Others	4,578,957	2,944,097
4. Insurance	16,684,701	15,835,169
5. Postage, Telex, Telephone, Fax, Swift, Internet, V-Sat etc.	22,942,867	22,023,858
6. Office Equipment and Furniture -Repairs	6,992,207	5,239,625
7. Travelling Allowances and Expenses	3,983,651	4,832,521
8. Printing & Stationery	15,909,178	15,986,835
9. Periodicals and Books	485,169	436,275
10. Advertisement	20,943,204	18,027,744
11. Legal Expenses	821,453	19,108,400
12. Donations	11,000	2,505,800
13. Expenses Relating to Board of Directors	7,209,024	3,573,555
(a) Meeting Allowance	4,347,439	1,622,000
(b) Other expenses	2,861,585	1,951,555
14. Annual General Meeting Expenses	1,518,517	1,510,779
15. Expenses Relating to Audit	1,293,850	1,158,250
(a) Audit Fees	395,500	327,700
(b) Other expenses	898,350	830,550
16. Commission on Remittance	-	-
17. Depreciation on Fixed Assets	66,447,473	59,700,297
18. Amortization of Preliminary Expenses	-	-
19. Share Issue Expenses (Deferred)	-	-
20. Technical Service Fee	55,667	2,576,650
21. Entertainment	6,934,465	7,309,174
22. Written off Expenses (incl computer software ammortization)	5,102,118	4,717,832
23. Security Expenses	52,225,734	49,498,683
24. Credit Guarantee Premium	522,339	1,051,044
25. Commission and Discount	11,043,114	6,382,703
26. Others	80,993,156	72,995,911
(a) Fuel, Transportaion & Rent Expenses	4,882,121	7,616,188
(b) Professional Fee, Association Fee & Others	45,089,099	41,090,115
(c) Premises Expenses - Utility, Cleaning & Others	8,966,608	8,195,166
(d) Rates & Taxes	4,738,057	4,582,018
(e) ATM & Card Expenses	17,317,271	10,882,070
(f) Deposit Scheme	-	630,354
TOTAL	404,509,920	393,838,473

SCHEDULE 25 PROVISION FOR POSSIBLE LOSS

FOR THE PERIOD FROM JULY 17, 2015 TO JULY 15, 2016

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Increase in Loan Loss Provision	258,560,541	941,260,259
2. Increase in Provision for Loss on Investment	-	-
3. Increase in Provision for Non-Banking Assets	-	-
4. Increase in Provisions for Other Assets	-	-
5. Increase in Provisions for Claimed Guarantee (MWSDB)	-	-
TOTAL	258,560,541	941,260,259

SCHEDULE 26 NON-OPERATING INCOME/LOSS

FOR THE PERIOD FROM JULY 17, 2015 TO JULY 15, 2016

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Profit/(Loss) on Sale of Investment	-	-
2. Profit/(Loss) on Sale of Assets	991,518	(54,898)
3. Dividend	15,386,781	4,609,386
4. Subsidies received from Nepal Rastra Bank	-	-
a. Reimbursement of losses of specified branches	-	-
b. Interest Subsidy	-	-
c. Exchange Counter	-	-
5. Others	-	-
TOTAL NON-OPERATING INCOME/(LOSS)	16,378,299	4,554,488

SCHEDULE 27 LOSS PROVISION WRITTEN BACK

FOR THE PERIOD FROM JULY 17, 2015 TO JULY 15, 2016

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Loan Loss Provision Written Back	39,482,089	11,830,978
2. Non Banking Assets Provision Written Back	-	-
3. Investment Provision Written Back	-	-
4. Claimed Guarantee Provision Written Back	-	408,440,213
TOTAL	39,482,089	420,271,191

SCHEDULE 28 PROFIT/LOSS FROM EXTRA ORDINARY ACTIVITIES

FOR THE PERIOD FROM JULY 17, 2015 TO JULY 15, 2016

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Recovery of Written off Loan	-	2,500,000
2. Voluntary Retirement Scheme Expenses	-	-
3. Loans Written-Off [28 (a)]	(1,960,334)	-
4. Other expenses/Income	11,163,114	-
5. Fixed Assets Written Off	-	(16,956,760)
6. Investment Write Off	(2,930,200)	-
TOTAL	6,272,580	(14,456,760)

SCHEDULE 28(A) STATEMENT OF LOANS WRITTEN-OFF

FOR THE PERIOD FROM JULY 17, 2015 TO JULY 15, 2016

Amount in NPR

S.N	TYPES OF LOAN	WRITTEN OFF AMOUNT	TYPE AND AMOUNT OF SECURITY	BASIS OF VALUATION	LOAN APPROVING AUTHORITY/DESIGNATION	INITIATIONS MADE FOR RECOVERY	REMARKS
1	Credit Card	1,960,334	Unsecured		Head-Retail Credit	1. For some cases have been filed for recovery of the loan amount 2. Cases will be filed for other remaining cases for recovery of the loan amount.	
	TOTAL LOAN		1,960,334				

SCHEDULE 29 STATEMENT OF LOANS AND ADVANCES TO DIRECTORS/ CHIEF EXECUTIVE/ PROMOTER/ EMPLOYEES AND SHAREHOLDERS

AS AT JULY 15, 2016
Amount in NPR

The amount of Bills Purchased and Discounted, Loans, Advances and Overdraft, provided to the Directors, Chief Executive, Promoters, Employees, and Shareholders and to the individual members of their undivided family OR against the guarantee of such persons OR to the organizations or companies in which such individuals are managing agent, are as follows:

Name of Promoter/Director/Chief Executive		Previous Year's Balance		Current Year Recovery		Current Year	Balance as at July 15, 2013	
		Principal	Interest	Principal	Interest	Addition	Principal	Interest
(A)	Directors							
	1.	-	-	-	-	-	-	-
	2.	-	-	-	-	-	-	-
	3.	-	-	-	-	-	-	-
(B)	Chief Executive							
	1.	-	-	-	-	-	-	-
	2.	-	-	-	-	-	-	-
	3.	-	-	-	-	-	-	-
(C)	Promoters							
	1.	-	-	-	-	-	-	-
	2.	-	-	-	-	-	-	-
	3.	-	-	-	-	-	-	-
(D)	Employees							
	1.	-	-	-	-	-	-	-
	2.	-	-	-	-	-	-	-
	3.	-	-	-	-	-	-	-
(E)	Shareholders							
	1.	-	-	-	-	-	-	-
	2.	-	-	-	-	-	-	-
	3.	-	-	-	-	-	-	-
	Total	-	-	-	-	-	-	-

SCHEDULE 30 CAPITAL ADEQUACY TABLE

AS AT JULY 15, 2016

Amount in NPR

1.1 RISK WEIGHTED EXPOSURES	CURRENT YEAR (ASADH 31, 2073)	PREVIOUS YEAR (ASADH 31, 2072)
a Risk Weighted Exposure for Credit Risk	65,125,615,473	35,670,323,281
b Risk Weighted Exposure for Operational Risk	2,586,829,741	2,431,344,290
c Risk Weighted Exposure for Market Risk	510,727,286	469,344,334
Total (a+b+c)	68,223,172,500	38,571,011,905
Adjustments under Pillar II		
SRP 6.4a (5) ALM policies & practices are not satisfactory, add 1% of net interest income to RWE	-	-
SRP 6.4a (6) Add% of the total deposit due to insufficient Liquid Assets	-	-
SRP 6.4a (7) Add RWE equivalent to reciprocal of capital charge of 3 % of gross income.	572,680,792	505,411,044
SRP 6.4a (9) Overall risk management policies and precedures are not satisfactory. Add 4% of RWE	2,728,926,900	771,420,238
SRP 6.4a (10) If desired level of disclosure requirement has not been achieved, Add% of RWE	-	-
TOTAL RISK WEIGHTED EXPOSURES (AFTER BANK'S ADJUSTMENT FOR PILLAR II)	71,524,780,191	39,847,843,187

1.2 CAPITAL	Current Year (Asadh 31, 2073)	Previous Year (Asadh 31, 2072)
Core Capital (Tier 1)	7,613,181,841	3,758,571,505
a Paid up Equity Share Capital	4,576,891,000	2,120,212,300
b Irredeemable Non-cumulative preference shares	-	-
c Share Premium	-	-
d Proposed Bonus Equity Shares	1,052,685,000	551,255,200
e Statutory General Reserves	1,693,935,497	948,064,523
f Retained Earnings	16,661,596	27,177,575
g Current Year's profit/loss	-	-
h Capital Redemption Reserve	-	-
i Capital Adjustment Reserve	-	-
j Dividend Equalization Reserves	-	-
k Bond Redemption Reserve	300,000,000	133,333,334
l Deferred Tax Reserve	-	-
m Other Free Reserve	37,567,894	164,075
n Less: Goodwill	-	-
o Less: Deferred Tax Asset	(51,959,145)	(19,169,802)
p Less: Fictitious Assets	-	-
q Less: Investment in equity in licensed Financial Institutions	-	-
r Less: Investment in equity of institutions with financial interests	-	(1,465,700)
s Less: Investment in equity of institutions in excess of limits	(12,600,000)	(1,000,000)
t Less: Investments arising out of underwriting commitments	-	-
u Less: Reciprocal crossholdings	-	-
v Less: Purchase of land & building in excess of limit and unutilized	-	-
x Less: Other Deductions	-	-
Adjustments under Pillar II		
SRP 6.4a(1) Less: Shortfall in Provision		
SRP 6.4a(2) Less: Loans & Facilities extended to Related Parties and Restricted Lending		
Supplementary Capital (Tier 2)	1,690,064,415	1,419,992,005
a Cumulative and/or Redeemable Preference Share	-	-
b Subordinated Term Debt	907,287,671	987,287,671
c Hybrid Capital Instruments	-	-
d General loan loss provision	681,698,808	358,796,917
e Exchange Fluctuation Reserve	60,081,321	52,498,463
f Investment Adjustment Reserve	13,497,066	1,408,954
g Assets Revaluation Reserve	-	-
h Reserve for Capital Expenditure	16,537,665	-
i Other Reserves	10,961,884	20,000,000
TOTAL CAPITAL FUND (TIER I AND TIER II)	9,303,246,256	5,178,563,510

1.3 CAPITAL ADEQUACY RATIOS	Current Year (Asadh 31, 2073)	Previous Year (Asadh 31, 2072)
Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustment of Pillar II)	10.64%	9.43%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures (After Bank's adjustment of Pillar II)	13.01%	13.00%

SCHEDULE 30(A) RISK WEIGHTED EXPOSURE FOR CREDIT RISK
AS AT JULY 15, 2016
Amount in NPR

	AS AT JULY 15, 2016			AS AT JULY 16, 2015				
	BOOK VALUE A	SPECIFIC PROVISION B	ELIGIBLE CRM C	NET VALUE D=A-B-C	RISK WEIGHT E	RISK WEIGHTED EXPOSURES F=D*E	NET VALUE	RISK WEIGHTED EXPOSURES
Cash Balance	1,527,376,805	-	-	1,527,376,805	0%	-	962,745,562	-
Balance With Nepal Rastra Bank	6,507,835,474	-	-	6,507,835,474	0%	-	3,299,135,388	-
Gold	1,559,602.00	-	-	1,559,602	0%	-	-	-
Investment in Nepalese Government Securities	7,923,476,600	-	-	7,923,476,600	0%	-	5,487,186,147	-
All Claims on Government of Nepal	208,578,009	-	-	208,578,009	0%	-	149,856,000	-
Investment in Nepal Rastra Bank securities	300,000,000.00	-	-	300,000,000	0%	-	-	-
All claims on Nepal Rastra Bank	-	-	-	-	0%	-	-	-
Claims on Foreign Government and Central Bank (ECA 0-1)	-	-	-	-	0%	-	-	-
Claims on Foreign Government and Central Bank (ECA -2)	-	-	-	-	20%	-	-	-
Claims on Foreign Government and Central Bank (ECA -3)	-	-	-	-	50%	-	-	-
Claims on Foreign Government and Central Bank (ECA-4-6)	-	-	-	-	100%	-	-	-
Claims on Foreign Government and Central Bank (ECA -7)	-	-	-	-	150%	-	-	-
Claims On BIS, IMF, ECB, EC and on Multilateral Development Banks (MDBs) recognized by the framework	-	-	-	-	0%	-	-	-
Claims on Other Multilateral Development Banks	-	-	-	-	100%	-	-	-
Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	20%	-	-	-
Claims on Public Sector Entity (ECA 2)	-	-	-	-	50%	-	-	-
Claims on Public Sector Entity (ECA 3-6)	60,287,252.81	-	-	60,287,253	100%	60,287,253	-	-
Claims on Public Sector Entity (ECA 7)	-	-	-	-	150%	-	369,325,000	553,987,500
Claims on domestic banks that meet capital adequacy requirements	1,477,744,026	-	-	1,477,744,026	20%	295,548,805	365,234,014	73,046,803
Claims on domestic banks that do not meet capital adequacy requirements	89,764,351	-	-	89,764,351	100%	89,764,351	64,760,616	64,760,616
Claims on foreign bank (ECA Rating 0-1)	1,787,490,446	-	-	1,787,490,446	20%	357,498,089	1,181,561,679	236,312,336
Claims on foreign bank (ECA Rating 2)	779,862,452	-	-	779,862,452	50%	389,931,226	172,162,357	86,081,179
Claims on foreign bank (ECA Rating 3-6)	30,838,267	-	-	30,838,267	100%	30,838,267	12,480,159	12,480,159

continue...

