



## RESPONSIBLE BANKING FOR A SUSTAINABLE FUTURE



Siddhartha Bank is deeply committed to embodying the principles of responsible banking as a cornerstone of its operations, with a steadfast focus on fostering a sustainable future. This commitment permeates every aspect of the Bank's activities, guiding strategic decision-making and operational initiatives. With an unwavering dedication to environmental, social, and governance (ESG) principles, Siddhartha Bank prioritizes sustainability in its lending practices, investment decisions, and internal operations. The Bank recognizes its role as a steward of the environment and society, striving to minimize its environmental footprint through initiatives such as renewable energy adoption, reduced paper usage, and responsible waste management. Moreover, Siddhartha Bank actively supports sustainable development initiatives, investing in projects that promote economic growth, social inclusion, and environmental protection. By championing responsible banking practices, Siddhartha Bank aims to create long-term value for its stakeholders while contributing to a more sustainable and equitable future for generations to come.

**ANNUAL REPORT 2022-23**

In this Annual Report, Siddhartha Bank provides its stakeholders with a comprehensive view of the Bank's financial and non-financial position and its strategies for long-term value creation. The report provides insights into the Bank's primary activities, its strategic priorities, the risks it is exposed to and its mitigants, governance structure, financial standing well as other key indicators. This report discloses matters that substantially impact or affect the Bank's ability to create value and could influence the decisions of providers of financial capital.



#### **FORWARD LOOKING STATEMENTS**

This report contains statements that relate to future operations and performance of the Bank. Actual results may differ materially from those suggested by such forward-looking statements due to certain risks associated with our expectations relating to the future circumstances such as technological changes, the impact of changes in banking regulations, other regulatory changes in the country, natural calamities, inflation, deflation, unanticipated fluctuation in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in Nepal and globally, among others.

#### **RESPONSIBILITY STATEMENT**

The content of this report has been reviewed by the management of the Bank and approved by the Board of Directors to ensure accuracy, completeness, and relevance of the information presented.

#### **REPORTING PRINCIPLES AND FRAMEWORK**

This report covers the period from 17 July 2022 to 16 July 2023. The financial statements presented comply with the requirements of:

- i. Companies Act, 2006
- ii. Nepal Financial Reporting Standards
- iii. Banking and Financial Institution Act, 2017
- iv. Securities Act, 2006
- v. Income Tax Act, 2002
- vi. Regulations, Directives, and Circulars issued by Nepal Rastra Bank (the Central Bank of Nepal)
- vii. Other applicable laws, regulations, and guidelines.



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# SIDDHARTHA BANK AT A GLANCE

We are a leading commercial bank in Nepal and have been positioning ourselves as a digital first, customer centric bank, with a focus on sustainability. We listen to our customers, stakeholders and nurture long term relationship with them.

We offer multitude of banking solutions and are committed to offer highly personalized experiences and superior service to our customers. At Siddhartha Bank, our customers are at the heart of any decision we make and we are committed to serve them better and offer them with wide array of products that meet their overall banking requirements.

With an array of products offerings, customer centric digital innovation, wide network, prompt customer services and focus on continuous improvement, we have been able to gain the significant trust of the customers to become a preferred banking partner, in the country, while nurturing innumerable Relationships Forever.

We have an extensive network of branches, ATMs, and are committed to providing a one-stop financial solutions to meet the varied needs of our customers. Further, with the strength of our international banking network, we have been able to cater to the trade finance, remittance inwards and international payments businesses.

We care for the environment and the society and prioritize on the Environmental, Social and Governance (ESG) aspects of our operations and financing to create sustainable long-term value for our customers, people and the planet. We are mindful of the impact of our actions and are committed to create a sustainable future for all.



## Vision

Siddhartha Bank runs with a vision **to be the digital first bank for sustainable growth.**

## Mission

Siddhartha Bank focuses on **customer delight by offering diverse products and services digitally for stakeholder's prosperity and sustained growth.**





## Core Values

Siddhartha Bank stands firm on its commitment to its core values.



### SUSTAINED GROWTH

Siddhartha Bank is focused on partnering with its stakeholders to create sustainable growth for all. The Bank commits itself to ensuring that it adopts leading banking practices combined with market leading innovation to ensure this sustainable growth. The Bank also recognizes that sustained growth has to be matched with appropriate risk management policies and commits itself towards managing operational and financial risks. The Bank also expects its employees to ensure that they develop an understanding of risks and follow the guidelines for risk management.

Siddhartha Bank also believes in providing equal opportunity of growth and learning for its employees. The Bank also expects its

employees to take ownership of their progress within the bank. The Bank believes that all its processes must be geared towards providing equality in opportunity for all employees. We want to create 'relationship forever'.



### TRANSPARENCY

The Bank aims to create a transparent and open work culture in the organization. The Bank endeavors to ensure that all its processes and policies are geared towards improving transparency in the organization. The Bank also encourages open communication throughout the organization, especially top-down communication, to create a participative decision making process.



### INTEGRITY

Banking is a business entrusted with fiduciary responsibilities. In view of this, the Bank expects its employees to maintain the highest standards of integrity in all their dealings within

the organization. The Bank's processes and policies shall be designed in such a way that integrity becomes a way of life for all its employees.



### INNOVATION

Siddhartha Bank aims to encourage innovative thinking at all levels of the organization and expects employees to think of continuous improvements in their day-to-day work. In return, Siddhartha Bank also endeavors to create a supportive environment in the organization which can help breed innovation.



### CUSTOMER CENTRICITY

Siddhartha Bank expects its employees to be driven by an unwavering focus on serving the customer. Employees are expected to keep customer interests at the forefront in all the decisions they take in their work. Customers include the external and internal customers of the Bank.

# Code of Conduct

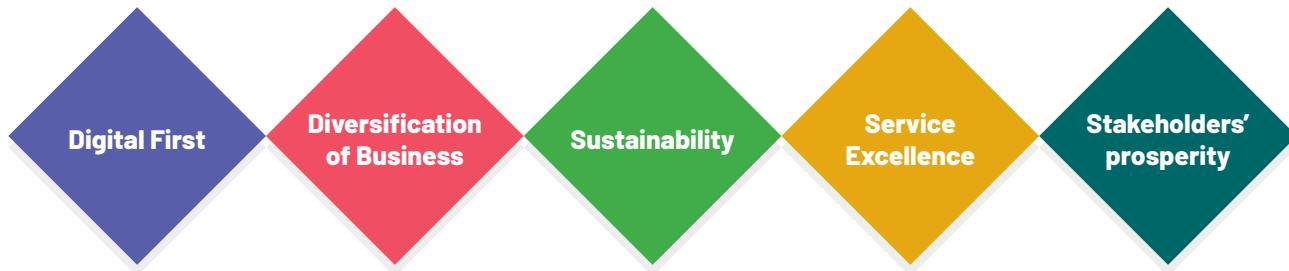
Siddhartha Bank - Employee Code of Conduct is intended to maintain a standard of conduct and ethics in the Bank that is of the highest order. The Code of Conduct outlines the minimum standards of behavior expected from all employees. Further, it defines acceptable and unacceptable behaviors of employee. Employees are expected to adhere to the principles and rules laid down in this policy. The Bank expects its employees to be upholders and brand ambassadors of its culture, work ethos and standards of integrity. The Bank is proud of its heritage and expects the employees to carry the legacy forward.

- No employee shall use confidential information about the Bank or its customers for his/her personal gain. All employees should maintain confidentiality with respect to Bank's financial and non-financial information including information on board meeting decisions, internal reports, electronic communications on Bank's strategy and other confidential information.
- Any act of discrimination and sexual harassment against colleagues, customers or service providers shall not be tolerated at the Bank.
- The employees must know and follow the requirements set forth in the Bank's AML/CFT policies.
- Employee shall not act in any form to harm the prestige, image and interest of the Bank.

- Smoking, consumption of alcohol or drugs in the office premises and official vehicles are strictly prohibited.
- Employees should refrain from any type of political activities during the service period. However, each employee is free to cast vote according to their interest and choice.
- Employees should maintain respect, politeness and kindness to all senior as well as subordinate staff following professional manner.
- Any employee is strictly prohibited to engage in any type of bribery and corrupt practices.
- Employees must adhere to tenets of fairness, ethics and personal integrity in all the financial and non financial matters.
- Proprietary rights on all work including ideas, concepts, creations, inventions or any other intellectual and/or industrial property created or produced by employee in the course or as part of official duty will be vested to the Bank.
- Employees should avoid any activity which creates conflict of interest with the Bank.
- Employees should furnish and disclose required property details as directed by regulatory authorities.

The Bank is committed to the highest standards of ethics and integrity in all its dealings between its employees, with customers, and all other stakeholders.

## Strategic Objectives



Siddhartha Bank has a clear set of strategic objectives which it wants to collectively pursue. The Bank believes that successful strategy implementation, would enable the Bank to achieve its strategic objectives. Further, our strategy enables us to sustain and grow amidst the challenging market conditions.

### DIGITAL FIRST

Digital transformation is the integration of technology in all areas of business for fundamental changes in the process of business operations and delivering values to the customers. Keeping abreast with emerging technologies is crucial to remain competitive in the industry. Investment in new technologies such as artificial intelligence, block chain, etc. can help the Bank stay ahead of the curve. With

the increment in data availability, it is also important to use data analytics to drive for efficient and effective decision-making. This will help the Bank identify trends, make predictions and timely decisions. By implementing such agile methodologies through digital transformation, the Bank can more easily adapt to technological changes and keep up with the pace of innovation. This enhances focuses on the digital first mindset of the Bank which prioritizes digital channels and technology in all aspects of the Bank's operations.

### DIVERSIFICATION OF BUSINESS

Business diversification strategy of a bank refers to the process of expanding its range of products, services, and markets to reduce reliance on a single source of revenue and

increase its potential for growth and profitability. Diversification is a critical strategy for the Bank to remain competitive and to grow the business. By expansion into new markets, introduction of new products/ services and targeting new customer segments, the Bank shall reduce its reliance on limited avenues of revenue and increase the potential for long-term.

**Geographic diversification:** The Bank shall expand into new geographic areas to tap into new markets and customers. This shall be achieved by opening new branches in different locations.

**Product diversification:** The Bank shall introduce new products and services to attract new customers and increase revenue streams.

**Customer diversification:** Banks can target new customer segments to diversify their customer base. This could include serving small/ medium size businesses, zennials (Generation Z) or high net worth individuals.

A successful diversification can help to increase sales and revenue, grow market share, find new revenue streams and achieve higher margins compared to existing products. The Bank has strategic direction to diversify its current business in MSME sector, cards based business and other new avenues of investment that has scope of scalability.

## **SUSTAINABILITY**

Sustainability is the balance between the environment, equity and economy. It is the integration of environmental health, social equity and economic vitality in order to create thriving, healthy, diverse and resilient communities for this generation and generations to come. The ever-present risks from climate change make sustainability important for banks. Banks are the largest source of funding for corporations, from eco-friendly renewable energy companies to billion-dollar oil companies. Where banks decide to give their loans helps determine the direction of the economy, and to an extent, the future of our societies.

Setting sustainability commitments helps banks increase their credibility as key societal actors in an increasingly eco-conscious society. As more investors become concerned about climate risks, banks have little choice but to respond by investing in sustainability initiatives. A bank that's seen as environmentally responsible and sustainable is likely to court more investors and get more business opportunities as it shows that it is adapting to climate risks. Many sustainable businesses seek to reduce their environmental footprint by using renewable energy or by reducing waste. The Bank may also be more sustainable by promoting diversity and fairness in their workforce, or enacting policies that benefit the local community.

The Bank shall make responsible investment i.e. invest in companies and projects that promote sustainable development. This could include investing in renewable energy, sustainable agriculture and green infrastructure.

The Bank shall engage further in corporate social responsibility initiatives that promote sustainable development. This could include supporting community development projects, promoting financial literacy and reducing own carbon footprint. The Bank implants sustainability in strategic direction and commits to ESG for green financing, financial inclusion and transparency.

## **SERVICE EXCELLENCE**

Service excellence refers to the ability of service providers to consistently meet and even exceed customers' expectations. Service excellence does not necessarily mean increasing the expectations of the customer and then struggling to meet them. It merely means delivering what have been promised. Before providing any service, the problems, requirements and expectations of the customer are considered. Service excellence is of high quality. Service excellence is a wonderful quality by which the service provider can achieve fame, success, and financial profits.

Incorporating a culture of service excellence in the Bank is a journey, a continuous process, and not the final destination. Indeed, there is no alternate way or convenient solution for this.

Customer Service Excellence in banking is very important because banks are exposed to a lot of clients ranging from high to low income earners. The way and manner customers are attended to would determine whether there would be a repeat purchase. Customer Service can be provided either physically in the banking hall, or via other Customer Service channels, however, all service delivery points have the same characteristics and same service expectations.

Hence, the Bank considers service excellence as one of the core strategic directions that the Bank needs to enhance its focus on. The Bank shall provide personalized services to meet the unique needs of each customer. This includes customized financial solutions, personalized communication channels, and tailored marketing messages. Likewise, The Bank shall offer omni-channel banking services that allow customers to access their accounts and services through multiple channels, including online, mobile, telephone, and in-person. This allows customers to choose the channel that best suits their needs and preferences.

## **STAKEHOLDERS' PROSPERITY**

Prosperity of stakeholder focuses on creating value for all stakeholders, including customers, employees, shareholders, and societies. The success of a bank is not only measured by its financial performance but also by its impact on society and the environment. A key stakeholder plays an important role in a company's long-term success. Key stakeholders can help companies make strategic decisions, minimize risks and grow their business. Likewise, running a successful bank is all about trying to keep many people as happy as possible. No matter what the owner or management thinks, if the stakeholders aren't happy, the Bank is not succeeding. In the end, everyone wants the same result: a successful and prosperous partnership with the bank.

Shareholders prosperity can be achieved by enhancing return on equity. Employees prosperity can be achieved by proper benefits and working environment. Community prosperity can be achieved by CSR initiatives. Regulators/ Government prosperity can be achieved by transparent, accountable and responsible governance and compliance in practice.

The ultimate strategic direction of the Bank is prosperity of all its stakeholders. This is the end result for which the Bank is focused on. By adopting a stakeholder prosperity strategy, banks can build trust and loyalty among their stakeholders, while also contributing to the well-being of society and the environment. This can lead to long-term success and profitability for the bank.

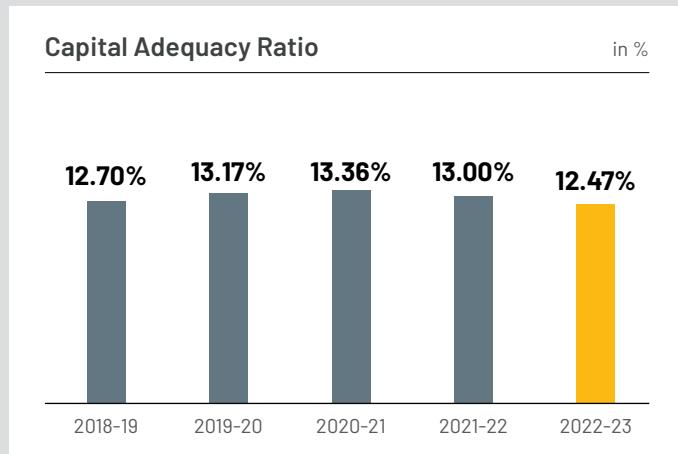
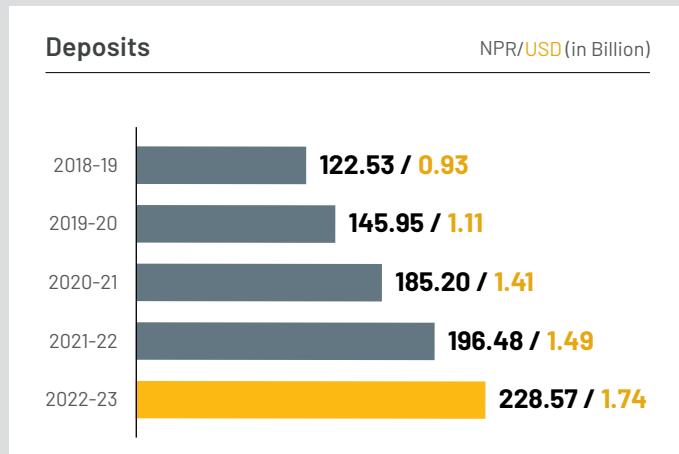
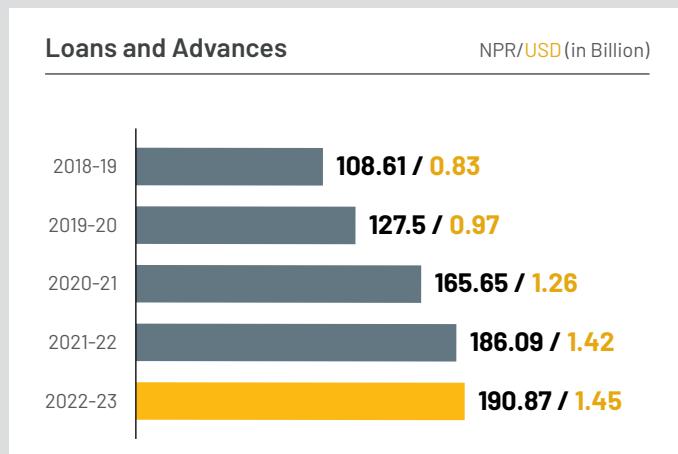
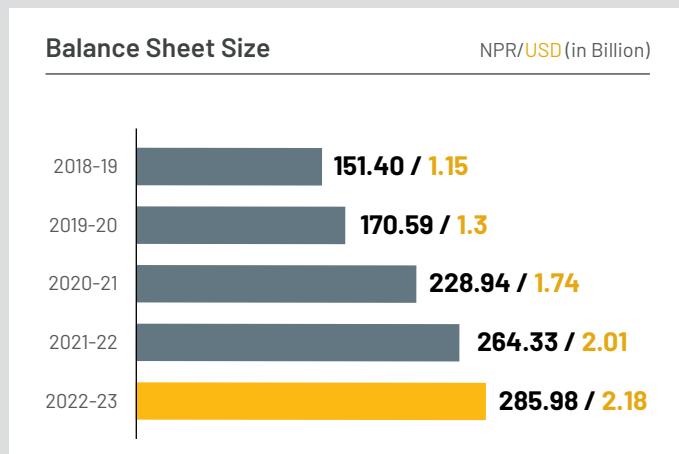




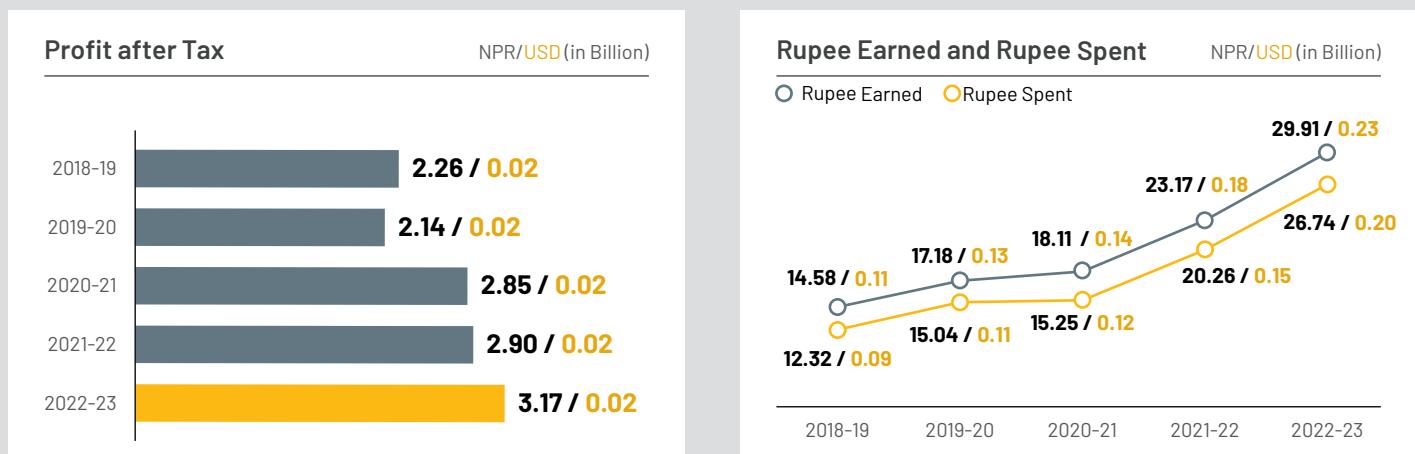
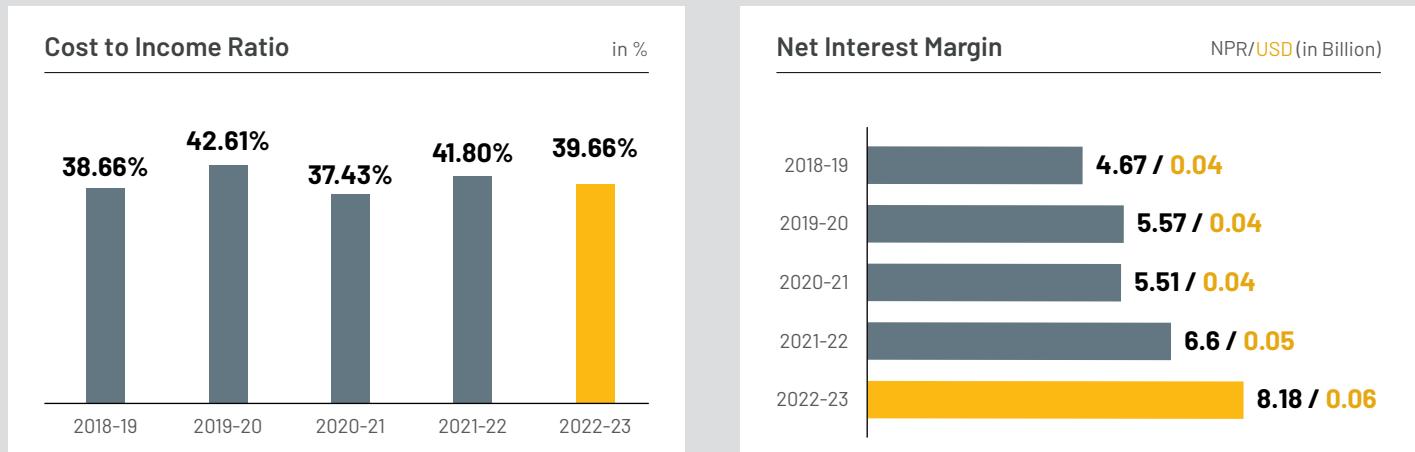
# Financial Highlights

USD conversion rate is taken as 1 USD = NPR 131.45

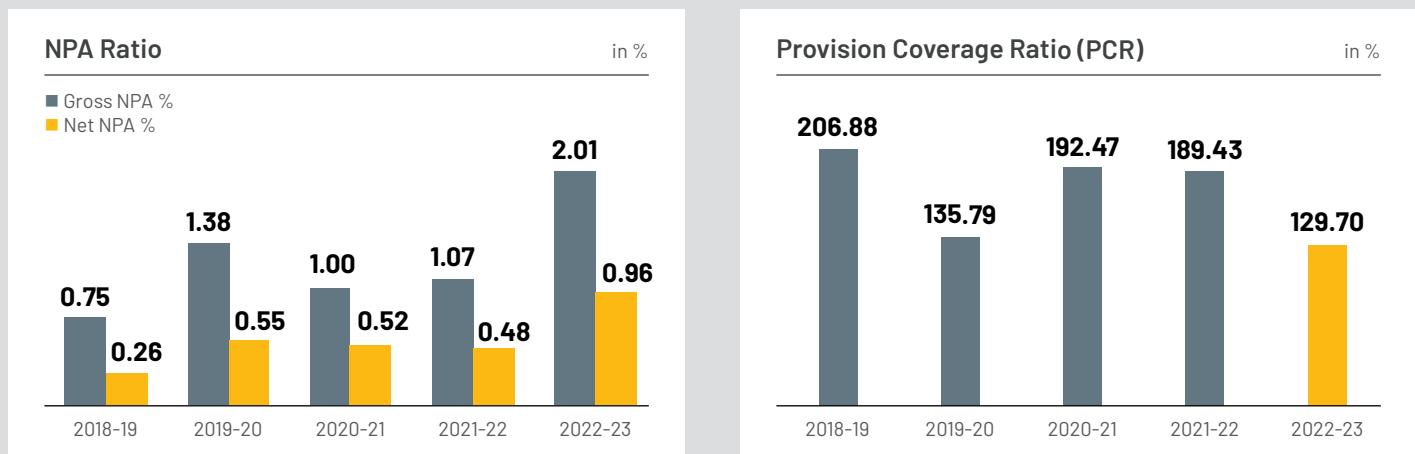
## Growth



## Efficiency



## Resilience



## Returns



## Non-Financial Highlights

Mid July 2023





# Milestones



# AWARDS AND ACCOLADES

- National Best Presented Annual Report 2022 - Private Sector Banks  
[The Institute of Chartered Accountants of Nepal (ICAN)]
- Awards for Corporate Excellence - Financial Services  
[The HRM 2022]
- Certificate of Merit - Private Sector Banks  
[South Asian Federation of Accountants]



**National Best Presented Annual Report Award  
(Private Sector Banks)**

ICAN 2022



**Awards for Corporate Excellence  
(Financial Institution Category)**

HRM 2022



**Certificate of Merit  
(Private Sector Banks)**

SAFA 2022



**Manoj Kumar Kedia**  
CHAIRMAN

The Board is committed to maintaining highest standards of corporate governance and will continually strive to improve and strengthen these practices.

## Banking for a Sustainable Future

Supply chain disruptions, inflationary pressures, geo-political tensions and higher interest rate characterized the global business environment in FY 2022-23. While the economic activities globally were picking up in the aftermath of COVID, the Ukraine War and subsequent supply chain bottleneck contributed to higher energy and food prices, mounting inflation and ultimately a tight monetary policy globally, affecting the global economic growth. The impact of higher inflation affected Nepali economy too. The economic growth of Nepal in the FY 2022-23 remained low at 1.9 percent, contributed by higher inflation, import restrictions and tightening of the monetary policy, aimed at addressing the significant widening of external imbalances.

During FY 2022-23, economic activity was subdued in the industry and the services sectors, while agricultural output remained resilient. Import restrictions, higher interest rates and higher international prices due to supply chain shocks arising from geopolitical tensions led to slowdown in credit growth to the private sector.

Despite the headwinds, Siddhartha Bank once again has been able to maintain a healthy financial performance and profitability in the FY 2022-23 attributable to its strong risk management framework, high standards of compliance and corporate governance, effective management, a team of dedicated employees and ever supportive customers and other stakeholders.

At the end of FY 2022-23, the Bank's Paid-Up Capital amounted to NPR 14.09 billion, while the Bank generated Net Profit of NPR 3.17 billion, out of which NPR 1.46 billion has been appropriated to Debenture Redemption Reserve, which has been created for the outstanding debentures and shall be ultimately distributed to the shareholders after maturity of the debentures. The Bank was able to pay a Cash Dividend of 4.21% (including tax) to its shareholders. Despite the slowdown in economic activities and stress on the financial strength of the borrowers, the Bank was able to contain its Non-Performing Assets to 2.01% in the said fiscal year.

The Bank had always emphasized on productive sector investments to attain self-sustainability and believed that

amidst frequent liquidity crunch in the economy, raising debt financing from International Institutions would be a good way to meet the requirement for productive sector lending. In line with the same, the Bank borrowed USD 55 million from the International Finance Corporation (IFC) for MSME (Micro Small and Medium Enterprises) and Climate Financing in FY 2022-23. This is the biggest loan amount provided by the IFC till date in Nepal. The disbursement by the IFC under clean lines, after a detailed on-site due diligence reflects the financial strength and sound corporate governance of the Bank.

The Board is committed to maintaining highest standards of corporate governance and will continually strive to improve and strengthen these practices. The Board and its Committees have been regularly assessing the Bank's response to opportunities and challenges. The Board will continue to maintain integrity, fairness and transparency in our engagement with all our stakeholders. The Bank is committed to create value for its customers, pursuing a customer centric approach. The Bank will continue to work with Digital First strategy with a focus on enhancing its digital banking capabilities, digitization of internal business processes and offering customers seamless banking experiences digitally and physically.

The Bank will continue to focus on sustainable banking and ensure that its operations, business activities and lending are carried out taking into consideration the Environmental, Social and Governance impact. The Bank will also focus on impact investment projects aimed at combining financial profitability with a strong social and environmental impact. The Bank will also look for enhancing its impact and sustainability related capabilities through tie-up with international institutions.

Looking ahead, with the tight monetary policy stance adopted globally, the inflation is expected to decline gradually. Economic activities though slow currently, is expected to gradually increase in the coming year. Siddhartha Bank remains a strong and safe bank, and will continue to focus on enhancing its resiliency and being a customer centric bank, living up to its motto of 'Relationship Forever'. I would like to thank all of our human capital, customers, regulators, shareholders and other stakeholders for your continued support. We are committed to be the responsible bank for a sustainable future.



**Sundar Prasad Kadel**  
CHIEF EXECUTIVE OFFICER

The Bank is committed  
to create a sustainable  
impact today and for  
generations to come.

## Supporting our Customers during Challenging Times

Geopolitical tensions and higher inflation led to higher interest rate environment globally in FY 2022-23 and Nepal was no exception to it. In FY 2022-23 the Nepali economy slowed down with higher commodity prices, higher inflation, import restrictions amidst widening external imbalances and monetary policy tightening by the central bank. With tight monetary policy measures adopted by the central bank in the starting of FY 2022-23, liquidity remained tight, interest rates were on a higher side and business sentiment dampened. The Nepali Banking industry saw an upsurge in Non-Performing Assets in the FY 2022-23 with the borrowers affected by higher interest rates and economic slowdown. With improved foreign exchange reserves courtesy of surge in remittance inflows and reduced imports, decline in inflation, and slowdown in economy, the policy rate was reduced in the latter part of the FY and the import restrictions were released. The central bank has been proactive in ensuring economic and price stability in the country.

Siddhartha Bank is committed to supporting its customers during these challenging times and be flexible enough to ensure that they tread through it comfortably to build a sustainable future. Amidst higher cost of living, the Bank increased interest rates on its deposit products to help customers manage their finances better, when their cash flows were taken a hit. The Bank also engaged with its borrowers in the MSME, Corporate and Retail sectors to understand their difficulties and offer them flexible solution to meet their debt obligations.

During the FY 2022-23, the Bank continued to maintain a strong balance sheet, with adequate capital adequacy and ample liquidity. In FY 2022-23, the Bank strategized to attain a conservative growth in its overall portfolio while focusing on portfolio shift to Retail and MSMEs. Further, we aligned our strategy with the central bank's monetary policy stance to reallocate credit to the productive sector rather than focus on credit growth.

In FY 2022-23, we registered a nominal total credit growth of 2.57% with total loan amounting to NPR 190.87 billion by the end of the FY. Increased remittance inflows and sluggish loan demand led to ample liquidity in the market, and the Bank's total deposits increased by 16.33% in the said FY, amounting to NPR 228.57 billion. Amidst lack of loan demand and increased liquidity, we increased our investment books by 16.78% which helped the Bank generate competitive return on the funds.

The Bank generated considerable income from its core banking activities in FY 2022-23, attaining 24.07% growth in its Net Interest Income vis-à-vis prior fiscal year. The Bank was able to register a Net Profit of NPR 3.17 billion in the FY 2022-23, an increment by 9.11%, despite the challenging scenario. The Bank was able to maintain its asset quality, containing the Non-Performing Assets to 2.01% in the FY 2022-23 despite slowdown in economic activities. The Bank is committed to support its customers and stakeholders during this challenging time. The Bank in the FY 2022-23 opted to provide cash dividend of 4.21% considering the stressful market scenario and awareness that many of our shareholders rely on dividends to support their income.

The Bank has made significant digital advancements in the FY 2022-23. We have been able to offer digital solutions for majority of its engagements with the internal and external customers. The implementation of Core Banking System Finacle has made the banking operations robust and the Bank has been able to build a strong Management Information System for multi variate analysis. The Customer Relationship Management solutions has enabled the Bank to offer highly personalized experiences to customers, predict customer needs in advance, and consistently provide exceptional service. The Bank continues to invest in technology to offer its customers a superior and personalized experience. Digital First continues to be an area of continuous focus for us. The Bank believes that leveraging on the digital front and big data is key to creating value to customers, improving the service quality as well as attaining operational efficiency and sustainability.