SCHEDULE 30(A) RISK WEIGHTED EXPOSURE FOR CREDIT RISK
AS AT JULY 15, 2016
Amount in NPR

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	60,513,195	-	60,513,195	-	-	20%	12,102,639	89,646,760	17,929,352	-
Claims on Domestic Corporates	36,056,054,907	-	36,056,054,907	70,776,745	35,985,278,161	100%	35,985,278,161	21,781,009,844	21,781,009,844	-
Claims on Foreign Corporates (ECA 0-1)	-	-	-	-	-	20%	-	-	-	-
Claims on Foreign Corporates (ECA 2)	-	-	-	-	-	50%	-	-	-	-
Claims on Foreign Corporates (ECA 3-6)	-	-	-	-	-	100%	-	-	-	-
Claims on Foreign Corporates (ECA 7)	-	-	-	-	-	150%	-	-	-	-
Regulatory Retail Portfolio (Not Overdue)	11,532,376,833	-	11,532,376,833	49,020,983	11,483,355,850	75%	8,612,516,887	6,021,956,368	4,516,467,276	-
Claims fulfilling all criterion of regularity retail except granularity	-	-	-	-	-	100%	1,970,360,327	2,020,528,423	1,212,317,054	-
Claims secured by residential properties	3,283,933,878	-	3,283,933,878	-	3,283,933,878	60%	1,970,360,327	-	-	-
Claims not fully secured by residential properties	-	-	-	-	-	150%	-	-	-	-
Claims secured by residential properties (Overdue)	123,896,041	20,251,353	103,644,687	-	103,644,687	100%	103,644,687	34,225,399	34,225,399	-
Claims secured by Commercial real estate	604,976,732	-	604,976,732	-	604,976,732	100%	604,976,732	303,284,328	303,284,328	-
Past due claims (except for claims secured by residential properties)	1,938,315,442	1,249,863,881	688,451,561	-	688,451,561	150%	1,032,677,342	93,138,447	139,707,671	-
High Risk claims	5,636,967,907	-	5,576,229,571	60,738,336	5,576,229,571	150%	8,364,344,357	1,389,900,506	2,084,850,759	-
Investments in equity and other capital instruments of institutions listed in stock exchange	74,853,300	-	74,853,300	-	74,853,300	100%	74,853,300	50,982,020	50,982,020	-
Investments in equity and other capital instruments of institutions not listed in the stock exchange	52,199,000	-	52,199,000	-	52,199,000	150%	78,298,500	25,165,700	37,748,550	-
Staff Loan secured by Residential Properties	201,744,078	-	201,744,078	-	201,744,078	60%	121,046,447	141,723,038	85,033,823	-
Interest Receivable/Claim on Government Securities	77,147,275	-	77,147,275	-	77,147,275	0%	-	18,085,365	-	-
Cash in Transit and other cash items in the process of collection	-	-	-	-	-	20%	-	322,000	64,400	-
Other Assets (as per attachment)	2,034,461,300	364,977,613	1,669,483,686	-	1,669,483,686	100%	1,669,483,686	1,204,807,382	1,204,807,382	-
TOTAL (A)	82,372,253,174	1,635,092,848	80,556,624,262	180,536,064	80,556,624,262	-	59,886,663,416	45,239,222,503	32,495,096,451	-

SCHEDULE 30(A) RISK WEIGHTED EXPOSURE BASEL II

AS AT JULY 15, 2016

Amount in NPR

	AS AT JULY 15, 2016			AS AT JULY 16, 2015				
	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 Commitment	-	-	-	-	0%	-	-	-
Bills Under Collection	481,012,322	-	-	481,017,456	0%	-	58,971,363	-
Forward Exchange Contract Liabilities	2,632,697,225	-	-	2,632,697,225	10%	263,269,723	1,761,892,689	176,189,269
LC Commitments With Original Maturity Upto 6 months domestic counterparty	1,906,549,416	-	225,176,865	1,681,372,551	20%	336,274,510	1,520,445,847	304,089,169
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	276,794,676	-	9,198,898	267,595,778	50%	133,797,889	196,582,049	98,291,024
LC Commitments With Original Maturity Over 6 months domestic counterparty	440,231,837	-	-	440,231,837	0%	-	417,180,895	-
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	2,228,645,829	-	90,292,073	2,138,353,756	50%	1,069,176,878	1,274,941,284	637,470,642
foreign counterparty (ECA Rating 0-1)	270,843,069	-	213,411,189	57,431,880	20%	11,486,376	68,313,971	13,662,794
foreign counterparty (ECA Rating 2)	-	-	-	-	50%	-	-	-
foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-	-	-
foreign counterparty (ECA Rating 7)	-	-	-	-	150%	-	-	-

continue...

SCHEDULE 30(A) RISK WEIGHTED EXPOSURE BASEL II
AS AT JULY 15, 2016
Amount in NPR

Underwriting commitments	-	-	-	-	-	-	-	-	-	-	-	-
Lending of Bank's Securities or Posting of Securities as collateral	-	-	-	-	-	-	-	-	-	-	-	-
Repurchase Agreements, Assets sale with recourse	-	-	-	-	-	-	-	-	-	-	-	-
Advance Payment Guarantee	237,653,566	-	-	46,588,671	-	191,064,895	-	191,064,895	-	60,392,888	-	60,392,888
Advance Payment Guarantee	-	-	-	-	-	-	-	-	-	-	-	-
Financial Guarantee	10,000,000	-	-	-	-	10,000,000	-	10,000,000	-	-	-	-
Other Guarantee	-	-	-	-	-	-	-	-	-	-	-	-
Acceptances and Endorsements	429,166,114	-	-	63,990,481	-	365,175,633	-	365,175,633	-	408,126,797	-	408,126,797
Unpaid portion of Partly paid shares and Securities	-	-	-	-	-	-	-	-	-	-	-	-
Irrevocable Credit commitments (short term)	10,886,248,603	-	-	10,886,248,603	-	-	-	2,177,249,721	-	6,865,144,045	-	1,373,028,809
Irrevocable Credit commitments (long term)	985,401,095	-	-	-	-	985,401,095	-	492,700,547	-	-	-	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	69,448,879	-	-	-	-	69,448,879	-	13,889,776	-	101,869,598	-	20,373,920
Other Contingent Liabilities	114,899,758	-	-	-	-	155,036,421	-	155,036,421	-	63,771,829	-	63,771,829
Unpaid Guarantee Claims	43,461,032	-	-	33,546,188	-	9,914,843	-	19,829,687	-	9,914,843	-	19,829,687
TOTAL (B)	21,013,053,421	-	-	682,204,365	-	20,370,990,854	-	5,238,952,056	-	12,807,548,099	-	3,175,226,829
Total RWE for Credit Risk before adjustment (A) + (B)	103,385,306,596	1,635,092,848	-	862,740,430	-	100,927,615,116	-	65,125,615,473	-	58,046,770,602	-	35,670,323,281
<i>Adjustments under Pillar II</i>												
Add: 10% of the bans & facilities in excess of Single Obligor Limits (6.4 a 3)												
Add: 1% of the contract (sale) value in case of the sale of credit with recourse (6.4 a 4)												
Total RWE for Credit Risk after Bank's adjustments under Pillar II	103,385,306,596	1,635,092,848	-	862,740,430	-	100,927,615,116	-	65,125,615,473	-	58,046,770,602	-	35,670,323,281

The risk weight for discounted usance letter of credit is calculated on net basis by deducting the value of discounted bills from book value of acceptances and endorsements. NPR 1,650,513,102 has been deducted as the value of discounted bills from book value of acceptance and endorsement, please refer to Schedule 13.

SCHEDULE 30(B) ELIGIBLE CREDIT RISK MITIGANTS
AS AT JULY 15, 2016
Amount in NPR

Claims on Domestic Corporates	32,976,745	-	-	-	-	-	-	-	-	70,776,745
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)	49,020,983	-	-	-	-	-	-	-	-	49,020,983
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 (except for claim secured by residential properties)	-	-	-	-	-	-	-	-	-	-
High Risk claims	59,655,897	-	-	-	-	1,082,439	-	-	-	60,738,336
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 (A)	141,653,626	-	-	-	-	38,882,439	-	-	-	180,536,064

SCHEDULE 30 (C) RISK WEIGHTED EXPOSURE FOR OPERATIONAL RISK

AS AT JULY 15, 2016

Amount in NPR

	FY 2071/72	FY 2070/71	FY 2069/70	FY 2072/73
Particulars	Year 1	Year 2	Year 3	
Net Interest Income	1,381,348,667	1,218,931,411	1,230,743,106	1,542,905,983
Commission and Discount Income	265,339,548	222,901,981	205,861,876	258,973,743
Other Operating Income	65,446,261	65,872,068	68,131,140	105,087,868
Exchange Fluctuation Income	161,924,985	145,823,366	125,715,287	178,561,606
Addition/Deduction in Interest Suspense during the period	34,876,511	31,174,655	(50,431,381)	69,042,904
Gross income (a)	1,908,935,972	1,684,703,481	1,580,020,028	2,154,572,104
Alfa (b)	15%	15%	15%	
Fixed Percentage of Gross Income [c=(a×b)]	286,340,396	252,705,522	237,003,004	
Capital Requirement for operational risk (d) (average of c)	258,682,974			
Risk Weight (reciprocal of capital requirement of 10%) in times (e)	10			
Equivalent Risk Weight Exposure [f=(d×e)]	2,586,829,741			
<i>Adjustments under Pillar II</i>				
If Gross Income for the last three years in negative (6.4 a 8)	NA			
Total Credit and Investment (net of Specific Provision)	NA			
Capital Requirement for Operational Risk (5%)				
Risk Weight (reciprocal of capital requirement of 10%) in times	10			
Equivalent Risk Weight Exposure (g)	-			
EQUIVALENT RISK WEIGHT EXPOSURE [H=F OR G]	2,586,829,741			

SCHEDULE 30 (D) RISK WEIGHTED EXPOSURE FOR MARKET RISK

AS AT JULY 15, 2016

Amount in NPR

S.NO.	CURRENCY	OPEN POSITION (FCY)	EXCHANGE RATE	OPEN POSITION (NPR)	RELEVANT OPEN POSITION (AS AT JULY 15, 2016)	RELEVANT OPEN POSITION (AS AT JULY 16, 2015)
1	USD	(79,293)	106.95	(8,480,405)	8,480,405	29,640,126
2	GBP	14,599	142.73	2,083,650	2,083,650	767,462
3	CHF	21,198	108.56	2,301,218	2,301,218	55,624
4	AUD	30,873	81.21	2,507,208	2,507,208	797,512
5	CAD	2,087	82.43	171,998	171,998	901,371
6	SGD	7,810	79.16	618,233	618,233	4,571,644
7	JPY	2,832,940	1.01	2,858,437	2,858,437	62,839
8	SAR	48,595	28.40	1,380,098	1,380,098	2,277,582
9	QAR	27,143.00	29.22	793,118	793,118	798,580
10	AED	11,620	28.55	331,751	331,751	370,585
11	THB	543,020	3.00	1,629,060	1,629,060	687,358
12	MYR	28,232	26.81	756,900	756,900	1,223,087
13	KRW	11,000	0.09	1,018	1,018	864
14	CNY	261,732	15.68	4,103,951	4,103,951	4,006,399
15	EUR	(21,372)	118.48	(2,532,188)	2,532,188	645,881
16	HKD	2,510	13.72	34,437	34,437	1,256,744
17	DKK	41,480	15.92	660,362	660,362	405,290
18	SEK	680	12.34	8,391	8,391	233
19	KWD	535	352.48	188,577	188,577	9,983
20	BHD	-	282.18	-	-	-
21	INR	618,758,483	1.60	990,013,573	990,013,573	890,209,505
Total Open Position (a)				999,429,387	1,021,454,572	938,688,668
Fixed Percentage (b)					5%	5%
Capital Charge for Market Risk [c=(a×b)]					51,072,729	46,934,433
Risk Weight (reciprocal of capital requirement of 10%) in times (d)					10	10
EQUIVALENT RISK WEIGHT EXPOSURE [E=(C×D)]					510,727,286	469,344,334

SCHEDULE 31 PRINCIPAL INDICATORS

PARTICULARS	INDICATORS	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16
1	Percent of Net Profit/Gross Income	37.93%	39.34%	39.58%	37.85%	15.39%	17.85%	31.42%
2	Earning Per Share	43.08	44.51	37.88	36.84	13.25	15.78	14.32
3	Market Value Per Share	840.00	570.00	628.00	553.00	564.00	571.00	*464.00
4	Price Earning Ratio	19.50	12.81	16.58	15.09	42.56	36.19	32.41
5	Dividend (including bonus) on Share Capital	30.00%	34.75%	26.32%	14.74%	10.96%	27.37%	23.00%
6	Cash Dividend on Share Capital	15.00%	16.75%	21.32%	0.74%	0.55%	1.37%	0.00%
7	Interest Income/ Loan and Advances	10.02%	12.08%	12.01%	10.02%	8.62%	8.23%	4.82%
8	Staff Expenses/ Total Operating Expenses	11.35%	10.58%	11.63%	14.61%	14.25%	12.71%	16.30%
9	Interest Expenses/ Total Deposit & Borrowing	4.34%	5.62%	5.85%	4.24%	4.01%	3.61%	2.17%
10	Exchange Gain/ Total Income	6.02%	4.24%	4.56%	4.40%	4.78%	4.84%	4.90%
11	Staff Bonus/ Total Staff Expenses	43.43%	44.10%	35.27%	30.88%	9.90%	12.09%	22.31%
12	Net Profit/ Loan and Advances	2.99%	3.37%	3.15%	2.68%	0.88%	1.00%	1.09%
13	Net Profit/ Total Assets	2.18%	2.44%	2.10%	1.90%	0.65%	0.74%	0.82%
14	Total Credit/ Deposit	83.90%	85.43%	77.30%	83.21%	84.61%	84.61%	88.92%
15	Total Operating Expenses/ Total Assets	6.35%	7.49%	7.40%	6.02%	6.87%	7.13%	3.31%
16	Adequacy of Capital Fund on Risk Weighted Assets							
	(a) Core Capital	9.41%	10.37%	10.11%	9.50%	8.77%	9.43%	10.64%
	(b) Supplementary Capital	1.44%	1.24%	0.96%	3.07%	2.80%	3.56%	2.36%
	(c) Total Capital Fund (a + b)	10.85%	11.62%	11.07%	12.58%	11.57%	13.00%	13.01%
17	Liquidity (CPR)	8.32%	8.10%	8.72%	9.41%	6.82%	9.98%	8.71%
18	Non-performing credit/ Total Credit	1.52%	1.82%	2.30%	1.50%	1.06%	3.47%	2.51%
19	Base Rate				8.75%	7.49%	7.20%	6.89%
20	Weighted Average Interest Rate Spread	5.07%	5.45%	4.67%	4.81%	4.14%	3.93%	3.62%
21	Book Net-worth per share	175.40	179.13	168.36	196.19	184.80	181.78	169.96
22	Total Shares	11,821,571	13,594,807	16,041,873	16,843,967	19,202,123	21,202,123	45,768,910
23	Total Staff	475	484	456	494	556	526	783

* Market Value per Share is taken as the value at which share trading resumed post merger (dated September 28, 2016).

SCHEDULE 32 SIGNIFICANT ACCOUNTING POLICIES

1. General Information

Bank of Kathmandu Lumbini Limited (referred to as 'BOKL or 'the Bank' hereinafter) is a limited liability company domiciled in Nepal. Its registered office is at Kamalpokhari, Kathmandu, Nepal. The Bank is listed with Nepal Stock Exchange Ltd. and provides full commercial banking services (Class A) as licensed by Nepal Rastra Bank (NRB).

Merger of Bank of Kathmandu Limited and Lumbini Bank Limited

Special resolution passed by the Annual General Meeting of Bank of Kathmandu Limited (BOK) and Lumbini Bank Limited (LUBL) held on May 30, 2016 (Jestha 17, 2073) and May 09, 2016 (Baisakh 27, 2073) respectively with respect to merger of both the institutions was approved by Nepal Rastra Bank vide letter dated July 08, 2016 (Asadh 24, 2073) and by Company Registrar Office vide letter dated July 11, 2016 (Asadh 27, 2073). BOK and LUBL merged and commenced joint operation from July 14, 2016 (Asadh 30, 2073) as Bank of Kathmandu Lumbini Limited (BOKL), "A" Class Commercial Bank. As per the merger agreement shares of LUBL has been valued at Rs. 82.81 per share and paid by issuing fully paid up shares of Rs. 100 each of BOKL. Subsequent to merger, trading of shares of BOKL have been resumed from September 28, 2016 (Ashwin 12, 2073) after approval of Securities Board of Nepal.

The assets and liabilities of LUBL have been integrated to that of BOKL dated July 14, 2016 (Asadh 30, 2073). Financial results of LUBL as of Asadh 29, 2073 (July 13, 2016) has been disclosed under clause 2 of Schedule 33.

2. Approval of Financial Statements by the Board of Directors

The accompanied financial statements have been approved for publication by the Board of Directors of the Bank in its meeting held on December 15, 2016. The Board of Directors acknowledges the responsibility of preparation of financial statements of the Bank.

3. Basis of Preparation

(i) The financial statements are presented in Nepalese Rupees (NPR) and are prepared on historical cost convention by applying accrual basis of accounting and prepared in accordance with Nepal Accounting Standards (NAS), Bank & Financial Institutions Act, 2063 (BAFIA), directives issued by Nepal Rastra Bank (NRB) and the Company Act, 2063 except for exceptions (against NAS) as mentioned below:

- Interest income on loans and advances are recognized on cash basis as per the directives issued by NRB.
- Proposed dividend and extraordinary items (if any) are accounted for as per directive issued by NRB.
- Deferred Tax assets and Liabilities are shown under Other Assets and Other Liabilities as per the directive issued by Nepal Rastra Bank.

(ii) On recommendation of Institute of Chartered Accountants of Nepal (ICAN) Commercial Banks were mandated to implement Nepal Financial Reporting Standards (NFRS) from FY 2072/73 onwards. However, the financial statements are prepared in accordance with NAS. The bank is in the process of adoption of NFRS.

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.

5.1. Fixed Assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation. Cost includes cost of acquisition including incidental expenses related to acquisition.

Depreciation on fixed assets is charged to Profit & Loss Account on diminishing value method over the estimated useful lives of fixed assets as determined by the management. Land is not depreciated. The depreciation rates applied for various categories of fixed assets are as follows:

NATURE OF ASSETS	DEPRECIATION RATE "%"
BUILDING	5
VEHICLES	20
OFFICE EQUIPMENT	25
FURNITURE & FIXTURES	25
OTHER ASSETS	15

Assets costing less than NPR 10,000 are charged directly to Profit & Loss Account.

Depreciation on fixed assets is charged from the subsequent month of booking. In case of fixed assets disposed during the year, depreciation is charged up to the previous month of disposal.

Leasehold improvements are amortized on straight line method over the period of the respective lease. In cases where lease period is not defined a management estimate of five years is taken as basis for amortization.

Expenses for software application incurred by the Bank are capitalized and are amortized over a period of five years from the date of acquisition.

Depreciation is calculated as per the rate and procedures defined in Income Tax Act 2058 (amended) for income tax purpose.

5.2. Stationery Stock

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.

5.3. Investments

All investments securities are initially recognized at cost, being fair value of the consideration given, including acquisition charges associated with the investment. The investments held by the bank comprise of following 3 categories:

- (i) Investment Held for Trading (HFT): These are the marketable investments and held with the primary intention of resale over a short period of time. These investments are initially measured at cost and subsequently recognized at market value. Gains and losses arising from trading/revaluation are recognized in Profit or Loss Account (Income Statement).
- (ii) Investment Available for Sale (AFS): These are investment held with the primary intention to recover value of investment through sale rather than continuing to hold. These investments are initially measured at cost and subsequently recognized at market value. Investment Adjustment reserve are created on 2 percent of the investment classified as available for sale (AFS) except on investment on shares specially allowed by Nepal Rastra Bank.
- (iii) Investment Held till Maturity (HTM): These investments are primarily intended to hold until the maturity and are stated at cost and carried at these values in the balance sheet until maturity. Any impairment losses arising in such investments are provisioned and charged in the Profit and Loss Account (Income Statement). Premium paid while acquiring HTM investments is recognized as the part of initial cost and subsequently amortized on proportionate basis until maturity.

5.4. Loans and Advances including Bills Purchased and Provision for Loan Loss

Loans and Advances including Bills Purchased are stated at net of provision made for loan loss in Balance Sheet.

All loans, advances including bills purchased are disbursed to the customers as per the Bank's policy. The outstanding loans, advances and bills purchased are classified into performing loan (pass loan and watchlist) and non – performing loan (restructured/rescheduled, sub-standard, doubtful and bad loan) in accordance with the directives issued by Nepal Rastra Bank and adequate provision as prescribed by the said directives are made for Loan Loss.

5.5. Loan Write offs

Loan Write off By-Laws of the bank provides guidelines for effective and transparent process for writing off non-performing assets. Specific non-performing asset that meets the write off eligibility are written off after the approval of the Board of Directors without prejudice to the Bank's right of recovery and shown under Schedule 28 as extra-ordinary item as per the directive of Nepal Rastra Bank. Impairment provisions held for the loss accounts are written back immediately after the loans are written-off and recognized in Profit and Loss account.

5.6. Staff Loans and Advances

Loans and advances that are provided to the staff in accordance with the Bank's policy are presented under Other Assets.

5.7. Non Banking Assets

Collateral securities acquired by the Bank during the process of recovery of loans are transferred to Non Banking Assets. Non Banking Assets are valued based on directive issued by Nepal Rastra Bank (i.e. market value of the assets or the aggregate recoverable amount due up to the day before the date of assumption whichever is lower). Non Banking Assets are fully provided in accordance with the directives issued by Nepal Rastra Bank.

Non Banking Assets are derecognized at the time of its disposal through sale or transfer for its own use by the bank.

5.8. Income Taxes

Some expenses charged to the Profit and Loss Account may not be allowable in full or part under the Income Tax Act and Rules. Similarly, some income may be tax exempt. Accordingly, the net profit as reported in the Profit and Loss Account and taxable profit may vary. Provision for current tax is made with reference to the profit of the financial year based on the provision of the Income Tax Act, 2058. Deferred Tax is recognized and provided for timing differences between taxable income and accounting income.

Deferred tax assets are recognized to the extent it is probable that the temporary difference will reverse in the foreseeable future and that there will be sufficient future taxable income against which the temporary difference can be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences.

A reserve is created and classified as Other Reserves by earmarking accumulated profit and loss account to the extent of outstanding balance of Deferred Tax Assets as per NRB guidelines.

5.9. Foreign Exchange Transaction

Monetary foreign currency assets and liabilities are translated at the buying rates as on the Balance Sheet date.

Gain or loss realized on the foreign exchange transactions is recognized on the date of transaction and included under Exchange Gain/(Loss) as Trading Gain/(Loss).

Gains or loss arising due to fluctuation in exchange rates of different foreign currencies is accounted for and shown as Revaluation Gain/(Loss). 25% of such revaluation gain is transferred to Exchange Fluctuation Fund through Profit and Loss Appropriation Account as per the directives issued by Nepal Rastra Bank while revaluation loss is charged to profit and loss account directly.

5.10. Interest Income

Interest income on loans and advances are recognized on cash basis as prescribed by NRB Directives, which however is not in accordance with the NAS that prescribes recognition of income on accrual basis. The practice followed by the Bank as per NRB Directives is more conservative.

Interest income on investment is recognized on accrual basis.

5.11. Commission Income

Commission earned on services rendered for a period covering more than one financial year are recognized on accrual basis and proportioned over the financial period. Such commission income received in advance are recognized as unearned commission income under liabilities and derecognized at the time of accrual of income as the service period expires.

5.12. Interest Expenses

Interest expenses on interest bearing deposit and borrowings are accounted for on accrual basis.

5.13. Dividend Income

Dividend income on equity shares are recognized at net of withholding tax when the right to receive dividend is established. When bonus shares are received, only numbers of shares are increased without changing the cost price of shares.

5.14. Employee Benefits

- (i) Provident Fund: Periodic contribution of the bank to employee's provident fund is recognized as expenses and deposited into the approved retirement fund.
- (ii) Accumulated Leave: Accumulated leave payable to staff is recognized on accrual basis as per Employees' By laws of the Bank and NAS.
- (iii) Gratuity: Accounting estimate of future payment of gratuity liability is recognized on accrual basis.

5.15. Staff Bonus

Provision for staff bonus is made as per the Bonus Act, 2030.

5.16. Provisions, Contingent Liabilities and Contingent Assets

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. 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.

All letter of credit, bank guarantee and forward exchange contract liabilities have been shown in full amount as contingent liabilities in accordance with the directives issued by Nepal Rastra Bank.

Besides above, all known liabilities are provided for and liabilities, whose future outcome cannot be ascertained with reasonable certainty, are treated as contingent and disclosed under contingent liabilities.

Contingent Assets are not recognized however is assessed continually to ensure that developments are appropriately reflected in the financial statements.

5.17. Impairment of Assets

The bank assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the bank estimates the recoverable amount of the asset. Impairment of assets is recognized when carrying amount of the assets exceeds its recoverable amount and is recognized in profit and loss account.

However, in case of impairment on loans and advances, provision for possible losses is done according to the Directives issued by Nepal Rastra Bank. Additional provision in excess of the regulatory requirement can also be made to maintain cushion against possible impairment.

5.18. Dividend and Proposed Bonus Shares

Dividend and proposed bonus shares are provided as proposed by the Board of Directors and recognized in Financial Statement as per the directive of Nepal Rastra Bank.

6. Comparatives

Previous year's figures are grouped or regrouped wherever necessary in order to facilitate comparison; details of which are provided in the Notes to Accounts.

SCHEDULE 33 NOTES TO ACCOUNTS

1. Change in Paid-up Capital

(a) In the current fiscal year following is the detail of changes made in paid-up capital of the bank.

PARTICULARS	AMOUNT (RS.)
Opening Share Capital (including Bonus Share of NPR 551.25 million)	2,671,467,500
Share distributed to shareholders of Lumbini Bank Limited on merger	1,905,423,500
CLOSING SHARE CAPITAL OF FY 2072/73	4,576,891,000

(b) Details of share distributed to shareholders of Lumbini Bank Ltd on merger

S.NO.	PARTICULARS	LUMBINI BANK LTD
1	Share Capital on the date of merger	2,300,958,180
2	Swap Ratio	82.81:100
3	Share Capital according to swap ratio	1,905,423,500
4	Surplus credited to Capital Reserve	395,534,680

2. Summarized Financial Results of Lumbini Bank Ltd as on date of merger

Financial Statements of Lumbini Bank Limited (LUBL) is prepared as of Asadh 29, 2073 (July 13, 2016). Assets and liabilities as of the date of merger are consolidated with the assets and liabilities of Bank of Kathmandu Lumbini Limited (BOKL).

Summarized financial statements of LUBL as of Asadh 29, 2073 (July 13, 2016) is as below:

(a) Balance Sheet as of Asadh 29, 2073 (July 13, 2016)

CAPITAL AND LIABILITIES	AMOUNT (RS.)
1. Share Capital	2,300,958,180
2. Reserves and Surplus	951,932,956
3. Debentures and Bonds	-
4. Borrowings	-
5. Deposits	24,704,982,855
6. Bills Payables	54,195,398
7. Proposed Dividend	-
8. Income Tax Liabilities	-
9. Other Liabilities	352,715,060
TOTAL CAPITAL AND LIABILITIES	28,364,784,449

ASSETS	AMOUNT (RS.)
1. Cash Balance	379,834,067
2. Balance with Nepal Rastra Bank	3,303,157,779
3. Balance with Banks/Financial Institutions	674,346,122
4. Money at Call and Short Notice	300,000,000
5. Investments	1,778,543,302
6. Loans, Advances and Bills Purchase	21,095,674,661
7. Fixed Assets	307,236,086
8. Non Banking Assets	-
9. Other Assets	525,992,432
TOTAL ASSETS	28,364,784,449

(b) Profit & Loss Statement from Shrawan 01, 2073 to Asadh 29, 2073

PARTICULARS	AMOUNT (RS.)
1. Interest Income	1,785,469,667
2. Interest Expenses	988,963,923
Net Interest Income	796,505,744
3. Commission and Discount	36,557,965
4. Other Operating Income	65,830,052
5. Exchange Gain	71,413,027
Total Operating Income	970,306,789
6. Employees Expenses	174,788,469
7. Other Operating Expenses	158,134,697
8. Exchange Loss	-
Operating Profit before provision for possible losses	637,383,622
9. Provision for Possible Losses	205,729,440
Operating Profit	431,654,182
10. Non Operating Income /(Expense)	11,655,658
11. Provision Written Back	118,785,825
Profit from Ordinary Activities	562,095,666
12. Income/(Expense) from extra-ordinary Activities	11,623,969
Net profit after incorporating all Activities	573,719,634
13. Provision for Staff Bonus	52,156,330
14. Income Tax Expenses	161,514,563
- Current Tax	157,864,379
- Previous Year's Additional Tax	2,774,205
- Current Year's Deferred Tax (Income)/Expense	875,979
NET PROFIT	360,048,741

Net Profit of LUBL has been transferred to reserves and is consolidated with the reserve of BOKL.