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**THE BANK CONTINUES TO INVEST IN TECHNOLOGY TO OFFER ITS CUSTOMERS A SUPERIOR AND PERSONALIZED EXPERIENCE.**

Customer Centricity has been the core value of the Bank and it is guided by unwavering focus on serving the customers better, offering them a suite of products that meets their overall banking requirements. We keep customers at the heart of any decision we make and we are always working on identifying their dynamic banking requirement and how we can better address it. We will continue our pursuit for customer satisfaction, customer delight and build deeper and long-term relationship with them. We shall also persevere to ensure that each customer interaction, be it physical or digital, is satisfying for the customer. We have been proactive in enhancing financial literacy and making customers aware on how to protect themselves from the digital scams and frauds.

Sustainability continues to be the Bank's top most priority. The Bank itself has set out measures to reduce energy consumption at its offices including usage of solar power and energy efficient lightings. The digitization measures have resulted in reduced use of paper. The Bank is dedicated to deploy finance responsibly towards sustainable projects. The Bank has a clear ambition to be the leading bank for sustainable finance in Nepal and has made significant progress on that. The Bank has significantly scaled up the integration of Environmental, Social and Governance (ESG), into the Bank's overall business strategy and practices. Our credit appraisal and approval processes encompass a comprehensive evaluation of environmental and social risks. The Bank has been actively financing environmentally friendly technologies and low-carbon infrastructure projects to facilitate in transitioning to a sustainable and low carbon economy. The Bank continues to take greener initiatives, new home loans for energy efficiency improvements, green loans for renewable

energy and electronic transportation. The Bank is committed to use the power of finance to create a sustainable impact today and for generations to come. The Bank is committed on sustainable practices, policies and decisions to create long-term value for all stakeholders.

The Bank shall persist with its strategy to enhance its Micro, Small and Medium Enterprise (MSME) Portfolio. The Bank strongly believes that MSMEs help reduce levels of poverty through job creation and economic growth, and are key drivers of employment, and entrepreneurship for women, youth and the marginalized communities. The Bank borrowed USD 55 million from the International Finance Corporation (IFC), for on lending to the MSMEs and Climate Financing Projects. The loan provided by the IFC to the Bank is the first ever foreign currency syndicated loan facility in the financial sector and the biggest loan amount provided by the IFC to a Nepali Bank till date. The IFC's trust on the Bank reflects the Bank's strong corporate governance, sound management and effective risk management framework. The Bank is also committed to ensure that the Bank prioritizes lending in sectors like agriculture, manufacturing, energy, deprived sector, healthcare and other to ensure that the country can become self-sufficient.

The Bank continues to conduct its business responsibly upholding high standard of corporate governance and is focused on further strengthening its corporate governance, compliance and risk management framework. The Bank has a comprehensive framework to strengthen the risk and compliance culture and has strong controls on the KYC and AML front, and customer transactions are effectively monitored to ensure strict compliance to international best practices. The Bank shall

persist to enhance its risk management framework and shall engage with external consultants to align the Bank's policies and practices in line with the international best practices and market scenario.

Our sound corporate governance, transparency and team work is evident from the multiple external recognitions we have received. For the second year in a row, the Bank was awarded with the Best Presented Annual Report 2022 under the Banking Sector by the Institute of Chartered Accountants of Nepal (ICAN). The South Asian Federation of Accountants (SAFA) adjudged the Bank's Annual Report 2022 as the recipient of Certificate of Merit for the year 2022 in the category Private Sector Banks. The Bank had received the same in 2021 too. The dynamism, creativity and commitment of our human resource are the key drivers for the Bank's success.

Siddhartha Bank believes in building a workplace that is transparent, provides opportunities for growth and encourages innovation while ensuring the customer

experience enhancement remains at the center of all decisions. We remain committed to enriching the experience of our customers and stakeholders by understanding and addressing their unique requirements. Our goal is to strengthen our business model, make it more balanced and resilient and generate more sustainable and profitable growth. We intend to restructure our operating structure and executive team as part of initiatives to simplify the Bank's operations and improve accountability.

Going forward, I expect inflation and interest rates to gradually decline in the next year while economic activities are likely to pick slowly. With the dampened business sentiment and economic slowdown, I expect the loan demand to be slow. The Bank stands committed to support its customers and be resilient in the challenging times ahead.

Finally, I am grateful to the Nepal Rastra Bank, the Board, the human capital and all our stakeholders and look forward to your continued support.

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## THE DYNAMISM, CREATIVITY AND COMMITMENT OF OUR HUMAN RESOURCE ARE THE KEY DRIVERS FOR THE BANK'S SUCCESS.



## Board of Directors



FROM LEFT TO RIGHT

**MR. ANKIT KEDIA**  
DIRECTOR

**MR. RAHUL  
AGRAWAL**  
DIRECTOR

**MR. NARENDRA  
KUMAR AGRAWAL**  
DIRECTOR

**MR. MANOJ  
KUMAR KEDIA**  
CHAIRMAN

**MRS. MINA  
KUMARI SAINJU**  
INDEPENDENT  
DIRECTOR

**MR. DINESH  
SHANKER PALIKHE**  
DIRECTOR

# Profile of Directors



**Mr. MANOJ KUMAR KEDIA**

CHAIRMAN

Mr. Manoj Kumar Kedia is the Chairman of Board of Directors of the Bank since January 5, 2016 representing promoter shareholder, M/S. Prudential Investment Company Pvt. Ltd. He is the founding promoter and member of the Board of Directors of Bank since its inception.

Mr. Kedia is well-known personality in Nepal as a successful distinguished business person. He has been successfully involved for more than 25 years in the industrial, commercial and business sector of the country and has contributed significantly in the economic and social development of the nation.

He is the Managing Director of prestigious Industrial House Kedia Organization, Brij Cement Pvt. Ltd., Sundar Products and Services Pvt. Ltd. Besides, he is the Chairman of Kedia Investment Corporation Pvt. Ltd., Kedia International Pvt. Ltd., Magna Securities Company Pvt. Ltd., Gurans Cement Pvt. Ltd. and Sunrise Nepal Food & Beverage Pvt. Ltd.

Similarly, he is an Executive Director of Arghakhanchi Cement Pvt. Ltd., Siddhartha Minerals and Director of Shree Steels Pvt. Ltd. He has been playing significant role in the field of trade and commerce of the nation.



**MR. NARENDRA KUMAR AGRAWAL**

DIRECTOR

Mr. Narendra Kumar Agrawal is a member of the Board of Directors representing promoter shareholders of the Bank. He has been associated with the Bank since its inception as a founding promoter and member of the Board of Directors. Mr. Agrawal is also the convener of Risk Management Committee and a member of Audit Committee of the Bank.

Mr. Agrawal has been involved in industrial and business sector of Nepal for 43 years. He is the Director of Arunodaya Udyog Pvt. Ltd., Ganesh Ferrozinc Udyog Pvt. Ltd., Ganapati Metacon Pvt. Ltd., Yeti Polychem Pvt. Ltd., Reliance Supertech Cement Pvt. Ltd., Dedraj Sewali Devi Todi D.A.V. School Pvt. Ltd. and Proprietor of Garud Impex. He has been involved in Rotary International, Rotary Club of Biratnagar and other prestigious organizations.



**MR. RAHUL AGRAWAL**

DIRECTOR

Mr. Rahul Agrawal has been a member of the Board of Directors since January 29, 2021, representing the promoter shareholders of the Bank. He is the Convener of Employee Service Facility Committee of the Bank.

He holds an MBA degree from Middlesex University and has been involved in industrial and business sector of Nepal for 21 years.

Mr. Agrawal is an Executive Director of Reliance Group of Nepal. He is Director of Reliance Supertech Cement Pvt. Ltd., Reliance Cement Pvt. Ltd., Annapurna Quarries Pvt. Ltd., Reliance Paper Mills Pvt. Ltd. and Proprietor of Reliance Trade Center.

He has been involved in various industrial and commercial sectors of the country. He also has experience of working in various banks in Nepal and India too.



### **MR. ANKIT KEDIA**

DIRECTOR

Mr. Ankit Kedia is a member of the Board of Directors since January 29, 2021, representing public shareholder of the Bank, M/S. Leverage Holdings Pvt. Ltd. He is also a member of Employee Service Facility Committee and AML/CFT Committee of the Bank.

He holds an MBA degree from James Cook University, Singapore and has been involved in agricultural products, industrial and business sector of Nepal for 12 years. He is the Managing Director of Mahabir Overseas Pvt. Ltd., Leverage Holdings Pvt. Ltd and Managing Director of Mahabir International Suppliers Pvt. Ltd. Besides, he also represents Nepal as a Director in Global Pulse Confederation.



### **MR. DINESH SHANKER PALIKHE**

DIRECTOR

Mr. Dinesh Shanker Palikhe has been a member of the Board of Directors since July 7, 2016, representing public shareholder of the Bank, M/S. Ginni Investment Pvt. Ltd. Mr. Palikhe is also the convener of Audit Committee and member of Risk Management committee of the Bank.

He holds an MBA degree from Tribhuvan University and has worked as a Director in various BFIs of Nepal for 13 years. He is involved in the field of business and investment for past 27 years, including Hydropower, Merchant Banking and Investment Management Company. He is also involved in Nepal Cancer Relief Society, Rotary Club of Pokhara Annapurna, Lions Club of Pokhara Himalayan and other prestigious organizations.



### **MRS. MINA KUMARI SAINJU**

DIRECTOR

Mrs. Mina Kumari Sainju has been an Independent Director of the Bank since April 27, 2021. She is the convener of AML/ CFT Committee of the Bank.

She holds an MBA degree from Tribhuvan University, and has 30 years of work experience at various levels, including Deputy General Manager of Nepal Bank Limited. She has also been a Director in erstwhile Janata Bank Nepal Limited, erstwhile Paschimanchal Gramin Bikas Bank Limited and erstwhile Nagarik Laghubitta Bittiya Sanstha Limited.



## Executive Management Team



STANDING FROM LEFT TO RIGHT

MRS. SHAILAJA GYAWALI  
MR. MANOHAR KC  
MR. ARJUN BHADRA KHANAL  
MR. SUNDAR PRASAD KADEL  
MR. SRIJAN KRISHNA MALLA

MR. SHER BAHADUR BUDHATHOKI  
MR. RAMESHWAR PRASAD BASHYAL  
MR. PRADEEP PANT  
MR. SURESH RAJ MAHARJAN  
MR. PRASHANNA KHADKA



## Management Team

STANDING FROM LEFT TO RIGHT

MR. GYANENDRA KARKI  
MR. SUSHIL NEPAL  
MR. RABEEN MALLA  
MRS. IRA PRADHAN  
MR. RAMJI BANIYA  
MR. SUBASH SHRESTHA  
MR. UPENDRA GADTAULA  
MR. SAROJ KAFLE  
MR. PRAVIN NIDHI TIWARI  
MR. LAXMAN GHIMIRE  
MR. PRAMESH SHRESTHA  
MR. ANINDRA RAJ ACHARYA

SITTING FROM LEFT TO RIGHT

MR. MANOHAR KC  
MRS. SHAILAJA GYAWALI  
MR. RAMESHWAR PRASAD BASHYAL  
MR. SHER BAHDUR BUDHATHOKI  
MR. PRASHANNA KHADKA