3. Dividend and Proposed Bonus Shares

The Board of Directors has proposed stock dividend (bonus share) of NPR 1,052,685,000.00 (23% of paid up capital of Ashadh End 2073).

4. Staff Housing Fund

Since the Bank has been extending housing loan to the employees as per bank's Employee By-Laws, provision for staff housing as required by the Labour Act has not been made.

5. General Reserve

As required by the BAFIA, 20% of the current year's net profit amounting to NPR 131,055,139.00 has been transferred to General Reserve through Profit and Loss Appropriation Account. NPR 614,815,835.00 has been transferred to the reserve from merger with Lumbini Bank Ltd. General Reserve of the bank as of Asadh End 2073 is NPR 1,693,935,497.

6. Capital Reserve

Surplus amount of NPR 395,698,786, after distribution of shares to shareholders of Lumbini Bank as a result of merger, in accordance to swap ratio of 0.8281 : 1 has been credited to Capital Reserve.

7. Contingent Reserve

Contingent Reserve of NPR 20,000,000.00 was created in FY 2065/66 for guarantees on which claim was made against the bank but were unpaid due to court case. Of the cases relating to which the reserve was created, NPR 10,961,884.00 is outstanding as of the current fiscal year. Remaining amount of NPR 9,038,116.00 has been transferred to Retained Earning.

8. Exchange Fluctuation Fund

As required by NRB directive, 25% of Revaluation Gain amounting to NPR 4,070,854.00 has been transferred to Exchange Fluctuation Reserve through Profit and Loss Appropriation Account. NPR 3,512,004.00 has been transferred to the reserve from merger with Lumbini Bank Ltd. Exchange Fluctuation Fund of the bank as of Asadh End 2073 is NPR 60,081,321.

9. Bond Redemption Reserve

The bank had issued 8% BOK Bond – 2076 worth NPR 400 million on May 19, 2013 having a maturity period of 7 years. As per the provision of NRB directives Bond Redemption reserve amounting to NPR 66,666,667 has been appropriated through Profit & Loss Appropriation Account during the current financial year.

The bank had issued 8% BOK Bond – 2079 worth NPR 600 million on June 30, 2015 having a maturity period of 7 years. As per the provision of NRB directives Bond Redemption reserve amounting to NPR 10,000,000 has been appropriated through Profit & Loss Appropriation Account during the current financial year. Bond Redemption Reserve of the bank as of Asadh End 2073 is NPR 300,000,000.

10. Investment Adjustment Reserve

As required by NRB directive, 2% of Investment Portfolio under Available for Sale category has to be maintained as Investment Adjustment Reserve. As per NRB directive, Investment Adjustment Reserve for investment made in shares of Credit Information Bureau Limited (CIBL), Nepal Banking Institute Ltd (NBI) and Nepal Clearing House Ltd (NCHL) need not be maintained. In addition to aforementioned institutions, NRB Directives 2073 has provided that Investment Adjustment Reserve need not be created for investment in Nepal Electronic Payment System (NEPS). In line with the provision of NRB directives, 2% reserve amounting to NPR 300,000.00 till FY 2071/72 and 100% reserve amounting to NPR 15,000,000.00 transferred from merger, maintained by Lumbini Bank Ltd, created on investment in NEPS, has been written back and transferred to Retained Earning.

In the current fiscal year NPR 15,031,688.00 has been written back from Investment Adjustment Reserve and transferred to Retained Earning. NPR 27,119,800.00 has been transferred to the reserve from merger with Lumbini Bank Ltd. Investment Adjustment Reserve of the bank as of Asadh End 2073 is NPR 13,497,066.

11. Accumulated Leave

Accumulated leave payable to staff has been accounted as per actuarial valuation on accrual basis. In this regard, NPR 24,127,733.00 has been accounted for accumulated leave payable.

12. Deferred Tax

a. Component of Deferred Tax Assets

The component of Deferred Tax as on July 15, 2016 (Ashad 31, 2073) is as follows:

Amount in NPR

	CURRENT YEAR	PREVIOUS YEAR
Deferred Tax Asset		
On fiscal allowance of fixed assets	17,360,528	8,082,891
On other temporary differences	34,598,617	11,086,911
DEFERRED TAX ASSET	51,959,145	19,169,802

b. Explanation of relationship between tax expense and accounting profit

PARTICULARS	AMOUNT IN NPR
Profit before tax and adjustments	1,062,459,911.00
Corporate Tax Rate	30%
Corporate Tax	318,737,973.00
Tax effect on Permanent Difference	
Less:-	
Dividend Income	4,616,034.30
Add:-	
Insurance and tax of OYVS vehicle	573,984.80
Depreciation OYVS	4,082,828.43
Investment Write Off	879,060.00
Donation	62,733.60
Total Accounting Tax Expenses	319,720,545.00
Total accounting tax expenses in Profit and Loss Account	
A. Current Year Tax	315,106,070.00
B. Deferred Tax	4,614,476.00
TOTAL TAX EXPENSE (A+B)	319,720,545.00

13. Related Parties

Key Management Personnel

Key Management Personnel of the Bank include Chief Executive Officer and members of the Board of Directors of the Bank as at Ashad End 2073 are as follows:

Mr. Satya Narayan Manandhar	- Chairman
Mr. Santa Bar Singh Thapa	- Director
Mr. Govinda Prasad Sharma	- Director
Mr. Chop Narayan Shrestha	- Director
Prof. Hem Raj Subedi, Ph.D	- Director
Mr. Kedar Nath Gautam	- Director
Mr. Subarna Lal Shrestha	- Director
Mr. Madan Lal Joshi	- Director
Mr. Dibyanidhi Bista	- Director
Mr. Ajay Shrestha	- Chief Executive Officer

Compensation to Key Management Personnel of the Bank (CEO)

CATEGORIES	AMOUNT IN NPR
a) Short-term employee benefits	7,978,722.15
b) Post-employment benefits	Nil
c) Other long-term benefits	Nil
d) Termination benefits	Nil
e) Share-based benefits	Nil
TOTAL	7,978,722.15

In addition to the above, a company vehicle has been provided to the Chief Executive Officer as per the terms of his appointment.

Transaction with Key Management Personnel of the Bank (Board of Directors)

The following provides transactions between the Bank and Key Management Personnel of the Bank during the year.

NATURE OF TRANSACTION	CURRENT YEAR
Meeting Allowances	4,347,439
Telephone, Mobile & Newspapers/ Magazines Allowances	1,261,935

14. Contingent Liability

Beneficiaries of the bank guarantees issued by the Bank have claimed NPR 43,461,032 which the Bank has not accepted as liability. There is a legal proceeding for the said claims with appropriate authority and the bank would provide and honor the claim on final disposal of the legal proceeding.

Final tax assessment has been carried out by Inland Revenue Department up to F/Y 2067-68. Fiscal Year wise status has been disclosed in clause 23.

15. Reconciliation Status

Amount in NPR

TRANSACTION	UP TO 1 YEAR	1 TO 3 YEARS	ABOVE 3 YEARS	TOTAL
Branch Account	-	-	-	-
Agency Account (NRB)	71,014,378	-	-	71,014,378
Agency Account (Others)	472,614,460	-	-	472,614,460

Differences of the transactions pending reconciliation has been identified and is being reconciled.

16. Statement of disbursement, recovery of loans and advances and principal and interest written off

Amount in NPR

OPENING BALANCE	DISBURSEMENT	RECOVERY	WRITTEN OFF	TRANSFER FROM MERGER	CLOSING BALANCE
33,386,036,157	19,185,421,727	13,731,735,544	1,960,334	21,479,945,178	60,317,707,184

17. Summary of Changes in Deposit Liability

PARTICULARS	PREVIOUS YEAR	CURRENT YEAR	CHANGES
Government of Nepal	864,333,845	716,356,398	-147,977,447
Commercial Banks	126,595,852	351,190,971	224,595,119
Financial Institutions	2,120,962,104	4,131,567,141	2,010,605,037
Other Organizations	20,099,852,629	32,225,907,297	12,126,054,668
Individuals	15,861,990,729	28,456,027,206	12,594,036,477
Others	0	1,481,298,598	1,481,298,598
Guarantees Margins	106,344,065	144,305,297	37,961,232
LC Margins	276,507,516	329,737,849	53,230,333
TOTAL DEPOSITS	39,456,586,740	67,836,390,757	28,379,804,018

NPR 24.70 billion was brought forward from Lumbini Bank Ltd as of Asadh 29, 2073 as a result of merger.

18. Weighted Average Interest Rate Spread

Deposit, Borrowing and Interest Expenses				
Previous Year		Type of Account	Current Year	
Average Deposit & Borrowing	Interest Expenses		*Average Deposit & Borrowing	*Interest Expenses
3,500,940,286	-	Current	5,058,067,570	-
11,630,291,234	315,538,754	Saving	18,706,941,885	475,710,013
9,805,931,774	389,061,992	Call	14,063,290,538	382,531,014
11,133,487,971	720,216,113	Fixed	25,151,147,494	1,591,503,188
862,228,276	38,689,260	Borrowing	1,385,669,755	83,627,109
36,932,879,541	1,463,506,119	Total	64,365,117,242	2,533,371,324
Average Int. Rate	3.96%		Average Int. Rate	3.94%

* For the purpose of computation of cost of fund, average volume of deposit as well as interest expenses of Lumbini Bank has been included.

Loans & Investment and Interest Income				
Previous Year			Current Year	
Average Loan & Investment	Interest Income	Type of Account	**Average Loan & Investment	**Interest Income
30,742,648,039	2,748,130,298	Loans	52,892,510,032	4,646,514,499
5,309,361,510	96,724,487	Investments	11,565,803,026	226,268,553
36,052,009,549	2,844,854,785	Total	64,458,313,058	4,872,783,051
Average Int. Rate	7.89%		Average Int. Rate	7.56%
	3.93%	Spread		3.62%

* For the purpose of computation of yield on lending and investment, average volume of loan and investment as well as interest income of Lumbini Bank has been included.

19. Structural Liquidity Table

PARTICULARS	1-90 DAYS	91-180 DAYS	181-270 DAYS	271-365 DAYS	ABOVE 1 YR.	TOTAL AMOUNT
Assets						
1 Cash Balance	1,527,376,805	-	-	-	-	1,527,376,805
2 Balance at Bank & Financial Institutions	8,261,075,009	-	-	-	-	8,261,075,009
3 Investment in Foreign Banks	1,050,290,050	214,200,000	-	107,250,000	-	1,371,740,050
4 Call Money	-	-	-	-	-	-
5 Government Instruments	1,093,357,000	1,265,276,991	839,912,900	148,799,650	4,576,130,059	7,923,476,600
6 Central Bank Bond	-	-	-	300,000,000	-	300,000,000
7 Inter-bank & Financial Institution Lending	150,000,000	-	51,015,150	12,031,875	-	213,047,025
8 Loans & Advances	21,409,390,835	6,749,972,479	5,715,674,085	3,955,236,595	22,487,433,189	60,317,707,183
9 Interest Receivable	215,491,055	26,866,243	6,344,231	454,824	29,119,385	278,275,740
10 Reverse Repo	-	-	-	-	-	-
11 Receivable under commitment from other organizations	-	-	-	-	-	-
12 Payment of facilities under S.No.20, 21 & 22	8,183,826,786	2,472,273,470	1,505,842,236	1,940,787,415	3,562,453,536	17,665,183,443
13 Others	151,590,549	502,613	502,613	310,275	1,003,651,349	1,156,557,399
TOTAL FINANCIAL ASSETS	42,042,398,090	10,729,091,797	8,119,291,216	6,464,870,634	31,658,787,519	99,014,439,256

PARTICULARS	1-90 DAYS	91-180 DAYS	181-270 DAYS	271-365 DAYS	ABOVE 1 YR.	TOTAL AMOUNT
Liabilities						
14 Current Deposits	1,988,957,488	79,324,346	79,324,346	79,324,346	2,478,311,022	4,705,241,548
15 Saving Deposits	15,543,303,895	1,260,954,734	1,260,954,734	2,850,664,482	14,584,023,888	35,499,901,733
16 Fixed Deposits	5,212,038,767	4,739,332,314	7,960,461,209	8,086,689,422	983,511,782	26,982,033,494
17 BOK Bond	-	-	-	-	1,000,000,000	1,000,000,000
18 Borrowings:	2,247,000,000	-	-	-	-	2,247,000,000
Money at Call/ Short Notice	-	-	-	-	-	-
Inter Bank/Financial Institution	2,200,000,000	-	-	-	-	2,200,000,000
Refinance	47,000,000	-	-	-	-	47,000,000
Others	-	-	-	-	-	-
19 Other Liabilities	2,143,674,116	272,884,865	104,034,412	109,731,211	369,666,576	2,999,991,180
Sundry Creditors	541,073,751	66,038,528	5,377,292	5,377,292	(8,711,333)	609,155,530
Bills Payable	74,486,493	-	-	-	-	74,486,493
Interest Payable	74,684,658	82,981,425	35,557,579	63,955,661	13,700,147	270,879,469
Provisions	1,392,987,973	123,864,913	63,099,541	40,398,258	364,677,762	1,985,028,447
Others	60,441,241	-	-	-	-	60,441,241
20 Payable under commitment to other organizations	1,569,908,336	300,121,668	-	-	-	1,870,030,004
21 Irrevocable Credit Commitment	4,251,297,348	1,000,477,122	1,023,532,078	1,203,268,280	2,932,204,198	10,410,779,027
22 Letters of Credit/Guarantee [Net]	2,362,621,101	1,171,674,681	482,310,158	737,519,135	630,249,338	5,384,374,412
23 Repo	-	-	-	-	-	-
24 Payment of facilities under S.No. 11	-	-	-	-	-	-
25 Others	240,470,976	15,899,557	12,663,531	45,046,533	208,506,123	522,586,720
Total Financial Liabilities	35,559,272,027	8,840,669,286	10,923,280,469	13,112,243,409	23,186,472,927	91,621,938,118
Net Financial Assets	6,483,126,063	1,888,422,510	(2,803,989,253)	(6,647,372,775)	8,472,314,592	7,392,501,138
CUMULATIVE NET FINANCIAL ASSETS	6,483,126,063	8,371,548,573	5,567,559,321	(1,079,813,454)	7,392,501,138	

20. Summary of concentration of exposure

No balance sheet and off balance sheet transactions have been concentrated to a single person, firm, organization or to a particular sector. Detail of highest exposure to a single person or organization is as follows:

Amount in NPR

PARTICULARS	TOTAL EXPOSURE	MAXIMUM CONCENTRATION TO A SINGLE CUSTOMER	PERCENTAGE
Loans & Advances	60,317,707,183	843,777,796	1.40%
Deposits	67,836,390,757	1,926,886,381	2.84%
Off Balance Sheet Items	22,663,566,523	899,942,549	3.97%

21. Details of Non Banking Assets

Amount in NPR

OPENING BALANCE	TAKEN OVER DURING THE YEAR	SOLD DURING THE YEAR	TAKEN OVER FROM MERGER	CLOSING BALANCE
278,425	-	-	24,380,000	24,658,425

22. Details of Software Application

Amount in NPR

OPENING BALANCE	ADDITIONS DURING THE YEAR	AMORTIZATION DURING THE YEAR	TRANSFER FROM MERGER	CLOSING BALANCE
13,668,362	8,888,559	5,102,118	909,004	18,363,807

Amortization of computer software has been reported under written off expense in schedule 24

23. Tax Assessment

Final Tax Assessment has been carried out up to F/Y 2067-68. The bank has appealed at Supreme Court for the tax assessment of F/Y 2063-64.

Appeal for settlement of tax related disputes on reassessment of income tax of FY 2064/65, FY 2065/66 and FY 2066/67 was made to Tax Settlement Commission, 2071. Out of total assessed additional tax liability of NPR 32,711,267.90, decision was made by the Commission for settlement of NPR 18,000,000 /-. Decided amount after setting off with deposit made amounting to NPR 17,564,482.19 on appeal to Revenue Tribunal, was settled by payment of NPR 435,517.81.

The bank has appealed at Inland Revenue Department for the tax assessment of FY 2067/68.

Towards merger with Lumbini Bank Ltd., contingent liability of income tax amounting to NPR 91,264,592 pertaining to tax reassessment of FY 2059/60 to FY 2063/64 and FY 2066/67 to FY 2069/70 has been consolidated.

Contingent liability for the mentioned periods amounting to NPR 110,216,625 has been shown in Schedule 17.

24. FCY placement of USD 4.60 million has been lien-marked for the purpose of Letter of Credit.**25. The Bank has forfeited 4,505 numbers of shares and the same has not been re-issued.****26. All figures are rounded off to the nearest rupee.**

SCHEDULE 34 STATEMENT OF LOANS TAKEN BY PROMOTERS/PROMOTER SHAREHOLDERS FROM OTHER BANKS/FINANCIAL INSTITUTIONS AGAINST PLEDGE OF PROMOTER SHARES IN THEIR OWNERSHIP

AS AT JULY 15, 2016

Amount in NPR

S NO.	NAMES OF PROMOTERS/ PROMOTER SHAREHOLDERS	SHARES REGISTERED IN THE NAME OF PROMOTERS /PROMOTER SHAREHOLDERS		NAME OF BANK/ FINANCIAL INSTITUTIONS PROVIDING LOANS	LOAN LIMIT / LOAN OUTSTANDING	NO. OF SHARES PLEGDED	REMARKS
		TOTAL NO. OF SHARES	% TOTAL PAID UP CAPITAL				
1	Bhubaneshwori Shrestha	410,705	0.90	Janata Bank Nepal Limited	Limit: Outstanding : NPR 7,500,000.00	73,135 43,358	
2	Prabhu Krishna Shrestha	29656	0.06	Janata Bank Nepal Limited	Limit : Outstanding : NPR 7,500,000.00	17808	
3	Praniti Shrestha	19650	0.04	Janata Bank Nepal Limited		11800	
4	Gauri Shrestha	198,328	0.43	NMB Bank Limited	Limit : NPR 10,000,000.00 Outstanding : NPR 38,095.24	41,750	
5	Ganesh Kumar Agrawal	201,530	0.44	NMB Bank Limited	Limit: NPR 19,000,000.00 Outstanding: NPR 18,991,187.99	160,105	
				Century Commercial Bank Limited	Limit: Outstanding: NPR 5,873,352.82	17,789	
				Prabhu Bank Limited	Limit : Outstanding : NPR 5,000,000.00	15,088	
6	Nirmal Kumar Agrawal	201,530	0.44	Prabhu Bank Limited Century Commercial Bank Limited NMB Bank Limited	Limit : Outstanding : NPR 2,698,135.94 Limit : NPR 19,000,000.00 Outstanding : NPR 18,991,283.14	17,789 160,105	
7	Nepal Mentha Products P. Ltd.	124,015	0.27	Gurkhas Finance Limited	Limit : NIL Outstanding : NIL	33,450	
				Prime Commercial Bank Limited	Limit : Outstanding : NPR 33,781,118.46	40,439	
8	Dambar Bahadur Malla	1,013,213	2.21	Laxmi Bank Limited	Limit : NPR 117,450,000.00 Outstanding : NPR 117,450,000.00	363,606 86,987	limit includes shares pledged of other banks as well
9	Rita Malla	938,582	2.05	Laxmi Bank Limited		85,307	
10	Deepak Bohara	129,106	0.28	Union Finance Limited	Limit : NPR 10,500,000.00 Outstanding : NPR 10,500,000.00	2,552	
11	Sanjay Pradhan	13,237	0.03	Caliber Savings & Credit Co-Operative Limited	Limit : NPR 1,000,000.00 Outstanding : NPR 586,540.00		
12	Phanindra Kumari Aryal	22,310	0.05	NIC Asia Bank Limited	Limit : Outstanding : NPR 1,924,320.00	16,036	
13	Alok Singh	458,042	1.00	Kumari Bank Limited	Limit : NPR 10,000,000.00 Outstanding : NPR 9,666,614.37	160,318	
14	Suman Babu Baniya	7,493	0.02	Global IME Bank Limited	Limit : Outstanding : NPR 4,371,996.13	5,947	
15	Sujan Pradhan	54,410	0.12	Sunrise Bank Limited	Limit : Outstanding : NPR 5,000,000.00	43,182	
16	Bijay Krishna Shrestha	112,746	0.25	Century Commercial Bank Limited	Limit: Outstanding: NPR 9,690,494.05	55,690	
17	Prajaya Krishna Shrestha	66,946	0.15	Century Commercial Bank Limited		48,120	

SCHEDULE 34 STATEMENT OF LOANS TAKEN BY PROMOTERS/PROMOTER SHAREHOLDERS FROM OTHER BANKS/FINANCIAL INSTITUTIONS AGAINST PLEDGE OF PROMOTER SHARES IN THEIR OWNERSHIP

AS AT JULY 15, 2016

Amount in NPR

S NO.	NAMES OF PROMOTERS/ PROMOTER SHAREHOLDERS	SHARES REGISTERED IN THE NAME OF PROMOTERS /PROMOTER SHAREHOLDERS		NAME OF BANK/ FINANCIAL INSTITUTIONS PROVIDING LOANS	LOAN LIMIT / LOAN OUTSTANDING	NO. OF SHARES PLEGGED	REMARKS
		TOTAL NO. OF SHARES	% TOTAL PAID UP CAPITAL				
18	Om Prakash Agrawal	34,530	0.08	Global IME Bank Limited	Limit : Outstanding : NPR 4,800,000.00	10,047	
19	Mangal Kalash Investment Pvt.Ltd.	1,528,635	3.34	NIC Asia Bank Limited	Limit : Outstanding :	117,949	
20	Hetauda Investment & Trading Co. Pvt.Ltd.	377,180	0.82	Deva Bikas Bank Limited	Limit : NPR 10,000,000.00 Outstanding :	82,810	
21	Kundan Kashyapati	39,128	0.09	Siddhartha Bank Limited	Limit : NPR 2,100,000.00 Outstanding :	34,024	
22	Sitaula Investment Pvt.Ltd.	509,659	1.11	Nepal Credit & Commerce Bank Limited	Limit : Outstanding :	43,011	
23	Bhatbhateni Super Market Pvt.Ltd.	429,566	0.94	Laxmi Bank Limited	Limit : Outstanding :	84,880	
24	Namkhan Lama	87,041	0.19	Siddhartha Bank Limited	Limit : NPR 10,800,000.00 Outstanding :	75,688	
25	Mukunda Prasad Timilsina	41,908	0.09	Citizens Bank International Limited	Limit : Outstanding :	30,040	
26	Sampurna Das Tuladhar	15,207	0.03	A-One Saving & Credit Cooperative Limited	Limit : Outstanding :	7,145	
27	Nirmal Pradhan	62,863	0.14	Prime Commercial Bank Limited	Limit : NPR 6,601,100.00 Outstanding :	54,663	
28	Jai Ganesh Investment Co. Pvt. Ltd.	102,602	0.22	Laxmi Bank Limited	Limit : NPR 60,000,000.00 Outstanding :	89,219	

PRINCIPAL INDICATOR DEFINITION

RATIOS	UNITS	DEFINITION
1 Percent of Net Profit / Gross Income	Percent	Net Profit After Tax / Total Operating Income
2 Earning Per Share	NPR	Net Profit After Tax / No. of Shares
3 Market Value Per Share	NPR	Traded Price at Nepal Stock Exchange Ltd at Year end
4 Price Earning Ratio	Ratio	Market Value Per Share / Earning Per Share
5 Dividend (including bonus) on Share Capital	Percent	Proposed Dividend (Cash + Bonus) / Paid up Share Capital
6 Capital Adjustment Reserve	Percent	Amount Transferred to Capital Adjustment Reserve / Paid Up Share Capital
7 Cash Dividend on Share Capital	Percent	Proposed Cash Dividend / Paid up Share Capital
8 Interest Income / Loan and Advances	Percent	Interest Income / Loans, Advance & Bills Purchase
9 Staff Expenses / Total Operating Expenses	Percent	Total Staff Expenses / Total Operating Expenses
10 Interest Expenses / Total Deposit & Borrowing	Percent	Interest Expenses / Total Deposit & Borrowing
11 Exchange Gain / Total Income	Percent	Total Exchange Income / Total Income
12 Staff Bonus / Total Staff Expenses	Percent	Provision for Staff Bonus / Total Staff Expenses
13 Net Profit / Loan and Advances	Percent	Net Profit / Loans, Advances & Bills Purchase
14 Net Profit / Total Assets	Percent	Net Profit After Tax / Total Assets
15 Total Credit / Deposit	Percent	Total Loans, Advances & Bills Purchase / Total Deposit
16 Total Operating Expenses / Total Assets	Percent	Total Operating Expenses / Total Assets
z17 Total Capital Fund	Percent	(Core+Supplementary Capital) / Total Risk Weighted Assets
18 Liquidity (CRR)	Percent	Average Cash at vault & NRB Balance / Average Deposit
19 Non-performing credit / Total Credit	Percent	Total Non-Performing Loan / Total Loans, Advances & Bills Purchase
20 Weighted Average Interest Rate Spread	Percent	Weighted Average Yield - Weighted Average Cost
21 Book Net-worth per share	NPR	Share Holder's Equity / No of Shares

SCHEDULE 35 COMPARISON OF UNAUDITED AND AUDITED FINANCIAL STATEMENTS

As of FY 2072-73
Amount in NPR

S. N. PARTICULARS	AS PER UNAUDITED FINANCIAL STATEMENT	AS PER AUDITED FINANCIAL STATEMENT	VARIANCE		REASONS FOR VARIANCE
			IN AMOUNT	IN %	
1 Total Capital & Liabilities (1.1 to 1.7)	81,748,196	81,769,610	(21,414)	0.0%	
1.1 Paid-up Capital	4,576,891	5,629,576	(1,052,686)	-23.0%	Proposed Bonus Share
1.2 Reserves and Surplus	3,307,994	2,149,243	1,158,751	35.0%	Due to change in Audited Reserves of LUBL and change in Net Profit
1.3 Debenture and Bond	1,000,000	1,000,000	-	0.0%	
1.4 Borrowings	2,247,000	2,247,000	-	0.0%	
1.5 Deposits (a+b)	67,836,391	67,836,391	0	0.0%	
a Domestic Currency	66,725,387	66,725,386	0	0.0%	
b Foreign Currency	1,111,004	1,111,004	(0)	0.0%	
1.6 Income Tax Liabilities	(18,819)	(17,251)	(1,567)	8.3%	Change in Income Tax Liability
1.7 Other Liabilities	2,798,739	2,924,651	(125,912)	-4.5%	Change in LLP
2 Total Assets (2.1 to 2.7)	81,748,196	81,769,610	(21,414)	0.0%	
2.1 Cash & Bank Balance	9,788,452	9,788,452	0	0.0%	
2.2 Money at call and short Notice	150,000	150,000	-	-	
2.3 Investments	9,786,875	9,785,316	1,559	0.0%	Gold and Silver Coins classified under Other Assets
2.4 Loans & Advances (a++b+c+d++e+f)	60,317,708	60,317,707	0	0.0%	
a. Real Estate Loan	3,227,750	3,227,750	-	-	
1. Residential Real Estate Loan (Except Personal Home Loan upto Rs 1 crore)	394,630	394,630	-	-	
2. Business Complex & Residential Apartment Construction Loan	275,429	275,429	-	-	
3. Income generating Commercial Complex Loan	508,950	508,950	-	-	
4. Other Real Estate Loan (Including Land Purchase & Plotting)	2,048,740	2,048,740	-	-	
b. Personal Home Loan of Rs. 1 crore or less	3,439,849	3,439,849	-	-	
c. Margin Type Loan	535,368	535,368	-	-	
d. Term Loan	8,290,396	8,290,396	-	-	
e. Overdraft Loan / TR Loan / WC Loan	31,300,044	31,300,044	-	-	
f. Others	13,524,302	13,524,302	-	-	