STANDING FROM LEFT TO RIGHT

MR. KAMAL BASNET

MR. PRABIN DHUNGEL

MR. JIT BAHADUR ADHIKARI

MR. SUDIP TAMRAKAR

MR. KESHAB KHATI

MRS. BIPLAVI SINGH

MRS. APARNA GIRI

MR. AMIT SHRESTHA

MR. PAWAN CHANDRA ADHIKARI

MR. DURGA PANDEYA

MR. NEERAJ SHRESTHA

MR. PANKAJ PANT

MR. NIRAKAR BAHADUR SINGH

SITTING FROM LEFT TO RIGHT

MR. SURESH RAJ MAHARJAN

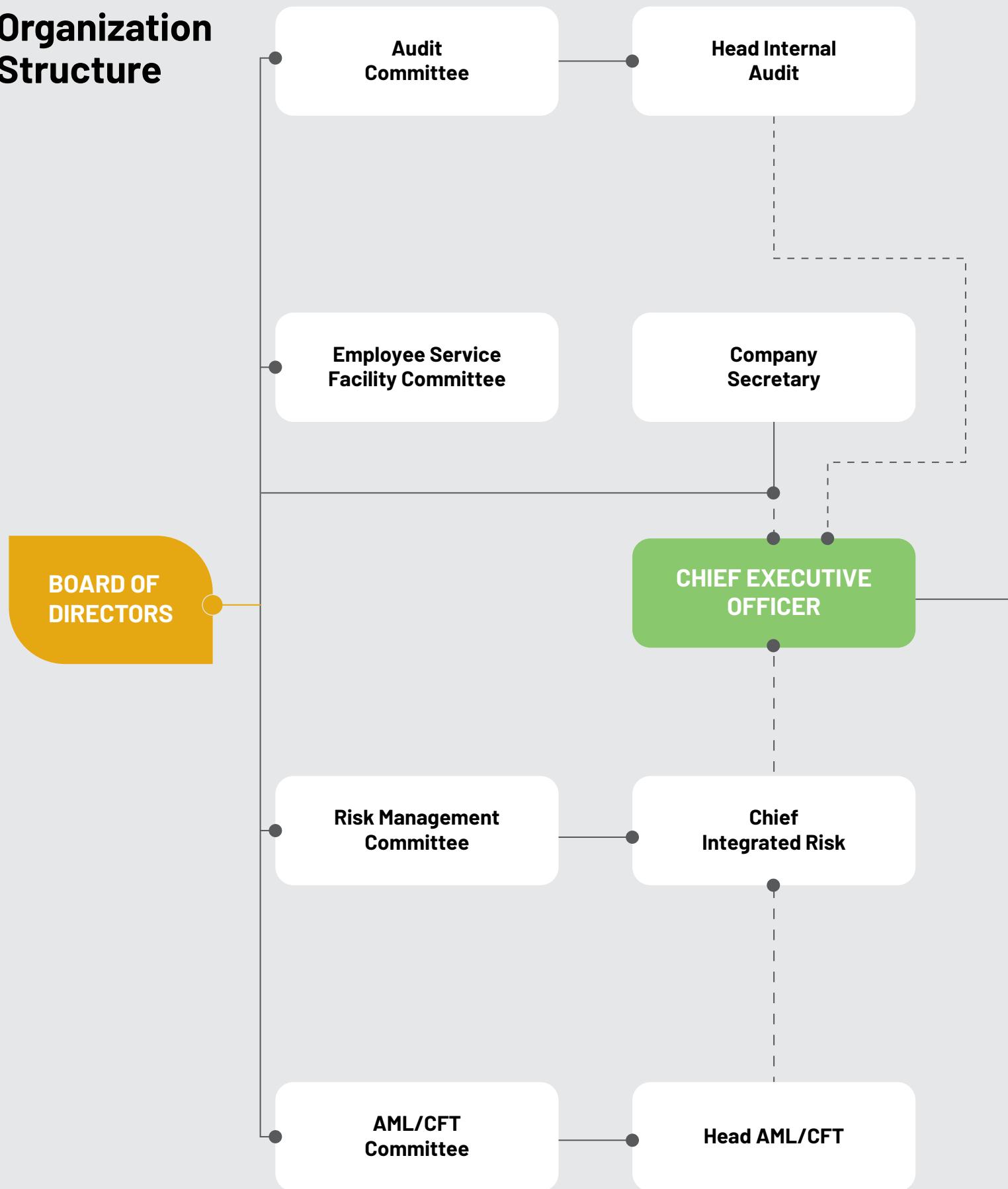
MR. ARJUN BHADRA KHANAL

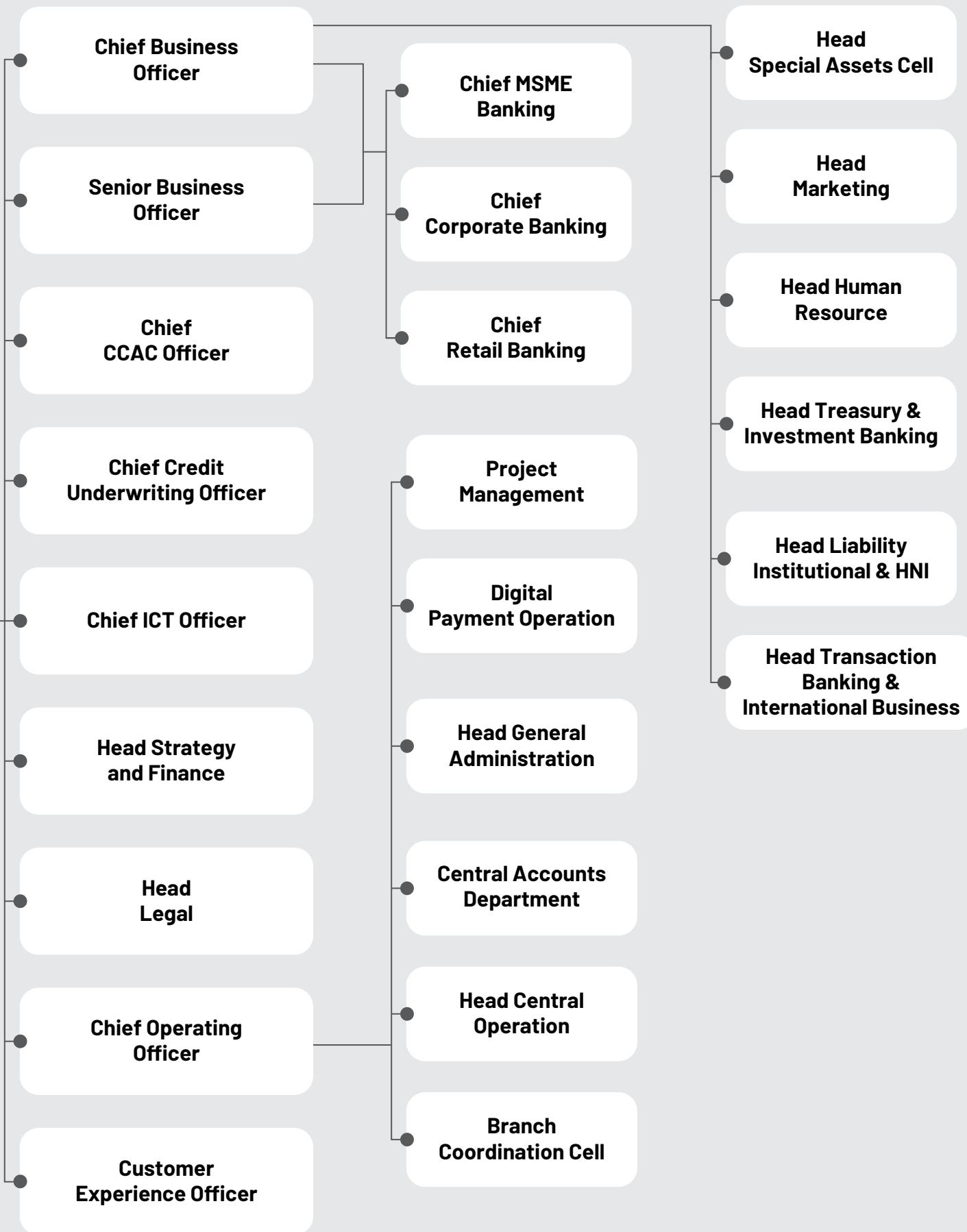
MR. SUNDAR PRASAD KADEL

MR. SRIJAN KRISHNA MALLA

MR. PRADEEP PANT

# Organization Structure





# Right to Information & Grievance Handling

Siddhartha Bank is driven by the motto "Relationship Forever" and believes that the Bank can build lasting relationship with the customers' if their needs and grievances are addressed properly.

The Bank has given high importance to honouring the stakeholders' Right to Information. The Bank understands accountability, transparency and responsibility are key factors of Right to Information (RTI) and critical for good governance. The Bank discloses information adequately to the stakeholders, which they shall be well informed of. The Bank complies with the provisions of Right to Information Act, 2007 and has appointed Chief Information Officer in line with the provision of this Act.

SBL is driven by the motto "Relationship Forever" and believes that the Bank can build lasting relationship with the customers' if their needs and grievances are addressed properly. The Bank handles grievances received from customers and stakeholders with high priority and ensures that the Bank improves from the same. The Bank has well-developed mechanism to collect the grievances of customers so that it reaches the concerned authority to resolve the grievances in time.

In order to streamline the mechanism of handling customer information requests & disclosures along with the requirement of a public grievance hearing system across the Bank, Central Information and Grievance Handling Desk (CIGHD) has been established at Head Office. CIGHD collects all information, complaints/suggestions which fall beyond the authority/areas of branches and coordinates with various departments to provide information and/or to resolve customer grievances. CIGHD collects information from all sources including website, telephone, emails and social sites such as Facebook, Viber, Instagram, etc. and resolves the issues at the earliest possible within defined Turnaround Time (TAT). Customers can directly send grievances to the Bank through the "Grievances" section on the website. Likewise, customers can also contact through phone at the Contact Centre of the Bank to lodge their grievances or provide suggestions/ feedback.



**INFORMATION HANDLING AND GRIEVANCE HANDLING  
AT THE BRANCH LEVEL HAS BEEN ARRANGED AS  
FOLLOWS:**

i. Branch Manager as Branch Information Officer:  
Branch Manager acts as Information Officer of the branch and ensures information as requested by the stakeholders except published by the Bank via annual reports, online media are provided after obtaining approval from Chief Information Officer. They coordinate with the related department for providing the information requested after obtaining the necessary approval.

ii. Operations Officer as Branch Grievance Handling Officer: Operations Officer (OO/AOO) of the Branch are assigned as grievance handling officer of the Branch. The desk of OO/ AOO is named as "Grievance Hearing Desk" at the Branch. Any grievance/feedback received at the Branch is duly recorded and resolution provided in coordination with the Branch Manager and related department. Suggestion Box is kept in the customer service area and checked at least on a weekly basis.

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The Bank has appointed Chief Grievance Handing Officer and Chief Information Officer in order to efficiently handle and resolve the issues.



**RAMESHWAR PRASAD BASHYAL**

CHIEF INFORMATION OFFICER

Mr. Rameshwar Prasad Bashyal, the Deputy Chief Executive Officer of the Bank is the Chief Information Officer of the Bank. He joined Siddhartha Bank in the year 2005 and is one of the well-versed banker of the country. Before joining Siddhartha Bank, he was working at Nabil Bank from the year 1989 holding various functional titles.

CONTACT DETAILS

PHONE: **01-5970720 EXT: 1433**

EMAIL: **rakashyal@sbl.com.np**



**SURESH RAJ MAHARJAN**

CHIEF GRIEVANCE HANDLING OFFICER

Mr. Suresh Raj Maharjan is the Chief Grievance Handling Officer of Siddhartha Bank. He is also the Chief Marketing Officer of the Bank and has been associated with the Bank since 2014. Before joining Siddhartha Bank, he was associated with Global IME Bank Limited, where he worked in various high-level positions. Additionally, he has been a director of Nepal Electronic Payment Systems Ltd. since 2013.

CONTACT DETAILS

PHONE: **01-5970720 EXT: 1421**

EMAIL: **suresh.maharjan@sbl.com.np**





## **Products & Services/ Key Business Areas**



Siddhartha Bank prioritizes its customers with a comprehensive range of products and services tailored to meet diverse financial needs. The Bank continuously updates its offerings to fit the evolving needs of individuals, MSMEs, large corporations, and government entities. Committed to excellence, it delivers tailored solutions and exceptional service to meet distinct financial requirements.



The Bank's core deposit offerings include savings deposits, fixed deposits, current deposits, and call deposits.

Specifically, in the savings deposit category, the Bank provides a comprehensive range of savings accounts that cater to the diverse banking needs of individual customers.

These savings deposit offerings are customized for various customer demographics, such as children, students, women, seniors, and individuals working abroad, with additional features that add value to their banking experience. The Bank's savings deposit products are designed to encourage a saving mindset among customers.

The Bank provides a wide range of both fund-based and non-fund-based credit facilities to its customers, tailored to the customer's requirements and in line with the Bank's policies.

Retail banking customers can access various loan products, including auto loans, term loans, home loans, personal loans, education loans, share loans, and loans against Government Securities or fixed deposits. The Bank offers a wide ranging loan portfolio to meet the diverse financial requirements of its customers. Additionally, the Bank's digital banking services enable customers to manage their banking needs conveniently without having to visit the branch physically.

## RETAIL BANKING

Siddhartha Bank's Consumer Banking division is dedicated to catering to the diverse banking needs of its individual customers. Understanding that each customer has distinct requirements, the Bank designs products and services tailored to meet these specific needs. Through its retail banking services, the Bank has helped individual customers manage their finances efficiently, obtain credit facilities and safely deposit their funds.

## MICRO, SMALL AND MEDIUM ENTERPRISES BANKING

Siddhartha Bank recognizes the importance of Micro, Small and Medium Enterprises (MSMEs) for economic development and offers tailored products and services to meet their unique banking needs. By employing the most up-to-date and sustainable methods, the Bank strives to meet the financial requirements of small and medium enterprises, particularly those that require modest investments but are unable to obtain financing through traditional channels. With an extensive branch network, the Bank serves MSMEs across the country restructuring its operations and enhanced service delivery to become the preferred financial partner for MSMEs. The Bank has restructured its business model and enhanced its service delivery system to achieve its goal of becoming the preferred financial institution for MSMEs.

Understanding the fast-paced nature of MSME operations, the Bank prioritizes quick responses, easy banking access, and

expert financial guidance with its commitment to reaching a substantial number of rural customers by delivering tailored and personalized services directly to their doorsteps.

## CORPORATE BANKING

Siddhartha Bank's Corporate Banking division serves a wide range of institutional customers, including multinational corporations, public entities, and business banking groups. The Bank has achieved significant success in building a diversified, expanding, and healthy corporate banking portfolio year after year. Serving clients across various sectors including agriculture, aviation, cement, communications/media, education, hotels, hydropower, import/export, iron/steel, local trading, medical colleges, pharmaceuticals, printing, packaging, real estate, and more, the Bank offers a range of deposit, credit, and trade services tailored to meet the specific needs of its corporate customers.

## RURAL BANKING

The Bank has successfully established 17 branches in rural municipalities throughout the country as part of its initiative to promote financial literacy and inclusion. These branches have facilitated the Bank's "vertical and horizontal downscaling" strategy, particularly aimed at those who face difficulty accessing banking services. In compliance with the Federal Government System implemented in Nepal, Nepal Rastra Bank (NRB) mandated all commercial banks to broaden their branch networks to ensure at least one bank branch is present in each of the 753 local level governments. Siddhartha Bank was able to meet the NRB's deadline by being the first commercial bank in the country to establish 17 rural branches across the country assigned to it.

## BRANCHLESS BANKING

Operating under the name "Sajilo Banking Sewa," the Bank introduced Branchless Banking (BLB) in Nepal in 2011 to offer door-to-door financial and non-financial services to marginalized communities, particularly in areas with low literacy rates. The Bank operates its BLB service which utilizes cards and a biometric authentication system. Business Correspondents, also known as agents, perform transactions on behalf of the Bank. BLB serves as a convenient alternative for rural populations to access deposits, withdrawals, money transfers, bill payments, and more, even offering non-financial services like balance checks and loan applications.

Additionally, the Bank utilizes BLB outlets to facilitate various functions such as banking services, social security allowance distribution, government account openings, financial and business literacy programs for rural residents, and distribution of government grants for earthquake reconstruction efforts.

## TRADE FINANCE

Siddhartha Bank offers specialized trade finance services tailored to meet the banking and financial needs of customers involved in both domestic and international trade. The Bank's Centralized Trade Operations (CTO) team, consisting of skilled

trade experts and supported by a broad network of international correspondent banks, facilitates the provision of standardized trade finance services such as letter of credit and bank guarantee facilities.

Furthermore, the Bank offers customized trade finance instruments including bid bonds and performance bonds to meet specific customer requirements. As a member of the International Finance Corporation's (IFC) Global Trade Finance Program (GTFP), the Bank benefits from lines assigned by the IFC. This enables the IFC to provide confirming Banks with partial or full guarantees that cover payment risks on various trade transactions, encompassing instruments such as letters of credit, trade-related promissory notes, accepted drafts, bills of exchange, and various types of guarantees and bonds.

## REMITTANCE

Siddhartha Bank launched its online remittance payment solution, "SBL Remit," in 2008 from Qatar to provide efficient and reliable remittance services to Nepalese working overseas. Since then, SBL Remit has expanded its reach to various countries including Japan, Malaysia, Oman, UAE, South Korea, Kuwait, USA, major European nations, and Australia. The Bank aims to cater to migrant Nepalese globally by continuously expanding its international presence.

The Bank has a dedicated Remittance Business Unit which believes that smooth and prompt delivery competency is essential in the remittance business. Therefore, the Bank has devised quality, reliable and prompt payment mechanism that guarantees service delivery excellence.

In addition to online remittance service, the Bank has also been offering account-opening service to the immigrant Nepali from all major corridors through dedicated Relationship Officers. The Bank has introduced a separate remittance account called "Siddhartha Remit Account" that offers attractive interest rates to remitters on deposit and has several beneficial and lucrative schemes. The Bank also offers customized services like withdrawal, fund transfer and fixed deposit services for overseas customers, which is executed very prudently and promptly.

To enhance its domestic network, the Bank has established agency relationships with reputable financial institutions, remittance companies, and registered institutions for the prompt distribution of remittances across Nepal. Currently, the Bank operates more than 5,000 active payout locations throughout the country and utilizes its branch network, as well as third-party bank branches, for effective remittance distribution. With 196 branches strategically positioned in areas with potential remittance inflow, Siddhartha Bank aims to further strengthen its position in the remittance market.



## TREASURY & CORRESPONDENT BANKING

Siddhartha Bank's specialized 'Treasury and Correspondent Banking Department' consists of a dedicated team of dealers focused on meeting the diverse needs of customers and enhancing the Bank's profitability. Equipped with dedicated software for live rate streaming, messaging, and trading platforms from international banks, the treasury desk ensures access to competitive prices and liquidity at all times, allowing the Bank to offer customers competitive exchange rates.

The Bank actively participates in trading across local and international money markets, capital markets, foreign exchange markets, and bullion markets. When making investment decisions, the Bank prioritizes safety, liquidity, return, and compliance. The Treasury and Correspondent Banking Department of the Bank offer the following services to its valued customers:

- Competitive Exchange Rates
- Hedging Exchange Rate Risk
- Sales Agent and Market Maker for Bond
- Bullion Dealing

The department adheres to the regulations of Nepal Rastra Bank and the Bank's policies and standard operating procedures in its daily activities. It also takes a proactive approach in establishing and maintaining Nostro, Vostro, and RMA relationships with Banks globally to expand the Bank's cross-border business through correspondent banking. With an extensive network of correspondent banks, the department efficiently manages trade finance transactions, treasury payments, inward and outward payments, and other related tasks.

## ANCILLARY SERVICES

The ancillary products and services are designed to address the changing requirements of customers in the fast-paced banking sector. In addition to its regular banking services, Siddhartha Bank also provides innovative and tech-driven products such as mobile banking, internet banking, mobile ATMs to name a few. These extra services aim to offer customers convenient and secure banking access whenever and wherever they need it. A detailed description of the several kinds of ancillary products catered by the Bank has been provided in the following sections:

### ATM

Siddhartha Bank has a network of 225 ATMs spread across the country and continuously seeks out appropriate locations

to expand its ATM coverage, facilitating convenient cash withdrawals for its customers. The Bank's ATMs now have the capability to support cash withdrawals without the use of a physical card. SBL ATMs are compatible with major payment card brands, including Visa and MasterCard.

#### **Mobile ATM**

Siddhartha Bank's Mobile ATM provides customers with the flexibility to withdraw cash, check balances and view mini statements while on the go. The mobile ATM is located within a vehicle that can travel to various locations. The Bank places this ATM in various locations with higher footfall, such as exhibitions, trade shows, major tourist attractions, and locations celebrating local festivals.

#### **Card Facilities**

Siddhartha Bank caters to the dynamic banking requirements of its customer with the wide range of card facilities including Debit, Credit, and Prepaid cards. The Bank has collaborated with Uno Internet Venture to offer exclusive discounts to its Uno Credit cardholders at the Uno partner outlets. Additionally, the Bank has partnered with organizations to issue co-branded cards such as the SBL Round Table Credit Card and SBL Rotary Credit Card Credit Card.

Other offerings include the Prepaid Domestic Card, E-Com Card, and Prepaid Travel Card for international use. Customers can easily use SBL Visa Debit and Credit Cards at ATMs and POS terminals in Nepal and India. The SBL Prepaid Cards allow for cash withdrawals and payments without the need for a dedicated bank account. SBL offers Domestic VISA Prepaid Cards for use in Nepal and India, and International VISA Prepaid Cards or Travel Cards that can be used globally without the need for carrying foreign currency.

Furthermore, the Siddhartha Bank Medical Prepaid Card provides a higher transaction limit for medical expenses in Nepal and India, while the SBL E-Com card facilitates international online payments in dollars.

#### **BankSmart XP**

Siddhartha Bank provides a comprehensive mobile banking solution called BankSmart XP. Registered customers can perform a variety of banking activities such as checking balances, transferring funds, viewing mini statements, making

merchant payments, topping up recharges, and paying utilities using their mobile phones. This service is available through a web-based platform and a straightforward text-messaging (SMS) interface. Further, registered customers can also use BankSmart service through web channels for performing financial and non-financial transaction.

#### **Smart Teller**

The Bank offers a cash withdrawal service using QR codes, enabling customers to withdraw cash from its branches through BankSmart XP. This service is beneficial for customers who don't have their card with them but need to make a cash withdrawal promptly.

#### **POS**

With the growth in the use of debit and credit cards, the bank has increased the deployment of POS devices at various merchants for service to cardholder customers.

#### **QR Payment**

With an objective to provide quick service to the customers and increase the digital transactions, the Bank has 'scan to pay' service available to its customers. With this service, customers can scan the QR code using the Bank's mobile banking application and make the payment. The Bank has till date 42,766 QR payment partners all over the country, which is rapidly growing and has been contributing to increase digital payments.

#### **Cash and Cheque Deposit Kiosks**

To automate cash and cheque deposit process, the Bank has installed cash and cheque deposit kiosks across different branches. Such machines have been placed in major branches and are available for 24 hours, offering 24x7 banking services to the customers.

#### **Other Services**

In addition to the standard banking services, Siddhartha Bank also provides a wide range of other supplementary banking services such as Siddhartha Safe Deposit Locker, Demat accounts, etc. along with the regular banking services.







# **Management Review & Analysis**

In FY 2022-23, Nepal's economic growth rate is estimated to be 2.16 percent in basic prices and 1.86 percent in producer prices.

In the budget of FY 2023-24, a target of 6 percent economic growth has been set.

In FY 2021-22, the average consumer inflation was 6.32 percent, which remained at 7.74 percent in FY 2022-23. However, considering the international policy direction, the decreasing trend of inflation, the stable expectations of citizens regarding inflation and the base effect of prices, it seems that inflation will remain within the limit of 6.5 percent in FY 2023-24.

## ECONOMIC OUTLOOK

### (A) WORLD ECONOMY

The growth rate of global economy has slowed down due to escalation in interest rates driven by heightened inflation resulting from the ongoing Russia-Ukraine conflict, elevated oil prices and supply chain disruptions. These dynamics have reverberated throughout the global economic ecosystem, prompting a reassessment of growth projections and strategies.

International Monetary Fund (IMF) adopts a cautious stance in its outlook, foreseeing a modest increase in global economic growth over the forecast period. Specifically, IMF projects a slowdown in the world economic growth rate from its 3.4 percent expansion in 2022 to 2.8 percent in 2023, with a marginal uptick to 3.0 percent in 2024. Developed economies are expected to experience a deceleration in growth, with projections indicating a decrease from 2.7 percent in 2022 to 1.3 percent in 2023, followed by a slight rebound to 1.4 percent in 2024. Emerging and developing economies, despite having recorded a robust growth rate of 4 percent in the previous year, are anticipated to witness a moderation to 3.9 percent in 2023 before picking up to 4.2 percent in 2024.

Furthermore, regional forecasts highlight shifts in economic momentum, with India's economy projected to expand by 5.9 percent in 2023 and 6.3 percent in 2024, following a growth rate of 6.8 percent in 2022. China's economic trajectory, having grown by 3.0 percent in 2022, is expected to witness growth rates of 5.2 percent in 2023 and 4.5 percent in 2024.

In terms of inflation dynamics, while signs of improvement are emerging, risks persist due to uncertainties surrounding energy prices, geopolitical tensions, and potential policy responses. Inflation rates are expected to witness a gradual decline, with projections indicating a moderation from 8.7 percent in the preceding year to 7 percent in 2023, followed by a further easing to 4.9 percent in 2024. Developed countries are expected to witness a similar trend, with inflation rates projected to moderate from 7.3 percent to 4.7 percent in 2023, and subsequently declining to 2.6 percent in 2024. Similarly, developing countries are anticipated to see a gradual easing in inflation rates from 9.8 percent to 8.6 percent in 2023, followed by a decline to 6.5 percent in 2024.

Despite tentative signs of stabilization in prices, inflation remains above target levels, underscoring the necessity for continued vigilance and judicious policy responses to navigate the evolving economic landscape.

### (B) ECONOMY OF THE COUNTRY

In FY 2022-23, Nepal's economic growth rate is estimated to be 2.16 percent in basic prices and 1.86 percent in producer prices. In previous financial year, internal liquidity was compromised due to high turnover deficit and the capital expenditure was not in line with the target, resulting in a decrease in the overall internal demand. As construction, mining and quarrying, manufacturing, wholesale and retail trade sectors were more affected, so the growth rate of these sectors is expected to remain negative. In the budget of FY 2023-24, a target of 6 percent economic growth has been set. It seems that the implementation of the reform action plans as mentioned in the budget and the capital expenditure according to the allocation will have a positive effect on the investment from the private sector and this will help to achieve the targeted economic growth.

As the monsoon is active, chemical fertilizers are readily available and the government has fixed the minimum support price for rice in time to remove price uncertainty, it is expected that the growth rate of the agricultural sector will be satisfactory in FY 2023-24. It seems that the increased export of electricity will help to reduce the trade deficit with India and improve the external sector and make the internal economy viable.

Tourist arrivals have improved since the beginning of FY 2022-23. With the reduction of the impact of Covid-19, the international travel standards have been relaxed and the business environment is becoming easier. The government of Nepal has announced that the year 2023 to 2033 will be celebrated as the decade of "Visit Nepal" and the expansion of infrastructure related to tourism including hotels and airports will increase the arrival of foreign tourists in the coming years.

As the external sector is improving and the interest rate is decreasing, it seems that the private demand will expand and this will help in making the economic activities sustainable. Remittance inflows are also expected to remain satisfactory as the number of people going to foreign jobs has increased. However, domestic demand has been affected to some extent due to the increase in the number of young people going abroad for foreign employment and studies.

Annual average consumer inflation is expected to remain slightly above the target range. In FY 2021-22, the average consumer inflation was 6.32 percent, which remained at 7.74 percent in FY 2022-23. Due to the reduction in domestic demand and the trend of decreasing wholesale prices in India, the pressure on prices seems to be reducing. Although the pressure on prices at the international level is decreasing, there is still a high risk situation due to the uncertainty in crude oil prices and the ongoing

Russia-Ukraine war. However, considering the international policy direction, the decreasing trend of inflation, the stable expectations of citizens regarding inflation and the base effect of prices, it seems that inflation will remain within the limit of 6.5 percent in FY 2023-24.

Foreign trade has declined in FY 2022-23 as compared to previous year. However, the trade deficit has reduced by 15.5 percent to reach NPR 1,454.59 billion. Looking at the size of the budget, the current trend of remittances and the decreasing trend of interest rates, it is estimated that import and service trade will expand by about 16 percent in the coming year.

The trend of going for foreign employment in labor destination countries for new and better earning opportunities has boosted remittance inflow which remained satisfactory in FY 2022-23. In FY 2022-23, the remittance inflow has increased by 21.2 percent in Nepali rupees. In FY 2022-23, tourism income increased by 89.6 percent. It is estimated that the tourism income will be satisfactory in FY 2023-24 as well. Compared to mid-July 2022,

the total foreign exchange reserves increased by 26.6 percent and reached NPR 1,539.36 billion as of mid-July 2023 which indicates that foreign exchange reserves are in a favorable position. Such reserves, in US dollars terms, has increased by 23.1 percent to \$11.74 billion.

In FY 2023-24, the balance of payment position is expected to be in surplus despite increase in the current account deficit, considering the size of the budget and the proposed foreign aid, import and export trade and remittance flows. In FY 2022-23, the share of recurrent expenditure is 70.35 percent and the share of capital expenditure is 16.35 percent. Out of total allocated budget for current expenditure, 85 percent have been utilized whereas 61.4 percent have been utilized in case of capital expenditure. In present scenario whereby internal resources are limited due to low domestic savings, if resources can be managed through foreign investment, loans or aid, it will help to maintain the improvement currently observed in external sector and interest rates.

#### (C) CONDITION OF FINANCIAL SECTOR

The year under review witnessed a notable surge in deposits held by banks and financial institutions, marking an increase of 12.3 percent which has outpaced the previous year's increase of 9.0 percent. As of mid-July 2023, the distribution of deposits among current, savings, and fixed accounts stood at 7.7 percent, 26.6 percent, and 58.9 percent respectively. Comparatively,



the distribution in the preceding year was slightly different, with figures at 8.9 percent, 27.6 percent, and 55.8 percent respectively. Institutional deposits constituted a significant portion, comprising 36.6 percent of the total deposits, slightly lower than the figure of 38.3 percent recorded as of mid-July 2022.

In contrast to deposit growth, loans extended by banks and financial institutions to the private sector experienced a more modest uptick of 3.8 percent during the review period. Such loans were increased by 13.1 in FY 2021-22. Notably, among these loans, the share allocated to the non-financial corporation sector was 62.7 percent, while the household sector accounted for 37.3 percent. These allocations were marginally different compared to the previous year, where the shares were 63.3 percent and 36.7 percent respectively.

Likewise, private sector credit from commercial banks has increased by 3.5 percent in FY 2022-23. As of mid-July 2023, 68 percent of the outstanding exposure of banks and financial institutions were against the collateral of real estate and 11.6 percent were against collateral of current assets (such as agricultural and non-agricultural products). As of mid-July 2022, such ratios were 66.4 percent and 12.3 percent respectively.

In FY 2022-23, outstanding loan of banks and financial institutions to the agricultural sector increased by 6.8 percent, loan to the industrial production sector increased by 8.3 percent, loan to the transportation, communication and public sectors increased by 21.0 percent, loan to the wholesale and retail sectors increased by 3.9 percent, and loan to the service industry sector increased by 3.7 percent.

#### (D) CAPITAL MARKET CONDITIONS

As of mid-July 2022, NEPSE INDEX was at 2009.5 which continued to maintain an upward trajectory to reach 2097.1 as of mid-July 2023. As of mid-July 2023, the market capitalization was NPR 3,082.52 billion which was NPR 2,869.34 billion as of mid-July 2022. Similarly, the number of companies registered in NEPSE has reached to 254 as of mid-July 2023 which was 234 as of mid-July 2022. Among the listed companies, the number of BFIs and Insurance companies are 136, while 79 are hydropower companies, 19 manufacturing and processing industries, 7 hotels, 6 investment companies, 4 trading companies and 3 others.

Among the listed companies, banks and financial institutions and insurance companies have a share of 63 percent in the market capitalization. Similarly, the share of hydropower companies is 13.2 percent, the share of investment companies is 7.1 percent, the share of production and processing related companies is 4.4 percent, the share of hotels is 3.4 percent, the share of commercial organizations is 0.5 percent and the share of other companies is 8.4 percent.

In FY 2022-23, ordinary shares worth NPR 179.88 billion, development bonds worth NPR 105 billion, bonus shares worth NPR 40.59 billion, debentures worth NPR 35.59 billion, mutual funds worth NPR 7.14 billion, right shares worth NPR 4.13 billion and FPO worth NPR 37.90 million have been listed.

**12.3%**

**3.8%**

**2097.1**

NPR

**3,082.52  
Billion**

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**Deposits at BFIs  
Increased**

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**Loans to Private  
sector by BFIs  
increased**

---

**NEPSE Index**

---

**Market Capitalization**

# Review of Business Segments

## I. BANKING

### CREDIT

#### CORPORATE BANKING

##### A. Loan Portfolio

PARTICULARS	2021-22 (NPR IN BILLION)	% OF TOTAL LOAN PORT- FOLIO	2022-23 (NPR IN BILLION)	% OF TOTAL LOAN PORT- FOLIO
Corporate	62.44	33.56%	65.90	34.52%

##### B. NPA %

PARTICULARS	2021-22 (NPR IN BILLION)	NPA%	2022-23 (NPR IN BILLION)	NPA%
Corporate	0.06	0.09%	0.05	0.08%

##### C. Loan Mix

TYPE OF LOAN	2021-22		2022-23	
	PRINCIPAL O/S (NPR IN BILLION)	NPA (NPR IN BILLION)	PRINCIPAL O/S (NPR IN BILLION)	NPA (NPR IN BILLION)
Term Loan	24.86	0.01	36.52	0.00
Overdraft	3.59	-	2.93	-
Trust Receipt Loan / Import Loan	2.78	0.00	3.03	-
Demand & Other Working Capital Loan	23.05	-	16.61	0.05
Real Estate Loan	0.53	-	0.87	-
Hire Purchase Loan	1.04	0.04	0.51	0.01
Deprived Sector Loan	6.28	-	5.06	-
Others	0.33	-	0.37	-

## MSME BANKING

### A. Loan Portfolio

PARTICULARS	2021-22 (NPR IN BILLION)	% OF TOTAL LOAN PORT- FOLIO	2022-23 (NPR IN BILLION)	% OF TOTAL LOAN PORT- FOLIO
MSME	69.24	37.21%	68.82	36.05%

### B. NPA %

PARTICULARS	2021-22 (NPR IN BILLION)	% OF TOTAL LOAN PORT- FOLIO	2022-23 (NPR IN BILLION)	% OF TOTAL LOAN PORT- FOLIO
MSME	1.22	1.77%	2.92	4.24%

### C. Loan Mix

TYPE OF LOAN	2021-22		2022-23	
	PRINCIPAL O/S (NPR IN BILLION)	NPA (NPR IN BILLION)	PRINCIPAL O/S (NPR IN BILLION)	NPA (NPR IN BILLION)
Term Loan	8.43	0.09	17.14	0.50
Overdraft	23.69	0.44	20.74	0.85
Trust Receipt Loan / Import Loan	1.01	0.01	0.95	0.02
Demand & Other Working Capital Loan	25.98	0.50	21.30	1.29
Real Estate Loan	0.72	0.00	0.56	0.02
Margin Nature Loan	0.21	-	0.22	-
Hire Purchase Loan	3.84	0.15	2.99	0.15
Deprived Sector Loan	4.51	0.03	4.09	0.07
Bills Purchased	0.04	-	0.13	-
Others	0.81	0.01	0.71	0.01

## RETAIL BANKING

### A. Loan Portfolio

PARTICULARS	2021-22 (NPR IN BILLION)	% OF TOTAL LOAN PORT- FOLIO	2022-23 (NPR IN BILLION)	% OF TOTAL LOAN PORT- FOLIO
Retail	54.41	29.24%	56.16	29.42%