S. N. PARTICULARS	AS PER UNAUDITED FINANCIAL STATEMENT	AS PER AUDITED FINANCIAL STATEMENT	VARIANCE		REASONS FOR VARIANCE
			IN AMOUNT	IN %	
2.5 Fixed Assets	968,580	967,671	909	0.1%	Software transferred from Merger reclassified to Other Asset
2.6 Non Banking Assets	24,658	24,658	(0)	0.0%	
2.7 Other Assets	711,923	735,805	(23,882)	-3.4%	Change in Deferred Tax Asset and reclassification of Software
3.1 Interest income	3,087,224	3,087,313	(89)	0.0%	
3.2 Interest Expense	1,543,783	1,544,407	(624)	0.0%	
A. Net Interest Income (3.1-3.2)	1,543,441	1,542,906	535	0.0%	
3.3 Fees Commission and Discount	248,571	258,974	(10,403)	-4.2%	INR exchange fee interchangeability
3.4 Other Operating Income	105,088	105,088	0	0.0%	
3.5 Foreign Exchange Gain/Loss (Net)	188,965	178,562	10,403	5.5%	INR exchange fee interchangeability
B. Total Operating Income (A+3.3+3.4+3.5)	2,086,065	2,085,529	535	0.0%	
3.6 Staff Expenses	429,813	429,813	(0)	0.0%	
3.7 Other Operating Expenses	400,807	404,510	(3,703)	-0.9%	Adjustment in expenses
C. Operating profit Before Provision (B-3.6-3.7)	1,255,445	1,251,206	4,239	0.3%	
3.8 Provision for Possible Loss	74,892	258,561	(183,669)	-245.2%	Additional provision as per NRB Inspection
D. Operating profit (C-3.8)	1,180,553	992,645	187,907	15.9%	
3.9 Non Operating Income/Expenses (Net)	27,541	16,378	11,163	40.5%	Claim received from Insurance to Extraordinary Income LLP Adjustment
3.10 Write Back of Provision for Possible Loss	11,618	39,482	(27,864)	-239.8%	
E. Profit From Regular Activities (D+3.9+3.10)	1,219,712	1,048,506	171,206	14.0%	
3.11 Extraordinary Income Expenses (Net)	(4,891)	6,273	(11,164)	228.2%	Claim received from Insurance reclassified from Non-Operating Income
F. Profit Before Bonus and Taxes (E+3.11)	1,214,821	1,054,778	160,042	13.2%	
3.12 Provision For Staff Bonus	110,438	95,889	14,549	13.2%	
3.13 Provision For Tax	346,279	303,614	42,665	12.3%	
G. Net Profit/Loss (F-3.12 -3.13)	758,104	655,276	102,828	13.6%	

Note:

Loans & Advances, Non-Banking Assets, Other Assets & Investments figures are stated net of provisions in Audited Balance Sheet, where as we have taken gross figure in audited financial statements section above so as to align the comparison with unaudited financial results.

SCHEDULE 35 (A) UNAUDITED FINANCIAL RESULTS (QUARTERLY)

AS AT JULY 15, 2016

Amount in NPR

S. N. PARTICULARS	THIS QUARTER ENDING 31/03/2017 (15/07/2016)	PREVIOUS QUARTER ENDING 30/12/2016 (12/04/2016)	CORRESPONDING PREVIOUS YEAR QUARTER ENDING 31/03/2016 (16/07/2015)
1 Total Capital & Liabilities (1.1 to 1.7)	81,748,196	50,046,954	46,475,773
1.1 Paid-up Capital	4,576,891	2,671,468	2,671,468
1.2 Reserves and Surplus	3,307,994	1,676,766	1,182,647
1.3 Debenture and Bond	1,000,000	1,000,000	1,000,000
1.4 Borrowings	2,247,000	1,693,520	131,000
1.5 Deposits (a+b)	67,836,391	40,719,856	39,456,587
a. Domestic Currency	66,725,387	39,528,839	38,076,398
b. Foreign Currency	1,111,004	1,191,017	1,380,189
1.6 Income Tax Liabilities	(18,819)	-	-
1.7 Other Liabilities	2,798,739	2,285,344	2,034,072
2 Total Assets (2.1 to 2.7)	81,748,196	50,046,954	46,475,773
2.1 Cash & Bank Balance	9,788,452	4,966,663	5,670,377
2.2 Money at call and short Notice	150,000	-	13,658
2.3 Investments	9,786,875	8,971,003	6,027,026
2.4 Loans & Advances (a+b+c+d+e+f)	60,317,708	34,855,218	33,386,036
a. Real Estate Loan	3,227,749	788,336	839,465
1. Residential Real Estate Loan (Except Personal Home Loan upto Rs 1 crore)	394,630	84,127	45,422
2. Business Complex & Residential Apartment Construction Loan	275,429	115,144	89,500
3. Income generating Commercial Complex Loan	508,950	234,568	312,263
4. Other Real Estate Loan (Including Land Purchase & Plotting)	2,048,740	354,497	392,281
b. Personal Home Loan of Rs. 1 crore or less	3,439,849	2,138,307	2,079,625
c. Margin Type Loan	535,368	57,037	60,415
d. Term Loan	8,290,396	4,797,291	4,747,838
e. Overdraft Loan / TR Loan / WC Loan	31,300,044	20,535,798	18,701,095
f. Others	13,524,302	6,538,450	6,957,597
2.5 Fixed Assets	968,580	611,148	574,165
2.6 Non Banking Assets	24,658	278	278
2.7 Other Assets	711,923	642,644	804,234
3 Profit and Loss Account	Upto This Quarter	Upto Previous Quarter	Upto Corresponding Previous Year Quarter
3.1 Interest income	3,087,224	2,262,220	2,844,855
3.2 Interest Expense	1,543,783	1,183,565	1,463,506
A. Net Interest Income (3.1-3.2)	1,543,441	1,078,655	1,381,349
3.3 Fees, Commission and Discount	248,571	169,547	265,340
3.4 Other Operating Income	105,088	62,283	65,446
3.5 Foreign Exchange Gain/Loss (Net)	188,965	144,065	161,925

S. N. PARTICULARS	THIS QUARTER ENDING 31/03/2073 (15/07/2016)	PREVIOUS QUARTER ENDING 30/12/2072 (12/04/2016)	CORRESPONDING PREVIOUS YEAR QUARTER ENDING 31/03/2072 (16/07/2015)
B. Total Operating Income (A+3.3+3.4+3.5)	2,086,065	1,454,550	1,874,059
3.6 Staff Expenses	429,813	322,118	407,403
3.7 Other Operating Expenses	400,807	293,921	393,838
C. Operating profit Before Provision (B-3.6-3.7)	1,255,445	838,511	1,072,818
3.8 Provision for Possible Loss	74,892	95,844	941,260
D. Operating profit (C-3.8)	1,180,553	742,667	131,558
3.9 Non Operating Income/Expenses (Net)	27,541	16,438	4,554
3.10 Write Back of Provision for Possible Loss	11,618	5,592	420,271
E. Profit From Regular Activities (D+3.9+3.10)	1,219,712	764,697	556,384
3.11 Extraordinary Income/Expenses (Net)	(4,891)	(4,891)	(14,457)
F. Profit Before Bonus and Taxes (E+3.11)	1,214,821	759,806	541,927
3.12 Provision For Staff Bonus	110,438	69,073	49,266
3.13 Provision For Tax	346,279	207,220	158,092
G. Net Profit/Loss (F-3.12 -3.13)	758,103	483,513	334,569
4 Ratios	At the End of This Quarter	At the End of Previous Quarter	At the End of Corresponding Previous Year Quarter
4.1 Capital Fund to RWA	13.67%	13.40%	13.00%
4.2 Non Performing Loan (NPL) to Total Loan	2.25%	3.76%	3.47%
4.3 Total Loan Loss Provision to total NPL	123.45%	120.87%	128.81%
4.4 Cost of Funds (Local Currency)	4.03%	4.04%	4.26%
4.5 CD Ratio (Calculated as per NRB Directives)	78.76%	77.65%	76.03%
4.6 Base Rate	6.89%	6.31%	7.20%
4.7 Average Interest Spread (Calculated as per NRB)	4.14%	3.93%	4.23%
Additional Information			
Average Yield (Local Currency)	7.51%	7.37%	8.20%
Net Interest Spread (Local Currency)	3.49%	3.33%	3.94%
Return on Equity (Annualised)	14.98%	15.59%	8.69%
Return on Assets (Annualised)	1.44%	1.33%	0.78%

Note: 1. The unaudited financial figure may change if directed by Statutory Auditor/ Supervisory Authorities

2. Figures of previous periods have been regrouped wherever necessary as per NRB Directives.

DISCLOSURES UNDER BASEL II - ASADH 2073

A. Capital Structure & Capital Adequacy as per Basel II

1. Tier 1 Capital and Breakdown of its Components :

SN	PARTICULARS	AMOUNT
A	Core Capital (Tier 1)	7,613,181,841
1	Paid Up Capital	4,576,891,000
2	Irredeemable Non-cumulative preference shares	-
3	Share Premium	-
4	Proposed Bonus Shares	1,052,685,000
5	General Reserve Fund	1,693,935,497
6	Retained Earnings	16,661,596
7	Un-audited current year cumulative profit	-
8	Capital Redemption Reserve	-
9	Capital Adjustment Reserve	-
10	Dividend Equalization Reserves	-
11	Bond Redemption Reserve	300,000,000
12	Deferred Tax Reserve	-
13	Other Free Reserve	37,567,894
14	Deductions	
	Less: Deferred Tax Asset	(51,959,145)
	Less: Investment in Equity of Institutions with excess limit	(12,600,000)

2. Tier 2 Capital and Breakdown of its Components

SN	PARTICULARS	AMOUNT
B	Supplementary Capital (Tier 2)	1,690,064,415
1	Cumulative and/or Redeemable Preference Share	-
2	Unsecured Subordinated Term Debt	907,287,671
3	Less: discounted for lesser tenure	-
4	Hybrid Capital Instruments	-
5	General Loan Loss Provision	681,698,808
6	Exchange Fluctuation Reserve	60,081,321
7	Investment Adjustment Reserve	13,497,066
8	Assets Revaluation Reserve	-
9	Reserve for Capital Expenditure	16,537,665.00
9	Other Reserves	10,961,884

3. Detail information about the Subordinated Term Debts with information on the outstanding amount, maturity, amount raised during the year and amount eligible to be reckoned as capital funds:

Bond floated as	: Bank of Kathmandu Bond 2076 (BOK Bond)
Outstanding amount	: NPR 400,000,000
Maturity Date	: May17, 2020
Amount to be reckoned as capital	: NPR 400,000,000

A cumulative amortization factor of 20% per annum shall be applied to determine the amount to be recognized under Tier II capital during the last 5 years to maturity. In order to create Bond Redemption reserve amounting to NPR 400,000,000 by the end of FY 2075/76 for its redemption on the maturity date NPR 66,666,667 has been appropriated through Profit & Loss Appropriation Account to Bond Redemption Reserve.

Bond floated as	: Bank of Kathmandu Bond 2079 (BOK Bond)
Outstanding amount	: NPR 600,000,000
Amount raised during the year	: NPR 600,000,000
Maturity Date	: June 27, 2022
Amount to be reckoned as capital	: NPR 600,000,000

A cumulative amortization factor of 20% per annum shall be applied to determine the amount to be recognized under Tier II capital during the last 5 years to maturity. In order to create Bond Redemption reserve amounting to NPR 600,000,000 by the end of FY 2078/79 for its redemption on the maturity date NPR 100,000,000 has been appropriated through Profit & Loss Appropriation Account to Bond Redemption Reserve.

4. Total deductions from Capital

Figures in NPR

SN	PARTICULARS	AMOUNT
	From Core Capital	
1	Deferred Tax Asset	51,959,145
3	Investment in equity of institutions in excess of limits	12,600,000
	TOTAL	64,559,145

5. Total Qualifying Capital

Figures in NPR

SN	PARTICULARS	AMOUNT
1	Core Capital (Tier 1)	7,613,181,841
2	Supplementary Capital (Tier 2)	1,690,064,415
	TOTAL	9,303,246,256

6. Capital Adequacy Ratio: 13.01%

7. Summary of the bank's internal approach to assess the adequacy of its capital to support current & future activities

The Revised Capital Adequacy Framework (under BASEL II) provides distinct approaches for computing capital requirements in relation to credit risk, operational risk and market risk. The Bank also takes into consideration these risk factors during assessment of ICAAP. The Bank's Internal Capital Adequacy Assessment Process (ICAAP) involves assessment of:

- Actual Capital Adequacy of the Bank
- Additional capital requirement in relation to the existing risk profile of the Bank
- Additional capital requirement in relation to the business growth of the Bank

The Bank has ICAAP Policy approved by the Board, to ensure the Bank possess adequate capital resources in commensuration with all the material risks posed to it by its operating activities and evaluate its ability to hold capital in excess of the minimum regulatory

capital adequacy ratio. To this regard, the Risk Management Committee of the Bank reviews ICAAP on quarterly basis to ascertain the adequacy of current available capital in relation to the regulatory requirement, current risk profile and growth prospect of the Bank.

The Bank prepares annual budget plan and computes capital adequacy ratio in order to assess the adequacy of capital for the required growth. The Bank on monthly basis reviews the performance report and the capital adequacy ratio.

Furthermore, the Bank also prepares long term capital plan. The capital plan is reviewed to ensure that the financial result attained is in line with the capital plan devised. Based on the actual figures, if the Bank feels that the figures could deviate significantly, the Bank revises its long term plan.

8. Summary of terms, conditions and main features of all capital instruments, especially in case of subordinated term debts including hybrid capital instruments

A. The bank has issued "Bank of Kathmandu Bond, 2076" (BOK Bond) amounting to NPR 400 million as Subordinated Term Debt in Baishak 2070. Bank has not pledged any securities while issuing BOK bond. The bond has the following features:

- Bond Validity Period : 7 year
- Bond Maturity Date : May17, 2020
- Coupon Interest Rate : 8% p.a.
- Interest Payment Period : Bi-annually (in every six months of Nepali Calendar)
- Interest Payment Timing : Interest is paid on the 1st day of Magh and Shrawan.
- BOK bond can be pledged with other banks and financial institutions to avail loan facility.
- BOK bond is listed with Nepal Stock Exchange Ltd.
- BOK Bond holders will have rights of claim only after the depositors in case of liquidation.