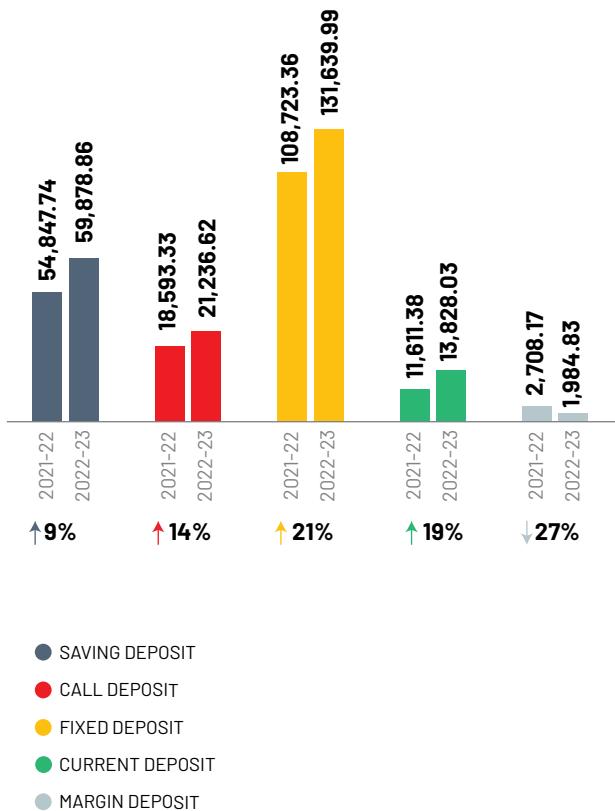
### B. NPA %

PARTICULARS	2021-22 (NPR IN BILLION)	NPA%	2022-23 (NPR IN BILLION)	NPA%
Retail	0.72	1.32%	0.86	1.53%

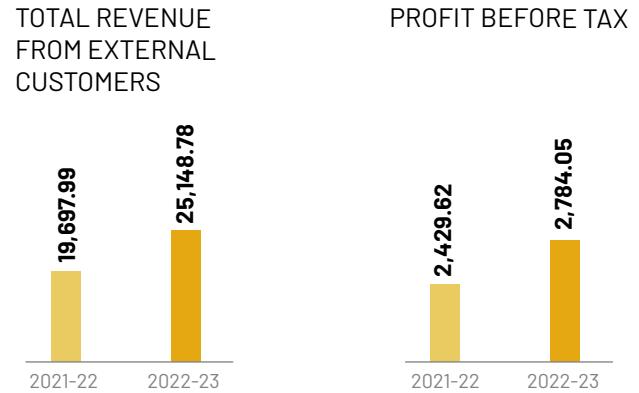
### C. Loan Mix

TYPE OF LOAN	2021-22		2022-23	
	PRINCIPAL O/S (NPR IN BILLION)	NPA (NPR IN BILLION)	PRINCIPAL O/S (NPR IN BILLION)	NPA (NPR IN BILLION)
Term Loan	23.92	0.18	25.67	0.38
Overdraft	4.96	0.04	3.26	0.08
Trust Receipt Loan / Import Loan	0.00	-	-	-
Demand & Other Working Capital Loan	0.07	-	-	-
Real Estate Loan	13.40	0.11	13.26	0.11
Margin Nature Loan	3.84	0.14	3.85	0.03
Hire Purchase Loan	2.04	0.16	1.38	0.11
Deprived Sector Loan	1.38	0.03	1.30	0.04
Others	4.79	0.05	7.45	0.11

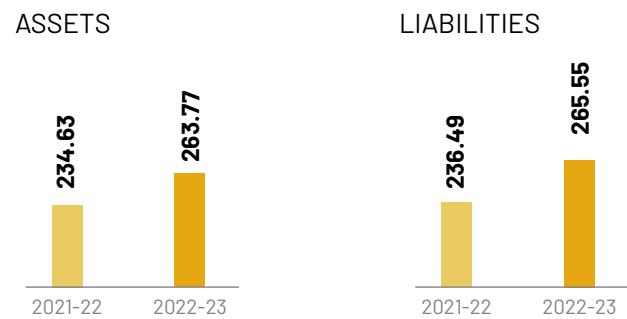
## DEPOSIT (NPR in billion)



## PROFITABILITY (NPR in million)

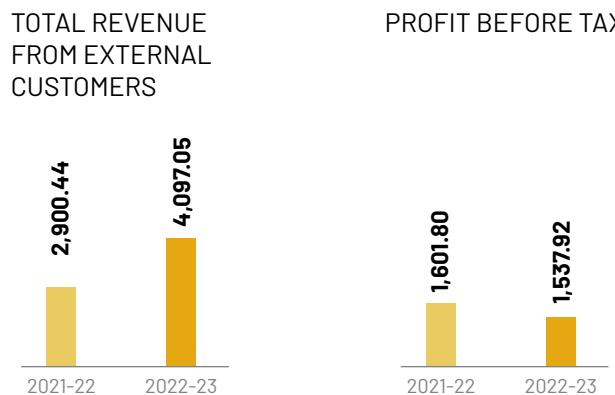


## ASSETS & LIABILITIES (NPR in billion)

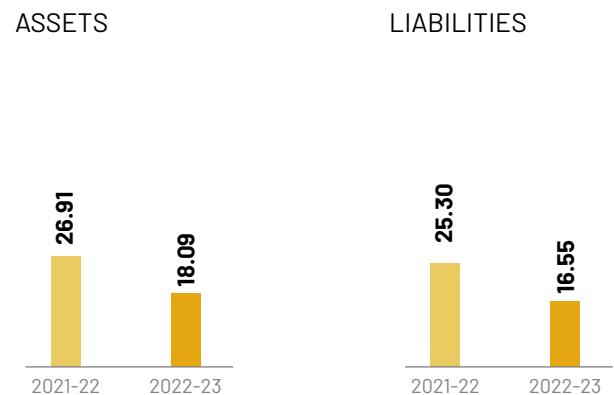


## TREASURY

### PROFITABILITY (NPR in million)



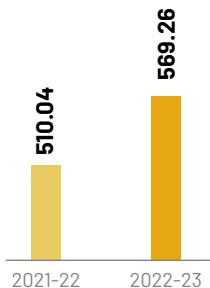
### ASSETS & LIABILITIES (NPR in billion)



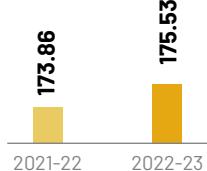
## PAYMENT SOLUTIONS

### PROFITABILITY (NPR in million)

TOTAL REVENUE  
FROM EXTERNAL  
CUSTOMERS

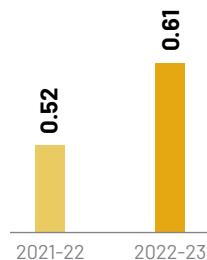


PROFIT BEFORE TAX



### ASSETS & LIABILITIES (NPR in billion)

ASSETS



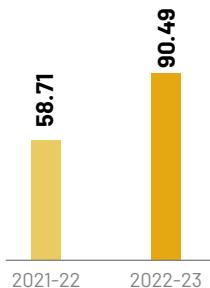
LIABILITIES



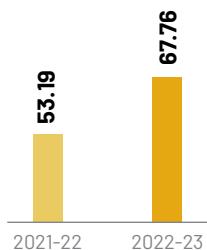
## REMITTANCE

### PROFITABILITY (NPR in million)

TOTAL REVENUE  
FROM EXTERNAL  
CUSTOMERS

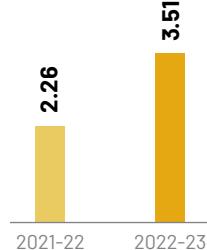


PROFIT BEFORE TAX

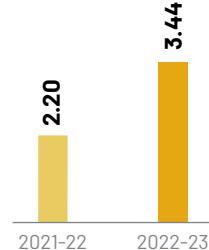


### ASSETS & LIABILITIES (NPR in billion)

ASSETS



LIABILITIES



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

## BUSINESS DONE DURING THE YEAR

### I. LOANS

During the review period, total gross loans and advances of the Bank stood at NPR 190.87 billion, which is 2.57% growth compared to previous year. Average growth rate of loans and advances of the commercial banks in the review period was 3.48%. In the review period, the Bank was able to increase its corporate credit portfolio by 5.53% and retail loan portfolio by 3.23%.

PARTICULARS	2021-22 (NPR IN MILLION)	2022-23 (NPR IN MILLION)	PERCENTAGE INCREMENT/ (DECREMENT)
Total Loan (Gross loan excluding accrued interest receivable and impairment)	186,090.64	190,874.67	2.57%
Total number of accounts	73,626	86,328	17%
<b>Sector wise breakdown of total loans</b>			
Agriculture	13,698	17,095	24.80%
Fishery	586	677	15.61%
Mining	216	627	189.90%
Agriculture, Forestry & Beverage Production Related	6,486	7,029	8.37%
Non-food Production Related	22,232	22,488	1.15%
Construction	5,702	5,325	-6.61%
Electricity, Gas and Water	10,015	13,195	31.75%
Metal Production, Machinery and Electrical Tools	2,874	2,539	-11.68%
Transportation, Communications and Public Services	4,481	3,952	-11.81%
Wholesaler and Retailer	46,845	45,675	-2.50%
Finance, Insurance and Real estate	9,685	11,462	18.36%
Hotel or Restaurant	7,233	7,470	3.28%
Other Service Industries	7,452	7,943	6.60%
Consumable Loan	24,158	32,456	34.35%
Local Government	151	151	0.09%
Others	24,245	12,790	-47.25%
<b>Currency-wise breakdown of total loans</b>			
Nepalese Rupee	184,662	189,656	2.70%
United States Dollar	1,428	1,219	-14.69%

In line with the long term strategy of the Bank and to make the Bank the first choice of customers, Retail, Productive, and Small and Medium Enterprise Loans were prioritized by simplifying the procedures as per the requirement of customers, and by introducing various schemes with innovative features. The Bank invested NPR 9.96 billion in deprived sector lending which was 5.22% of outstanding loan as of mid-July 2023. Similarly, the priority sector lending (excluding eligible investments in energy & agricultural bonds) of the Bank at the end of reporting period was 27.64%.

During the review period, total loan loss provision of the Bank increased from NPR 3.78 billion to NPR 4.97 billion. NPR 1.19 billion was booked as impairment charges during FY 2022-23. The ratio of non-performing loan to total loans and advances stood at 2.01% as of mid-July 2023 whereas the ratio of non-performing loan over total loan loss provision stood at 129.70%

## **II. DEPOSITS**

Total deposit of the Bank increased by 16.33% during FY 2022-23 and reached NPR 228.57 billion. Average growth rate of deposit of industry during review period was 11.86%. During the review period, saving deposit, call deposit, fixed deposit and current deposit of the Bank increased by 9.17%, 14.22%, 21.08% and 19.09% respectively whereas margin deposit decreased by 26.71%. The foreign currency deposit of the Bank stood at NPR 5.14 billion at the end of reporting period which has increased by NPR 3.80 billion from previous year. For the coming years, the Bank's strategy shall be to focus on increasing saving deposits and number of deposit accounts. At the end of the review period, the Bank had 1,710,123 deposit accounts. The Bank's current and saving deposit contributes to 32.25% of total deposit which was 33.82% during previous period. At the end of review period, the Bank's market share in total deposit of the banking industry was 3.96% which was 3.81% in FY 2021-22. The Bank is able to maintain ratio of individual and institutional deposits as per the requirement of Nepal Rastra Bank, i.e. portion of institutional deposit is not more than 50% of total deposit.

PARTICULARS	2021-22	2022-23	NPR In million PERCENTAGE INCREMENT/(DECREMENT)
Total Deposit	196,483.98	228,568.33	16.33%
Institutional Customers	77,727.19	85,266.12	9.70%
Individual Customers	118,756.80	143,302.21	20.67%
Local Currency	195,149.67	223,431.92	14.49%
Foreign Currency	1,334.32	5,136.41	284.95%
Total number of accounts	1,440,065	1,710,123	18.75%



The Bank is focused on collecting deposit from small depositors scattered all over the country in order to minimize the liquidity risk and concentration risk for the Bank and this is expected to improve the cost of deposit as well.

### **III. INVESTMENTS**

During the review period, total investment of the Bank reached NPR 69.66 billion, an increment of 16.78% from previous year. Out of total investment, investment in development bonds, treasury bills, placements, equities, bonds of commercial banks and citizen saving bonds accounted 52.83%, 24.57%, 11.45%, 8.94%, 2.03% and 0.17% respectively.

PARTICULARS	2021-22	2022-23	NPR In million PERCENTAGE INCREMENT/(DECREMENT)
Investment	59,647.28	69,655.72	16.78%
Equities	4,211.46	6,224.16	47.79%
Bonds of other commercial banks	416.52	1,416.52	240.08%
Treasury bills	20,648.97	17,116.46	-17.11%
Citizen Saving bonds	82.42	120.20	45.84%
Development bonds	31,500.68	36,800.68	16.83%
Placements	2,787.24	7,977.70	186.22%

The investment in shares and mutual funds at the end of reporting period stood at NPR 6.22 billion when valued at closing market price. The Bank also made investments in companies which can provide strategic advantage for the Bank in long run. During the review period, the Bank has earned NPR 3.61 billion as interest income from investment securities. Similarly, the Bank has earned NPR 147.81 million as dividend income on investment securities.

### **IV. TOTAL BUSINESS**

The total business size of the Bank at the end of reporting period was NPR 419.44 billion. The Bank managed to increase its total business by 9.64% during FY 2022-23, which was NPR 382.57 billion in FY 2021-22. Average growth rate of total business of the industry during review period was 7.86%.

PARTICULARS	2021-22	2022-23	NPR In billion PERCENTAGE INCREMENT/(DECREMENT)
Total business	382.57	419.44	9.64%

### **PROFIT EARNED DURING THE YEAR**

The Bank earned an operating profit of NPR 4.65 billion in the reporting period, an increase of 9.06% from previous year. Similarly, the Bank earned net profit of NPR 3.17 billion, an increase of 9.11% from previous year. The net profit to total assets (average) ratio of the Bank stood at 1.15% at the end of reporting period which was 1.18% in the previous year. The net profit to net worth (average) ratio of the Bank stood at 13.50% at the end of reporting period which was 13.82% in the previous year.

PARTICULARS	2021-22	2022-23	NPR In million PERCENTAGE INCREMENT/(DECREMENT)
Operating Profit	4,266.55	4,652.98	9.06%
Net Profit	2,902.46	3,166.77	9.11%
Net Profit/Total Assets (%)	1.18%	1.15%	-0.03%
Net Profit/Net Worth (%)	13.82%	13.50%	-0.32%

## INCOME EARNED DURING THE YEAR

During the review period, the Bank earned total income of NPR 29.91 billion, an increase by 29.09% from previous year. The Bank earned majority of its total income from operating activities which accounts for almost 100% of total income. The operating income of the Bank increased by 29.08% to reach NPR 29.89 billion, which was NPR 23.16 billion in previous year. Interest income constituted 92.53% of total income whereas fees and commission income, net trading income and other operating income constituted 5.66%, 0.64% and 1.12% respectively. The Bank earned NPR 13.47 million from non-operating activities. The non-operating income of the Bank increased by NPR 4.86 million from previous year.

PARTICULARS	2021-22	% OF TOTAL INCOME	2022-23	% OF TOTAL INCOME
Operating Income	23,158.57	99.96%	29,892.11	99.95%
Interest income	20,677.56	89.25%	27,670.97	92.53%
Fee and commission income	1,505.59	6.50%	1,693.08	5.66%
Net trading income	442.93	1.91%	191.74	0.64%
Other operating income	532.49	2.30%	336.33	1.12%
Non-operating income	8.61	0.04%	13.47	0.05%
<b>Total Income</b>	<b>23,167.18</b>	<b>100%</b>	<b>29,905.58</b>	<b>100%</b>

## BREAKDOWN OF INTEREST INCOME

During the review period, interest income of the Bank increased by 33.82%, and total interest income during FY 2022-23 stood at NPR 27.67 billion. Interest Income from loans and advances was NPR 23.79 billion, a 28.81% increment compared to previous year. Similarly, interest income from investments amounted NPR 3.61 billion, which was NPR 1.99 billion in previous year. In the review period, the Bank had focused on investing in high return yielding instruments which has resulted in such an increment in interest income from investments.

PARTICULARS	2021-22	2022-23	PERCENTAGE INCREMENT/(DECREMENT)
Interest income	20,677.56	27,670.97	33.82%
Cash and cash equivalent	89.53	75.34	-15.85%
Placement with bank and financial institutions	0.48	26.29	5358.24%
Loans and advances	18,468.17	23,789.57	28.81%
Investment securities	1,994.81	3,614.35	81.19%
Loan and advances to staff	124.58	165.42	32.78%

## COST INCURRED DURING THE YEAR

During the review period, the Bank had incurred total cost of NPR 25.34 billion which is an increment of 34.01% from previous year. Interest expense and personnel expense of the Bank constituted majority of cost of the Bank with 76.90% and 11.26% share of total cost. The Bank incurred fees and commission expense of NPR 347.46 million which has increased by NPR 61.57 million in comparison to previous year. The impairment charges of the Bank has also increased by NPR 580.09 million in the reporting period to stand at NPR 1.19 billion at the end of FY 2022-23. The personnel expenses of the Bank increased by NPR 167.22 million whereas other operating expenses has increased by NPR 89.59 million. The depreciation and amortization expense of the Bank has also increased by NPR 42.93 million and stood at NPR 448.01 million at the end of FY 2022-23. The non-operating expense of the Bank stood at NPR 101.19 million which was NPR 16.69 million in previous year.