B. The bank has issued "Bank of Kathmandu Bond, 2079" (BOK Bond) amounting to NPR 600 million as Subordinated Term Debt in Ashad 2072. Bank has not pledged any securities while issuing BOK bond. The bond has the following features:

- Bond Validity Period : 7 year
- Bond Maturity Date : June 27, 2022
- Coupon Interest Rate : 8% p.a.
- Interest Payment Period : Bi-annually (in every six months of Nepali Calendar)
- Interest Payment Timing : Interest is paid on the 1st day of Magh and Shrawan.
- BOK bond can be pledged with other banks and financial institutions to avail loan facility.
- BOK bond is listed with Nepal Stock Exchange Ltd.
- BOK Bond holders will have rights of claim only after the depositors in case of liquidation.

B. Risk Exposures

1. Risk Weighted Exposures for Credit Risk, Market Risk & Operational Risks

Figures in NPR

RISK WEIGHTED EXPOSURES	AMOUNT
a Risk Weighted Exposure for Credit Risk	65,125,615,473
b Risk Weighted Exposure for Operational Risk	2,586,829,741
c Risk Weighted Exposure for Market Risk	510,727,286
Total (a+b+c)	68,223,172,500
Adjustment under Pillar II	-
Add: 3% of the Total RWE due to non compliance to Disclosure Requirement	-
Add: ...% of the total deposit due to insufficient Liquid Assets	-
Add: RWE equivalent to reciprocal of capital charge of 3% of gross income	572,680,792
Add: 4% of the total Risk Weighted Exposure due to overall risk factor	2,728,926,900
TOTAL RISK WEIGHTED EXPOSURES (A+B+C)	71,524,780,191

2. Risk Weighted Exposures under each of 11 categories of Credit Risk

Figures in NPR

SN	PARTICULARS	AMOUNT
1	Claims on government & central bank	-
2	Claims on other official entities	60,287,253
3	Claims on banks	1,175,683,378
4	Claims on domestic corporate and securities firms	35,918,853,447
5	Claims on regulatory retail portfolio	8,612,516,887
6	Claims secured by residential properties	2,195,051,462
7	Claims secured by commercial real estate	604,976,732
8	Past due claims	1,032,677,342
9	High risk claims	8,463,981,429
10	Other assets	1,822,635,486
11	Off balance sheet items	5,238,952,056
	TOTAL	65,125,615,473

3. Total Risk Weighted Exposures calculation table

Figures in NPR

SN	PARTICULARS	AMOUNT
1	Total Risk Weighted Exposure	71,524,780,191
2	Total Core Capital Fund (Tier 1)	7,613,181,841
3	Total Capital Fund (Tier 1 & Tier 2)	9,303,246,256
4	Total Core Capital to Total Risk Weighted Exposures	10.64%
5	Total Capital to Total Risk Weighted Exposures	13.01%

4. Amount of NPAs

Figures in NPR

SN	LOAN CLASSIFICATION	GROSS AMOUNT	PROVISION HELD	NET AMOUNT
1	Restructured/ Rescheduled Loan	-	-	-
2	Substandard Loan	113,271,726	28,317,931	84,953,794
3	Doubtful Loan	33,834,431	16,917,216	16,917,216
4	Bad Loan	1,368,391,109	1,368,391,109	-
	TOTAL	1,515,497,265	1,413,626,256	101,871,010

5. NPA Ratios

Gross NPA to Gross Advances	2.54%
Net NPA to Net Advances	0.18%

6. Movement of Non-Performing Assets (Asadh 2073 vs Asadh 2072)

Figures in NPR

SN	NON PERFORMING LOAN	OPENING BALANCE	CLOSING BALANCE	DIFFERENCE (AMOUNT)	DIFFERENCE (%)
1	Restructured/Rescheduled Loan	-	-	-	-
2	Sub-Standard Loan	26,542,410	113,271,726	86,729,316	326.75
3	Doubtful Loan	10,393,890	33,834,431	23,440,541	225.52
4	Bad Loan	1,121,346,631	1,368,391,109	247,044,478	22.03
	TOTAL	1,158,282,931	1,398,688,660	357,214,335	30.84

7. Write Off of Loans

Loan written off : NPR 1,960,334

8. Movement in Loan Loss Provision & Interest Suspense

Figures in NPR

i. Movement in Loan Loss Provision (Asadh 2072 vs Asadh 2073)

SN	LOAN LOSS PROVISION	OPENING BALANCE	CLOSING BALANCE	DIFFERENCE (AMOUNT)	DIFFERENCE (%)
1	Pass Loan	285,758,148	565,062,439	279,304,291	97.74
2	Watch List	73,038,769	116,636,369	43,597,600	59.69
3	Restructured/Rescheduled Loan	-	-	-	-
4	Sub-Standard Loan	6,635,602	28,317,931	21,682,329	326.76
5	Doubtful Loan	5,196,945	16,917,216	11,720,271	225.52
6	Bad Loan	1,121,346,631	1,386,717,603	247,044,478	22.03
	TOTAL	1,491,976,095	2,113,468,293	603,348,969	40.44

ii. Movement in Interest Suspense (Asadh 2071 vs Asadh 2072)

PARTICULARS	OPENING BALANCE	CLOSING BALANCE	DIFFERENCE (AMOUNT)	DIFFERENCE (%)
Interest Suspense	161,457,474	230,500,378	69,042,904	42.76

9. Details of Additional Loan Loss Provisions

Nil.

10. Segregation of Investment Portfolio

SN	INVESTMENT CATEGORY	AMOUNT AS ON ASADH END 2073
1	Held for Trading	-
2	Held to Maturity	9,658,263,675
3	Available for Sale	128,611,902
	TOTAL	9,786,875,577

11. Types of eligible Credit Risk Mitigants (CRM) used and the benefits availed under CRM

SN	PARTICULARS	AMOUNT IN NPR
1	Deposits with Bank	565,312,791
2	Deposits with other Banks/Financial institutions	-
3	Govt. & NRB Securities	38,882,439
4	Guarantee of Foreign Banks	258,545,200
	TOTAL	862,740,430

C. Risk Management Functions

Risk Management is of utmost importance to banks as banks are always faced with different types of risks – credit, operational, market, liquidity, strategic, reputational and legal that may have potentially negative effect on the business. Some risks like credit, market and liquidity can be easily assessed and measured where as risks such as operational, strategic, reputational and legal are not easily quantifiable but measured in qualitative terms hence banks are taking into account such risks on case to case basis as and when the risks are perceived.

The Risk Management Committee of the Bank reviews overall risk factor of the Bank on quarterly basis and forward recommendations to the Board.

I. Credit Risk Management

Credit risk is one of the major risks of the bank. The main function of Credit Risk Management is to optimize return while adjusting risks within pre-determined limit. For effective management of credit risk the Bank has developed BOK Credit Policy, various internal credit cir-

culars and product papers, credit authority structure to delegate credit approval authority properly; which are reviewed on periodic basis to incorporate required changes. Credit risk is managed by various units at different levels (pre and post credit disbursement) in order to address and report perceived and anticipated credit risk at various levels:

i. Central Credit Risk: The risk officers ensure that in-house policies, product papers, NRB directives and circulars have been duly complied with while processing credit application by relationship managers and the risks identified are properly dealt with and appropriate risk control mechanism has been adopted to mitigate such risk.

ii. Central Credit Operations: The unit is responsible for credit disbursement and settlement, credit administration and credit monitoring and supervision.

- The operation unit disburses and settles loans, prepares and furnishes various credit reports such as loan disbursement and collection report, counterparty concentration risk report, economic sector concentration risk report and loan provision report that enable bank's management to monitor quality of credit portfolio, take proactive measures as well as remedial measures promptly.

- The credit administration, monitoring and supervision unit performs the function of credit documentation, preparation and revision of legal and security documents. The unit is responsible to ensure that all legal documents are valid, complete, properly documented, obtained and updated on time. The unit records the detail of legal documents in Security Register Maintenance (SRM), an inbuilt database. The unit is also responsible for safety of legal and security documents for which register has been maintained to keep proper track of their movement. It also facilitates relationship managers with comprehensive credit information report of a borrower for prudent decision making. The unit also performs the function of collecting financial statements, stock statement, insurance policies and conducting physical inspection of project financed and stock at regular intervals. It generates and furnishes Irregularity Return Report (IRR) on monthly basis that depicts the status of credit relationship in relation to expired/expiring annual review and insurance policy, net current asset position, financial statements and stock inspection report.

Despite several efforts to manage credit risk it is likely that some of the relationship turns out to be unproductive hence in order to diligently handle such problematic relationship, the Bank has a separate Recovery Unit to manage such credit accounts which mainly focuses on determining action plan and recovery strategy.

II. Operational Risk Management

Operational risk remains the most difficult risk category to quantify. In order to identify and assess the operational risk inherent in product, activities, processes and systems the Bank has circulars, guidelines and policies to address various risk areas that are reviewed or amended periodically. Periodic trainings of such guidelines and circulars are also being conducted to communicate the processes and risks at all levels.

To prevent major internal risks, the Bank has set authority list and limits to each official for any transaction. Cash holding limit is specified in each branch which is reviewed periodically. Transaction and access limits to each employee are well defined. The access level and limit are updated immediately if there are changes in functional areas of the employee. Regional Operations Officer has been appointed in all the regional branches and is responsible for regular monitoring and management of operational risks in branches reporting under the respective region. Further, with an objective to minimize the irregularities associated while an operations, Policies, Compliance and Operations Risk department of the Bank has been presenting Operations Irregularity Return report to management on quarterly basis.

In order to strengthen the customer data base, Bank has built the mechanism where by alert has been marked in customer account for KYC (Know Your Customer) update in every 2 years. Regular training on KYC is conducted at all level on regular basis.

Systems back up for hardware and software being used are well kept to ensure integrity and availability of information. Bank has set up its Disaster Recovery Site in Bhairahawa to be able to operate as a going concern in the event of business disruption. With an objective to minimize operational risks associated with Information Technology and for effective management of Information system, the Bank has outsourced the platform for data management at Data Hub Pvt. Ltd, Thapathali.

Bank has been making continuous effort to strengthen Management Information System (MIS). Reports are being developed under MIS platform thus facilitating easy access and close monitoring.

Bank's Internal Audit department carries out inspection at regular intervals to check that all policies and guidelines are complied with. In addition to regular internal audit and compliance checks, Branch Operations cell also carries out an independent checks and reviews in the branches to ensure that standard procedures at all levels are implemented.

III. Market Risk Management

The market risk factors are movement in equity price, interest rate risk, foreign exchange risk, and commodity risk. The Bank has minimal portfolio in equity and commodities. The major risks perceived are due to movement in interest rate and foreign exchange rate.

i. Interest Rate Risk

Bank has 'Assets and Liabilities Management Committee' (ALCO) which monitors the interest rate risk on quarterly basis and takes necessary decisions to manage the risk. Similarly, there is a 'Pricing Committee' that periodically monitors and adjusts interest rates on Loans and Deposits according to the rules & regulations, Bank's appetite and local market situation.

ii. Foreign Exchange Risk

Devaluation and revaluation of foreign currencies against each other and local currency are the major risks associated with foreign exchange management. The Treasury department constantly monitors

the foreign currencies rates in foreign exchange markets through Reuters and buy/sell accordingly to avoid exchange loss and optimize exchange gains.

The Bank has set foreign currencies' position limits to monitor and manage foreign currencies position within the prescribed limits. Authorities of dealers for various dealing activities have been clearly defined and amended as and when required.

The Bank has separate Treasury Front Office and Back Office for control purpose. Treasury front office does all the dealings where as settlements, system transactions and reporting is done by the back office.

IV. Liquidity Risk Management

Liquidity risk management deals with maintenance of adequate and sufficient level of funds in local currency to avoid liquidity run/crisis and in foreign currency to meet the business needs. BOK Treasury Manual outlines processes for effective and efficient management and maintenance of liquidity position. NRB has prescribed Cash Reserve Ratio for all the commercial banks. Similarly the Bank has specified internal cash holding limit for each branch which is reviewed periodically on the basis of average cash-in and cash-out of the branches to suffice the business needs.

For inter-bank lending and placements, financial institutions have been assigned limits. Limits to Nepalese Commercial banks are based on their image, strength and weakness where as limits to foreign banks are assigned based on the ratings done by international rating agencies, rank in Top Thousand World Bank as per the Banker Magazine. The limits are reviewed periodically and revised if deemed necessary.

Bank closely monitors Total Credit Deposit Ratio, Local Currency Credit Deposit Ratio, Local Currency Credit to Core Capital & Local

Currency Deposit Ratio, Net Liquidity Ratio, Deposit Concentration, Loan Concentration and Investment in Government Securities to ensure that Bank is operating within the prescribed limit and ascertains maintenance of comfortable liquidity position. Further, ALCO of the Bank regularly monitors Credit Deposit portfolio and takes feasible steps if the CD ratio exceeds the prescribed limits. It also takes ratification from the Board for higher CD ratio.

ALCO on quarterly basis also prepares Gap Analysis report to closely monitor composition of assets and liabilities to maintain liquidity at optimum level. It monitors various maturity wise reports that may have significant impact on the liquidity e.g. maturity wise Fixed Deposit and other Deposits, Loans, Borrowings, Investments, etc.

V. ICAAP Review

The Bank has ICAAP Policy approved by the Board, to ensure the Bank possess adequate capital resources in commensuration with all the material risks posed to it by its operating activities and evaluate its ability to hold capital in excess of the minimum regulatory capital adequacy ratio. To this regard, the Risk Management Committee of the Bank reviews ICAAP on quarterly basis to ascertain the adequacy of current available capital in relation to the regulatory requirement, current risk profile and growth prospect of the Bank.

VI. Stress Testing

Stress Testing prescribes the analytical methods to evaluate the Bank's capital adequacy and liquidity position under stressed scenario and helps in identifying the potential impact on credit, market and liquidity side due to movement in set of financial variables. The Bank has been conducting stress testing and providing report to Risk Management Committee for review and to the Board of the Bank on quarterly basis. The Bank has also been providing the stress test report to NRB on quarterly basis.