PARTICULARS	2021-22	% OF TOTAL INCOME	2022-23	% OF TOTAL INCOME
Operating expenses	18,892.02	99.91%	25,239.13	99.60%
Interest expense	14,080.72	74.47%	19,486.42	76.90%
Fee and commission expense	285.89	1.51%	347.46	1.37%
Impairment charge	607.47	3.21%	1,187.56	4.69%
Personnel expenses	2,685.02	14.20%	2,852.24	11.26%
Other operating expenses	827.86	4.38%	917.44	3.62%
Depreciation & Amortization	405.07	2.14%	448.01	1.77%
Non-operating expenses	16.69	0.09%	101.19	0.40%
<b>Total expenses</b>	<b>18,908.71</b>	<b>100.00%</b>	<b>25,340.32</b>	<b>100.00%</b>

## BREAKDOWN OF INTEREST EXPENSE

During the review period, total interest expense of the Bank reached NPR 19.49 billion, which is an increment of 38.39% in comparison to that of the previous year. Total interest expense on deposit reached NPR 17.03 billion, a 37.53% increment in comparison to previous year. Interest expense on various borrowings made from Nepal Rastra Bank stood at NPR 725.03 million at the end of FY 2022-23 which was NPR 738.89 million in FY 2021-22. Similarly, interest expense on borrowing stood at NPR 451.52 million, which was NPR 89.71 million in previous year. The interest expense on debt securities issued also increased by 53.36% in the reporting period.

PARTICULARS	2021-22	2022-23	PERCENTAGE INCREMENT/(DECREMENT)
Interest expense	14,080.72	19,486.42	38.39%
Due to Nepal Rastra Bank	738.89	725.03	-1.88%
Deposits from customers	12,380.29	17,026.86	37.53%
Borrowing	89.71	451.52	403.31%
Debt securities issued	761.83	1,168.32	53.36%
Other*	110.01	114.71	4.27%

\* Finance cost as per NFRS-16 (Leases) has been disclosed under "Other" heading of Interest expense.

## RISK ASSETS QUALITY

The average risk weight of on balance sheet and off balance sheet items stood at 62.63% at the end of reporting period, a decrease of 1.40% from previous year. The average risk weight of on balance sheet items was 66.85% whereas the average risk weight of off balance sheet items is 36.55%. At the end of reporting period, the average risk weight of on balance sheet items decreased by 1.47% whereas the average risk weight of off balance sheet items increased by 1.33%. The non-performing loans of the Bank stood at NPR 3.83 billion which is an increment of 91.91% in comparison to previous year. Similarly, the NPA% has also increased to 2.01% which was 1.07% in previous year.

PARTICULARS	2021-22	2022-23	PERCENTAGE INCREMENT/(DECREMENT)
Avg. risk weight-On balance sheet items	68.32%	66.85%	-1.47%
Avg. risk weight-Off balance sheet items	35.22%	36.55%	1.33%
Total avg. risk weight	64.03%	62.63%	-1.40%
Non-Performing Loans(NPR In million)	1,996.71	3,831.80	91.91%
NPA%	1.07%	2.01%	0.93%

## CAPITAL ADEQUACY RATIO

The capital adequacy ratio (CAR) is a measure of how much capital the bank has available, reported as a percentage of the bank's risk-weighted exposures. The purpose is to establish that the Bank has enough capital on reserve to handle a certain amount of losses, before being at risk for becoming insolvent. The capital adequacy ratio of the Bank at the end of reporting period was 12.47%, which is 1.47% higher than the statutory requirement of 11%. Similarly, Tier I capital of the Bank stands at 9.37% which is 0.87% higher than the statutory requirement of 8.50%. The risk weighted exposures of the Bank has increased by 7.41% in current fiscal year which was majorly caused by increase in risk weighted exposure for credit risk. The total capital of the Bank has increased by 3.08% with major increment in Tier I capital. In the reporting period, the Tier-I capital of the Bank has increased by 11.37% whereas Tier-II capital of the Bank has decreased by 15.86%.

PARTICULARS	NPR In million		
	2021-22	2022-23	PERCENTAGE INCREMENT/(DECREMENT)
Tier I Capital	19,557.92	21,782.52	11.37%
Tier II Capital	8,560.60	7,203.05	-15.86%
Total Capital	28,118.52	28,985.56	3.08%
Risk Weighted Exposure for Credit Risk	198,676.95	213,118.50	7.27%
Risk Weighted Exposure for Operational Risk	8,777.94	9,904.18	12.83%
Risk Weighted Exposure for Market Risk	146.27	392.26	168.18%
Adjustments under Pillar II	8,735.12	8,943.85	2.39%
<b>Total Risk Weighted Exposures ( After adjustments of Pillar II)</b>	<b>216,336.27</b>	<b>232,358.79</b>	<b>7.41%</b>
Tier I Capital to Total Risk Weighted Exposures	9.04%	9.37%	0.33%
Tier I and Tier II Capital to Total Risk Weighted Exposures	13.00%	12.47%	-0.52%

## NON FINANCIAL PERFORMANCE OF THE BANK

- The Bank has been continuously revisiting its organizational structure based on the business need and emerging dynamism in the banking sector over the next 5 years. The purpose of structural development in the Bank is to improve the Bank's ability to enhance business, manage risk, reduce costs and generate profits. Major changes in organization structure are: creation of verticals for business such as Corporate, MSME, Retail and HNI/Liability Management; realignment of credit flow processes by creation of Credit Underwriting Department; creation of Transaction Banking and International Business for special focus on transaction based fees income and exploring foreign tie ups.
- The Bank has recently set up ESG department and shall work upon emerging the Bank as a sustainable Bank of the country, in line with new vision and mission. This will help to strengthen ESRM activities for sustainable business growth as a first step toward recognition of "Green Bank", thereby enhancing its long-term viability, recognition and contributing positively to society and the environment.
- Credit Risk, Credit Administration and internal audit officials have been deputed in all provinces/ sub provinces.
- Learning & Development portal has been developed and learning materials are digitally maintained making it accessible to staffs to enhance their knowledge and skills.
- Launched training calendar and successfully conducted 246 trainings to 3,786 participants. 34 staffs were provided 17 trainings internationally. In-house and domestic trainings were provided to remaining staffs. This helped in improving performance, enhancing job satisfaction and increasing engagement of the employees.
- 247 new staffs were hired and 173 staffs resigned from the Bank in FY 2022-23. No. of human resources were contained to 1,970 which was 1,896 in previous year, just an increment of 3.90%.
- The Bank has robust risk management framework which encompasses regular risk assessments, formulation of comprehensive policies and Standard Operating Procedures (SOPs) and refinement of operational procedures to align with evolving business dynamics. In FY 2022-23, the Bank formulated 3 new policies, 3 new SOPs, 5 new product papers and 1 manuals/ guidelines. Besides that, the Bank has continually revised and updated its policies and SOPs. The Bank reviewed 7 policies and 12 SOPs in FY 2022-23.

- In order to enhance credit risk management
  - ◆ Conducted a survey of watchlist and NPA classified borrowers to assess the recession's impact.
  - ◆ Mapped credit ratings of external agencies with internal credit ratings.
  - ◆ Reviewed codes pertaining to the Agriculture Sector and Climate Financing.
  - ◆ Implemented a three-layer sector coding system.
  - ◆ Created a platform for monitoring adverse media coverage of borrowers, guarantors, or any individuals/entities affecting the bank's financial performance.
  
- Launched cash deposit machine from three branches – Hattisar, Biratnagar and Pokhara.
  
- Introduced of the Visa Platinum debit card to elevate customer banking experiences.
  
- Implemented Web Application Firewall (WAF) to fortify security for 13 externally accessible applications and the Bank's website.
  
- Established of a Data Center Infrastructure at the Head Office.
  
- Deployed of Loan Management Solution (LMS) to facilitate efficient credit approvals and enhance credit risk management.
  
- Adoption of Customer Relationship Management Software (CRM) to enrich sales and marketing functions by providing a comprehensive Customer 360 View.
  
- Successful migration of the Core Banking System (CBS) to Finacle, marking a milestone achievement without hiccups.
  
- Acknowledging the importance of remittances, the Bank expanded its presence in foreign countries by partnering with new remittance providers such as Al Jazira Exchange and Al Rouzuki Exchange in the UAE, enhancing its remittance facilities and supporting economic growth.



## ■ Branding

- With 513,492 page views, 153,976 users and 136,043 new users, the Bank's website experienced significant interest and interaction.

METRICS	MID JULY 2023
Page Views	513,492
User	153,976
New User	136,043

- Social media platforms have become integral for communication, marketing, brand building and networking. Recognizing the importance of reaching the younger generation (Gen Z), the Bank launched various campaigns on social platforms, resulting in substantial growth in followers across platforms such as Facebook, Instagram, Twitter, LinkedIn, TikTok, YouTube, and Viber. This increased presence on social media has contributed to the Bank's efforts to attract new customers, elevating its ranking among commercial banks on Facebook.

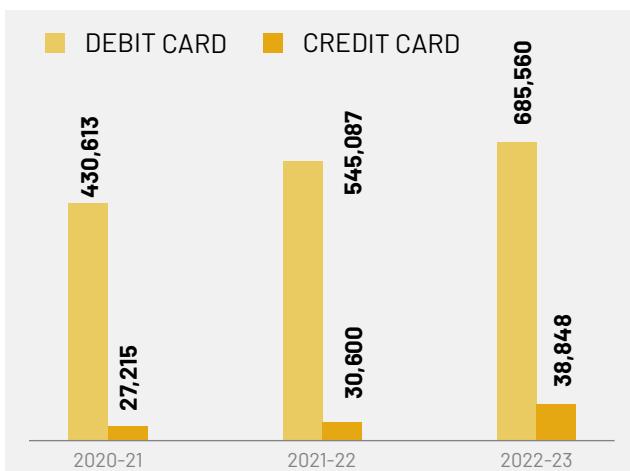
PLATFORM	MID JULY 2022 (FOLLOWERS)	RANK	MID JULY 2023 (FOLLOWERS)	RANK	GROWTH %
Facebook	289,285	5th	345,000	4th	19%
Instagram	10,400	4th	12,300	4th	18%
Twitter	2,593	3rd	2,701	3rd	4%
LinkedIn	5,107	4th	6,019	4th	17%
TikTok	917	6th	2,038	5th	122%
Youtube	2,950	8th	3,800	8th	28%
Viber	15,069	4th	16,886	5th	12%

- In FY 2022-23, a range of digital marketing initiatives were undertaken to promote and enhance the online presence of the Bank:

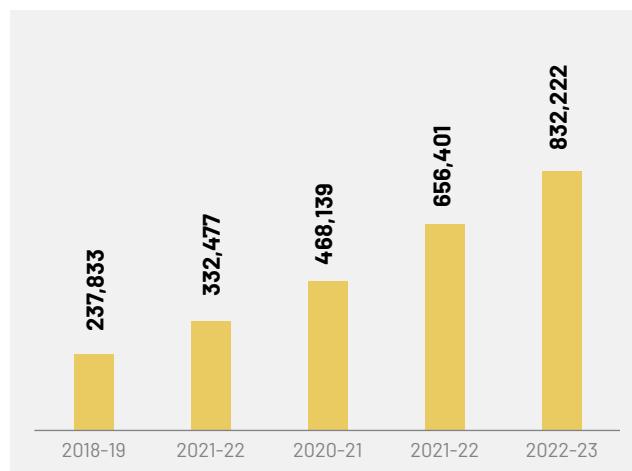
- Search Engine Optimization Campaign: In FY 2022-23, Search Engine Optimization (SEO) campaigns were initiated to improve the Bank's visibility on search engine results pages of Google.
- Social Media Traffic Campaign: The Social Media Traffic Campaign implemented during the FY 2022-23 aimed to drive visitors to the Bank's website by utilizing different social media platforms, resulting in increased user engagement and page views of the Bank's website.

## DIGITIZATION IN NUMBERS

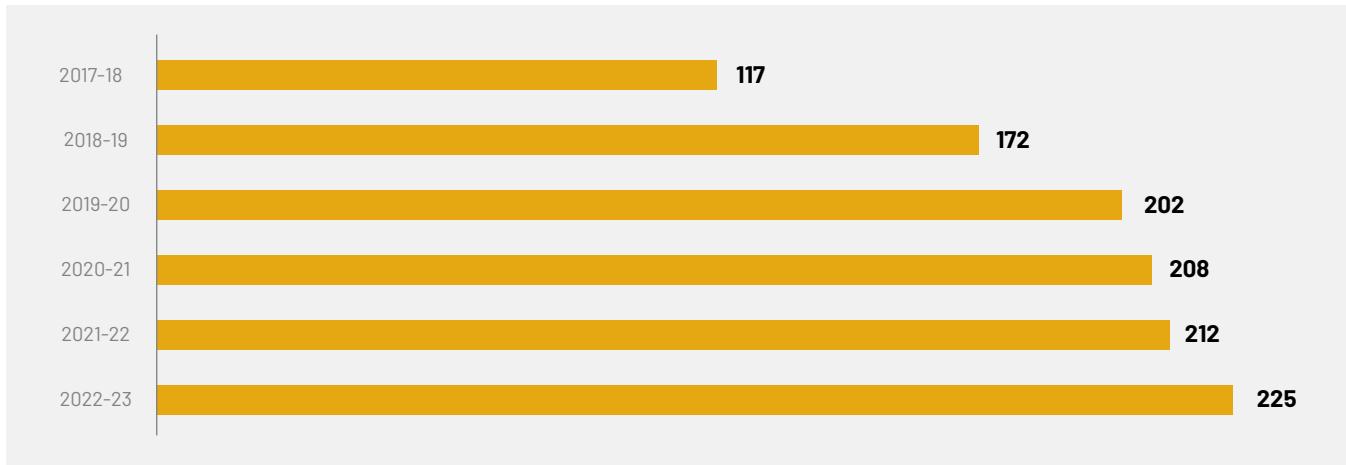
Bank Debit Card & Credit Card Users



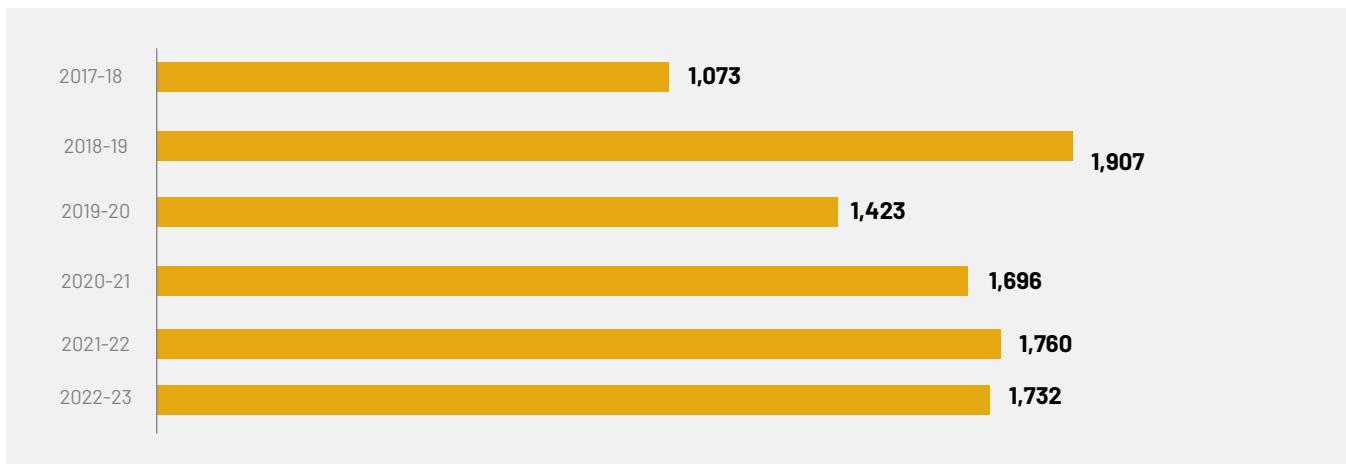
Mobile Banking Users



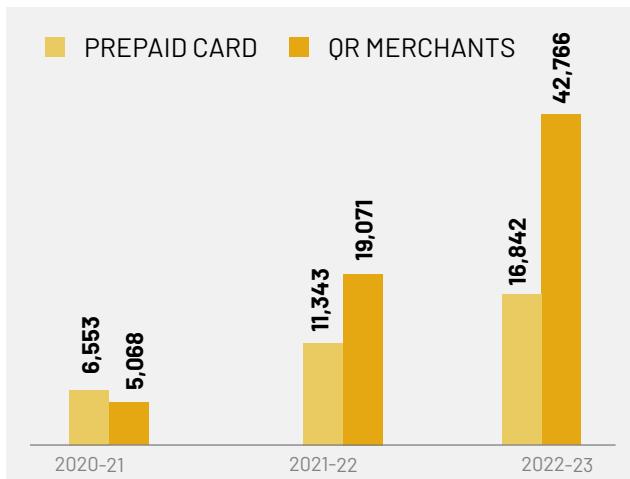
#### ATM



#### POS Terminal



#### Bank QR Merchants and Prepaid Card



### Digital Transaction in Number (Product Wise)

TRANSACTION TYPE	NUMBER OF TRANSACTIONS (FY 2022-23)	VOLUME IN NPR (FY 2022-23)
ATM transaction	32,993,689	253,136,249,701
POS transaction	556,884	2,691,494,271
Banksmart	18,478,799	131,908,214,065
Connect IPS/ IPS	5,221,172	445,664,936,649