CA. Chandra Raj Sharma
AGM- Head Office Operations

Prabin Prakash Chhetri
Chief Operating Officer

Ajay Shrestha
Chief Executive Officer

Prof. Hem Raj Subedi, Ph. D
Director

Chop Narayan Shrestha
Director

Govinda Prasad Sharma
Director

Santa Bar Singh Thapa
Director

Kedar Nath Gautam
Director

Subarna Lal Shrestha
Director

Madan Lal Joshi
Director

Dibyanidhi Bista
Director

Satya Narayan Manandhar
Chairman

CA. Gopal P. Rajbahak
Senior Partner
G.P. Rajbahak & Co.
Chartered Accountants

Date: December 15, 2016
Place: Kathmandu



WE ARE AT 74 LOCATIONS

KAMAL POKHARI BRANCH

Bank of Kathmandu Limited
Kamalpokhari, Kathmandu
Tel: (977 1) 4414541
Fax: (977 1) 4418990

THAMEL BRANCH

Thamel, Kathmandu
Tel: (977 1) 4701201/4701202

NEW ROAD BRANCH

New Road, Kathmandu
Tel: (977 1) 4231556/4231557

BUTWAL BRANCH

Durga Mandir Line, Traffic Chowk,
Butwal, Rupandehi
Tel: (977 1) 071-541571/ 541774

HETAUDA BRANCH

Main Road, Hetauda, Makawanpur
Tel: (977 1) 057-521331/ 523018

NEPALGUNJ BRANCH

Nepalgunj, Dhambhoji, Surkhet Road, Banke
Tel: (977 1) 081-523185/ 523484

DHANGADI BRANCH

Dhangadhi, Main Road Chauraha, Kailali
Tel: (977 1) 091-523386/ 522853

POKHARA BRANCH

Newroad, Pokhara, Kaski
Tel: (977 1) 061-539150/ 539151

BIRATNAGAR BRANCH

Main Road, Biratnagar, Morang
021-536904/ 536905

BIRGUNJ BRANCH

Adarsha Nagar, Birgunj, Parsa
Tel: (977 1) 051-534-025/ 534-026

AMLEKHGUNJ BRANCH

Mainroad, Amlekhgunj, Bara
Tel: (977 1) 053-570033

JAWALAKHEL BRANCH

Jawalakhel, Lalitpur
Tel: (977 1) 552-4624/ 552-6228

JANAKPUR BRANCH

Station Road, Janakpur, Dhanusa
Tel: (977 1) 041-527372/ 527373

ITAHARI BRANCH

Paschim Line, Itahari-1, Sunsari
Tel: (977 1) 025-586-710/ 586-711

GONGABU BRANCH

Samakhusi Chowk, Kathmandu
Tel: (977 1) 4385712

KOHALPUR BRANCH

Main Bazaar, Kohalpur, Banke
Tel: (977 1) 081-541343

TATOPANI BRANCH

Liping, Tatopani, Sindhupalchowk
019-633026

SURKHET BRANCH

Birendra Chowk
Birendranagar-6, Surkhet
Tel: (977 1) 083-523663/ 523664

GHORAH BRANCH

Naya Sadak, Ghorahi, Dang
Tel: (977 1) 082-561953/ 561952

TULSIPUR BRANCH

Ka Line BP Chowk, Tulsipur, Dang
082-522691 / 522692

JUMLA BRANCH

Chandan Nath VDC 6, Jumla
Tel: (977 1) 087-520298

BALAJU BRANCH

Balaju Industrial District (BID)
Balaju, Kathmandu
01-4357713/ 4380554

ATTARIYA BRANCH

Geta V.D.C.-03, Dhangadhi Road
Attariya, Kailali
Tel: (977 1) 091-550969/ 550921

NEW BANESHWOR BRANCH

New Baneshwor, Kathmandu
Tel: (977 1) 4460699

GYANESHWOR

Gyaneshwor, Kathmandu
Tel: (977 1) 4412278/4411181

TEKU BRANCH

Tripureshor, Kathmandu
Tel: (977 1) 4229272 / 4229271

CHABAHIL BRANCH

Chabahil Chowk, Kathmandu
Tel: (977 1) 4499744/4481934

SURYABINAYAK BRANCH

Suryabinayak, Bhaktapur
Tel: (977 1) 01-6619334 / 6619335

TIKAPUR BRANCH

Jamara Pari, Manuwa Road,
Tikapur-09, Kailali
Tel: (977 1) 091-561181

GULERIA BRANCH

Radha Krishna Chour, Guleria
Tel: (977 1) 084-421215

DADELDHURA BRANCH

Tuphandada,
Amargadi-05, Dadeldhura
Tel: (977 1) 096-420094

URLABARI BRANCH

Urlabri-4, Itahara Road, Urlabari
Tel: (977 1) 021-541881 / 82

SANKHU BRANCH

Pukulachi-09,
Sankhu, Kathmandu
Tel: (977 1) 4451395

KHAIRENITAR BRANCH

Kharenitar Bazar,
Ward No 8, Tanahu
Tel: (977 1) 065-570772 / 73

PANAUTI BRANCH

Panauti Bus Park, Namobuddha Road
Ward No 11, Panauti
Tel: (977 1) 011-441261

BALKHU BRANCH

Balkhu, Kathmandu
Tel: (977 1) 4277631

NARAYANGHAT BRANCH

Lions Building, Lions Chowk,
Narayangadh, Chitwan
Tel: (977 1) 056-523078

TAMGHAS BRANCH

Hospital Line,
Tamghas 1, Gulmi
Tel: (977 1) 079-520758

SANDHIKARKA BRANCH

Shanti Bagaicha Chowk
Arghakhanchi
Tel: (977 1) 077-420806

BAGLUNG BRANCH

Kalikapath, Baglung
Tel: (977 1) 068-522721

BENI BRANCH

New Road, Beni
Tel: (977 1) 069-520018

BIRTAMOD BRANCH

Bhadrapur Road, Birtamode, Jhapa
Tel: (977 1) 023-544582

KHADBARI BRANCH

Sajag Tol Khandbari, Sankhuwasabha
Tel: (977 1) 029-560982

OLD BANESHWOR BRANCH

Battisputali,
Old Baneshwor, Kathmandu
Tel: (977 1) 4487818

MAHARAJGUNJ BRANCH

Narayangopal Chowk, Maharajgunj
Tel: (977 1) 4375331/4378437

LAHAN BRANCH

Main Road, Lahana, Siraha
Tel: (977 1) 033-562119

DHARAN BRANCH

Deshi Line, Dharan, Sunsari
Tel: (977 1) 025-526561

GAUR BRANCH

Maitan, Gaur, Rautahat, Nepal
Tel: (977 1) 055-521541

DAILEKH BRANCH

Nayabazar Chowk, Dailekh, Nepal
Tel: (977 1) 089-420596

DIKTEL BRANCH

Talcha Bari, 3 Diktel, Nepal
Tel: (977 1) 036-420653

BELAURI BRANCH

Belauri Bazar, Belauri Municipality -6,
Shreepur tole, Kanchanpur, Nepal
Tel: (977 1) 099-580415/099-580416

RAJAPUR BRANCH

Municipality -11 Rajapur,
Bardiya, Bheri, Nepal
Tel: (977 1) 084-460128

LAMKI BRANCH

Lamki Chuha Municipality -2,
Mukesh Complex Kailali, Nepal
Tel: (977 1) 091-540228

BIJUWAR BRANCH

Pyuthan Municipality -4, Pyuthan
Rapti, Nepal
Tel: (977 1) 086-460708/086-460709

BHALUWANG BRANCH

Lalmatiya VDC, Pulchowk
Dang, Nepal
Tel: (977 1) 082-580194

DEVDAHA BRANCH

Khairnichowk, Devdaha,
Rupandehi, Lumbini, Nepal
Tel: (977 1) 071-577394

PARSA BRANCH

Parsa Bazar, Chitwan
Tel: (977 1) 056-583688

LANKU BRANCH

Lanku, Chitwan
Tel: (977 1) 56523255

INDRACHOWK BRANCH

Indrachowk, Kathmandu
Tel: (977 1) 4224002

SURYABINAYAK BRANCH

Suryabinayak, Bhaktapur
Tel: (977 1) 01-6614278

PARASI BRANCH

Ramgram 3, Parasi,
Sunwal ParasiRoad, Nawalparasi
Tel: (977 1) 078-521068

BARDAGHAT BRANCH

Bardaghat, Nawalparasi
Tel: (977 1) 078-580769

KALANKI BRANCH

Teenthana, Kalanki
Tel: (977 1) 4312932

BANESHWOR BRANCH

New Baneshwor, Kathmandu
Tel: (977 1) 4104062

JAWALAKHEL BRANCH

Jawalakhel, Lalitpur
Tel: (977 1) 5550072

BANEPA BRANCH

Banepa, Kavre
Tel: (977 1) 011-662465

ANAMNAGAR BRANCH

Anamnagar, Kathmandu
Tel: (977 1) 4770414

ITACHHEN BRANCH

Itachhen, Bhaktapur
Tel: (977 1) 6612999

DAMAULI BRANCH

Damauli, Tanahun
Tel: (977 1) 065-562264

BIRATNAGAR BRANCH

Mahendrachowk, Biratnagar
Tel: (977 1) 021-538823

NAXAL BRANCH

Narayanchaur, Naxal, Kathmandu
Tel: (977 1) 4434158

BUTWAL BRANCH

Siddhartha Marga, Butwal
Tel: (977 1) 071-545053

HETAUDA BRANCH

Bank Road, Hetauda
Tel: (977 1) 057-524255

NARAYANGARH BRANCH

Pragatipath, Narayangarh, Chitwan
Tel: (977 1) 056-570076

 **66 ATM LOCATIONS**

Bokl Kamaladi I ATM
Bokl Kumaripati ATM
Bokl Kamaladi li ATM
Bokl Newroad-Lounge ATM
Bokl Duwakot ATM
Bokl Kamaladi lii ATM
Bokl Sundhara ATM
Bokl New Baneshwor L ATM
Bokl Thamel Lounge ATM
Bokl Sinamangal ATM
Bokl Kalanki Lounge ATM
Bokl Thamel ATM
Bokl Newroad ATM
Bokl Butwal ATM
Bokl Hetauda ATM
Bokl Nepalgunj ATM
Bokl Dhangadhi ATM
Bokl Pokhara ATM
Bokl Lakeside ATM
Bokl Biratnagar ATM
Bokl Brt Nobel ATM
Bokl Birgunj ATM
Bokl Jawalakhel ATM
Bokl Janakpur ATM
Bokl Itahari ATM
Bokl Gongabu ATM
Bokl Kohalpur ATM
Bokl Surkhet ATM
Bokl Ghorahi ATM
Bokl Tulsipur ATM
Bokl Balaju ATM
Bokl Attariya ATM
Bokl New Baneshwor ATM

Head Office, Kamalpokhari
Kumaripati Lounge, Kumaripati
Head Office, Kamalpokhari
Newroad Lounge, Dharmapath
Kmc Hospital, Duwakot
Head Office, Kamalpokhari
Civil Mall Lounge, Sundhara
New Baneshwor Lounge
Thamel Lounge, Narsingh Chowk
Kmc Hospital, Sinamangal
Kalanki Lounge, Kalanki
Thamel Branch Premise
Newroad Branch Premise
Butwal Branch Premise
Hetauda Branch Premise
Nepalgunj Branch Premise
Dhangadi Branch Premise
Pokhara Branch Premise
Lakeside, Pokhara
Biratnagar Branch Premise
Nobel Hospital, Biratnagar
Birgunj Branch Premise
Jawalakhel Branch Premise
Janakpur Branch Premise
Itahari Branch Premise
Gongabu Branch Premise
Kohalpur Branch Premise
Surkhet Branch Premise
Ghorahi Branch Premise
Tulsipur Branch Premise
Bid Gate, Balaju
Attariya Branch Premise
New Baneshwor Branch Premise

Bokl Gyaneshwor ATM
Bokl Tripureshwor ATM
Bokl Chabahil ATM
Bokl Bhaktapur ATM
Bokl Tikapur ATM
Bokl Guleriya ATM
Bokl Dadeldhura ATM
Bokl Urlabari ATM
Bokl Sankhu ATM
Bokl Kharenitar ATM
Bokl Panauti ATM
Bokl Balhku ATM
Bokl Narayanghat ATM
Bokl Cg ATM
Bokl Tamghas ATM
Bokl Sandikharka ATM
Bokl Baglung ATM
Bokl Beni ATM
Bokl Birtamod ATM
Bokl Old Baneshwor ATM
Bokl Maharajgunj ATM
Bokl Lahan ATM
Bokl Dharan ATM
Bokl Belauri ATM
Bokl Lamki ATM
Bokl Bijuwar ATM
Bokl Bhalubang ATM
Bokl Narayanghat L ATM
Bokl Naxal ATM
Bokl Parasi ATM
Bokl Ittachen ATM
Bokl Rajapur ATM
Bokl Devdaha ATM

Gyaneshwor Branch Premise
Tripureshwor Branch Premise
Chabahil Branch Premise
Bhaktapur Branch Premise
Tikapur Branch Premise
Guleriya Branch Premise
Dadeldhura Branch Premise
Urlabari Branch Premise
Sankhu Branch Premise
Kharenitar Branch Premise
Panauti Branch Premise
Balhku Branch Premise
Narayanghat Branch Premise
Chaudharygram, Narayanghat
Tamghas Branch Premise
Sandikharka Branch Premise
Baglung Branch Premise
Beni Branch Premise
Birtamod Branch Premise
Old Braneshwor Branch Premise
Maharajgunj Branch Premise
Lahan Branch Premise
Dharan Branch Premise
Belauri Branch Premise
Lamki Branch Premise
Bijuwar Branch Premise
Bhaluwag Branch Premise
Narayanghat-L Branch Premise
Naxal Branch Premise
Parasi Branch Premise
Ittachen Branch Premise
Rajapur Branch Premise
Devdaha Branch Premise

About us

Bank of Kathmandu Lumbini Limited has become a prominent name in the Nepalese banking sector. We would like to express our sincere gratitude to our customers, shareholders, employees and other stakeholders for their support and cooperation for leading the bank to the present height of achievements. We wish to reiterate here that whatever activity we undertake; we put in conscious efforts to glorify our corporate slogan, "We make your life easier".

We would also like to elucidate that Bank of Kathmandu Lumbini is committed to delivering quality service to customers, generating good return to shareholders, providing attractive incentives to employees and serving the community through stronger corporate social responsibility endeavor.

Bank of Kathmandu Lumbini Limited has today become a landmark in the Nepalese banking sector by being among the few commercial banks which is entirely managed by Nepalese professionals and owned by the general public.