Cash deposit and cheque Deposit Machine deployed from Fiscal Year 2022-23

<b>3</b>	<b>3</b>
<b>Cash Deposit Machine</b>	<b>Cheque Deposit Machine</b>

### Total Digital transaction number and amount through Digital Channel

PRODUCT	TOTAL TRANSACTION IN NUMBER	TOTAL TRANSACTION IN AMOUNT
Debit Card including medical card	7,890,677	60,121,439,463.46
Credit Card	495,806	2,920,895,748.11
Prepaid Card- Travel Card	75,732	477,665,272.73
Banksmart	18,478,799	131,908,214,065.15
POS	556,884	2,691,494,271.44
ATM	32,993,689	253,136,249,701.00
QR	3,957,035	12,033,308,322.64
E-Com Card	37,945	752,828.06 (USD)
IPS	1,250,702	122,633,689,215.04
CIPS	3,970,470	323,031,247,433.68
Smart Teller	48,482	1,472,144,003.57
RTGS	40,753	2,855,395,648,174.47
Cash Deposit Machine	3,263	82,937,000.30

### Digital Transaction through BLB Device:

PARTICULARS	DETAILS
Total Number of BLB Agents	123
Total no. of deposits through BLB Agents	34,040
Total deposit amount through BLB Agents	877,997,526
Total no. of withdrawals	84,674
Total withdrawal amount	1,481,642,856

### Account Opened and Service Activation through Online Platform (FY 2022-23)

DETAILS	NO.
Easy Bank-Online account opening application	3,319
Fixed deposit opened through Easy Bank-Fixed Deposit	27,093
Easy Bank-Online Debit Card Request	100
Nagarik App-Online account opening application	162
Dormancy release/freeze release/unfreeze request through CKPU application	43,742
CRN-Online registration	500
Demat Account Opening	1127

#### Digital Service through Contact Center:

##### Service request resolved digitally through Contact Center (FY 2022-23)

SERVICE TYPE	NO. OF REQUEST & RESOLVED
Account services	654
Card services	23,896
Mobile Banking Services	59,638
DEMAT Services	1,945
Others	2,704
<b>Total</b>	<b>88,837</b>

##### Case Register in Contact Center (FY 2022-23)

CASE TYPE	NO. OF CASES
Account Services	12,305
Credit Card Services	8,851
Debit Card Services	27,489
Mobile Banking Services	81,536
Demat/Mero Share Services	5,280
Others	11,839
<b>Total</b>	<b>147,300</b>

##### Customer Suggestion/Feedback Reported through Contact Center:

PARTICULARS	NUMBER
No. of feedback /suggestion received from customers	92
No. of incident reported by customer	94

## WAY FORWARD

Throughout the FY 2022-23, the Bank steered through market fluctuations, showcasing resilience and maintaining competitiveness within the financial realm. Looking ahead to the challenging landscape of FY 2023-24 and beyond, the way appears even tougher. Nevertheless, the Bank remains steadfast in its determination to pursue its predefined objectives with thorough attention and vigilant monitoring.

- Recently, the Bank finalized its five-year strategic plan, aligning its vision and mission with future objectives. The Bank is committed to implementing these plans within the specified timeframe.
- The need for tapping MSME businesses and retail loans is imminent for better management of loan portfolio, risk diversification and increment of yield. Large numbers of relatively small ticket size loans significantly lessen the impact of a default by any counterparty. Accordingly, the Bank has been focusing on MSME and retail loans and will continue to enhance MSME mix.
- The Bank has implemented capital based pricing model and is planning to implement risk based pricing model linking with sector based/ geographic based pricing strategy.
- Continuous monitoring of dormant/ zero balance accounts will be enhanced further so that sales staffs can communicate with the customers for reactivation and continued transactions in such accounts. Proper database shall be maintained to ascertain the reasons for decrease in use of the accounts and turning into dormant accounts so that the data can be used for restructuring existing products and planning new products.
- The Bank shall complete its ongoing digitization projects on time and utilize optimal for service excellency and efficiency in operations.
- ENS division will be further strengthened, with the recent signing of a memorandum of understanding (MOU) with Invest for Impact Nepal as an integral step in this process.
- The Bank has initiated for membership of Partner for Carbon Accounting Financials (PCAF). Membership of PCAF can help financial institutions integrate climate considerations into their operations and investment strategies, leading to more resilient and sustainable financial practices.





# **Sustainability Reporting**



The Bank is committed to investing more in the form of green financing, climate change, and digitization to minimize the carbon footprint of the Bank's operations.

The Bank's focus aligns with various Sustainable Development Goals (SDGs) 2016-2030.

The Bank has forged partnerships and collaborations with institutions involved in the sector of Sustainable Banking and enhancing access to finance.

## **3Ps FOR SUSTAINABILITY**

Siddhartha Bank focusses on the 3Ps of sustainability—Profit, People, and Planet. Siddhartha Bank is committed to support in building a more sustainable and resilient financial system while addressing the broader environmental and social challenges. The Bank is committed to be the responsible bank for a sustainable future.

### **PEOPLE**

The Bank is committed towards the social aspect of sustainability, including the well-being of customers, employees, community, and the society at large. The Bank prioritizes customer satisfaction, fair treatment of employees, community engagement, inclusive financial services and promotion of diversity and inclusion within the Bank. The Bank is equally committed to contribute for the empowerment of women and deprived sector.

The Bank provides direct employment to 1970 staffs and spent NPR 28.88 million in training and development during FY 2022/23. The Bank conducted 204 training programs and felicitated 21 employees for being associated with the Bank for more than 15 years. In the FY 2022/23, the Bank promoted 215 staffs based on merit, while 980 employees have been availing home loan facilities from the Bank.

The Bank spent NPR 21.98 million under different CSR initiatives falling under different Sustainable Development Goals (SDG 3,4,5,9,15) in FY 2022/23. The Bank provided loans for women entrepreneurs amounting to NPR 2052.84 million, loan to deprived sector amounting to NPR 10,047.41 million during the same period. The Bank operates 123 Branchless Banking unit in remote areas for enhancing access to finance and to contribute to sustainable development of communities.

### **PLANET**

The Bank has emphasized environmental sustainability as one of its corporate conscience and over the years has aligned its business and operations to protect the environment and preserve the planet. The Bank largely focusses on reduction of carbon footprint from its operations; reduction in energy consumption & paper usage, investment in green energy, lending to hydropower projects and investment in digitization to reduce environmental implications.

The Bank has achieved substantial reductions in paper usage and customers footfall in branches through use of digital channel for internal operations and customers service respectively. Further, the Bank has been operating 173 branches through use of solar power. Further, around 6.80% of total loan exposure of the Bank is in hydropower sector for electricity generation.

The Bank has conducted various tree plantation programs around the country, provided financial support for park construction, conducted cleanliness programs at local levels, provided financial support for waste storage, and has conducted awareness through social media regarding the adverse effect of single use plastic.

The Bank is committed to support our customers' transition towards lower-carbon business models.

### **PROFIT**

Siddhartha Bank ensures that its operations are profitable not just in the short term, but also in the long term. The Bank ensures consideration of the environmental, social, and governance (ESG) aspects in its pursuit of profits. The Banks adopts sustainable business practices that generate profits while minimizing negative impacts on society and the environment. The Bank earned NPR 3.17 billion as net profit during current fiscal year with a tax contribution to government of NPR 2.98 billion.

**PLANET**

**SUSTAINABILITY**

**PROFIT**

**PEOPLE**



## ENVIRONMENT AND SOCIETY

### ENVIRONMENTAL AND SOCIAL OBLIGATIONS,

#### INITIATIVES AND PRACTICES

Global warming and climate change are already affecting Nepal's gross domestic product. Increased flooding, heat stress on labor productivity and health, and heat stress on crops and livestock are expected to be a continual drag on growth. Further, Nepal was ranked 162 out of 180 countries for the Environmental Performance Index, 178 out of 180 countries for air quality, 110 out of 180 countries for Biodiversity, 158 out of 180 countries for climate change, in 2022, and virtually all of the population is exposed to unhealthy levels of air pollution, massive destruction of biodiversity and climate change. Nepal has pledged to achieve net zero emissions by 2050 and to significantly scale up hydropower investment, and use of EVs in the private and public transportation sectors in the coming decade.

The Bank has been taking environmental and social initiatives through its operational activities, CSR, and lending activities. The Bank has been proactively taking measures such that the Bank can contribute to environmental sustainability. The Bank has emphasized sustainability as one of its corporate conscience and over the years, has aligned its business, operation, function, and CSR activities considering the Sustainable Development Goals (SDGs) to promote sustainable development, create long-term value in society, and build a more resilient and sustainable future for all.

The Bank has made substantial investments in technology, environmental & social risk management through the formation of an independent unit and focuses on being a Digital First Bank for Sustainability. The Bank is aware of the fact that with the adoption of digital banking, and recognition of climate change as a major risk for the Banking industry the carbon footprint involved in the banking activity can be substantially reduced.

- The Bank's Mobile Banking application Siddhartha BankSmart XP enables customers to obtain required information and carry transactions from the applicant. It prevents frequent traveling or the use of paper vouchers. More than 18.47 million transactions were carried out through the BankSmart App in the last FY.
- The Bank discourages the use of paper vouchers and encourages transactions through different digital platforms (ATM, BankSmart). During FY 2022-23 around 42.05 million transactions were initiated without the use of any paper voucher for payment and fund transfer.
- The Bank has a QR code system for fund transfer which has again same environmental benefits. 3.95 million transactions were initiated through QR code for FY 2022-23.
- The Bank focused and increased the use of other alternative channels (IPS, CIPS, RTGS) for increasing digital transactions to decrease branch footprints and achieve positive environmental benefits. Around 5.26 million transactions were initiated through

alternative channels for high-value transactions amounting NPR 3.30 trillion

- The Bank has already adopted paperless PIN for its ATM cards whereby customers are provided with PIN cards on their authorized mobile numbers vide OTP notifications instead of individual sealed paper PIN cards.
- The Bank has an intranet service to get the necessary information and internal functions for its employees. For example, the Bank officials could refer to the policies in the intranet whenever required, and no need to print the same for reference purposes. This has saved lots of paper printing.
- The Bank has a digital platform for the loan approval process known as a Loan Management System (LMS), an Electronic Document Management System (eDMS) for the digital processing of internal memorandum, Customer Relationship Management (CRM) for digitally managing the relationship with the customer, ENADOC for digital record keeping, Business Process Management (BPM) for digitization of operational procedure and various other digital mediums. All these digital mediums help in achieving environmental sustainability.
- 173 out of 196 branches of the Bank have been operating on solar power / hybrid power as an alternative source of energy for a way forward. This has helped in reducing the use of generators using fossil fuels and thus helping reduction of GHG emissions.
- The Bank is financing Electric Vehicles (EVs) and is planning to increase its financing for Sustainable Electric Transport across Nepal. EVs produce little or no tailpipe emissions and reduce dependence on petroleum, greenhouse gas emissions, and health effects from air pollution.
- To combat Climate Change and achieve Net Zero emissions by 2050, renewable energy plays a vital role. Therefore, the Bank has been financing renewable energy, which is an important portion of green financing. One of the renewable sources, hydropower projects comprises approximately 6.80% of the total loan exposure of the Bank as of FY 2022-23.
- The Bank also contributes financial support for tree plantation under its CSR activities by collaborating with different institutions and government bodies and provides financial support for safeguarding trees in city areas, and heritage sites through multiple institutions.

The Bank is committed to investing more in the form of green financing, climate change, and digitization to minimize the carbon footprint of the Bank's operations.

### ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT (ESRM) POLICY

The Bank's commitment to preserving the environment and being socially inclusive is reflected through our responsible lending

protocols, which include a mandatory environmental and social screening process. The Bank formulated the ESRM Policy in June 2019. The Bank has made it mandatory to implement the ESRM policy in every business unit proposal.

The Bank has formalized screening of risks associated with environmental and social issues while extending credit facilities to business units across the country. Every business unit needs to conduct an "Exclusion List" check in the policy and businesses falling under this list is rejected upfront. The Bank has a practice of conducting Environment & Social Risk Due Diligence (ESDD) of business units for credit facilities starting from NPR 10 million and falling under any of the following categories: Small Loan falling under critical sectors, Term Finance, or Project Finance. The ratings received by credit clients play an essential role in the Bank's risk assessment of the business. Sustainability is a major parameter the Bank looks for in terms of lending to its customers.

The Bank has been proactively working to integrate its ESMS into the organizational culture. The Bank is committed to:

- Recognize Environmental & Social responsibility as one of the key components of the Bank's business strategies;
- Train and develop respective employees to be ESRM compliant on each business loan file with clearly defined E & S roles and responsibilities
- Comply with NRB's ESRM guidelines adhering to all relevant national legislation and regulations related to Environmental and Social Sustainability
- Maintain an up-to-date E&S Exclusion List and ensure the Bank does not finance or limit our exposure to the extent allowed in any project/activity as per the Exclusion List

- Integrate ESRM in the Loan Management System for digital capturing of information for strong MIS and decision-making process.
- Obtain Corrective Action Plans for timely addressing of ESRM issues and keeping special ESRM compliance covenants upfront in Credit Acceptance Documents by the clients.
- Review clients E&S performance and managing gaps & non-compliance through effective monitoring
- Disclose and report required information as per the regulatory requirement to ensure public accountability at the same time ensure confidentiality of customers' information
- Uphold the highest standards of business integrity and good corporate governance
- Upgrade and enhance the Bank's ESMS in line with new developments in the E&S environment locally and internationally best practices.
- Grievance Handling Unit at the Central level and branch office for addressing customer feedback, complaints, and fraud cases.
- Implementation of Whistle Blower platform for managing internal staff workplace safety, complaints maintaining privacy.

## CORPORATE SOCIAL RESPONSIBILITY

The Bank believes in contributing back to the society in which it operates. From the initial days itself the Bank has been contributing in the areas of CSR for the development of different sectors. To further streamline the CSR initiatives, the Bank has established its CSR Guideline which is aligned with the directives issued by the regulatory bodies. The Bank's CSR initiatives are directed by its revised Social Responsibility Guideline 2021.





The guidelines emphasize focusing on CSR projects that have a significant impact on society and offer measurable and sustainable benefits.

#### PRACTICES RELATING TO SOCIAL RESPONSIBILITY

Being a responsible corporate citizen, to improve society has been at the very front of what we do. Siddhartha Bank places a high priority on social values that will benefit the people of the nation. Continuously, the Bank strive to assist marginalized

segments of society through initiatives supporting healthcare, education, women's empowerment, art, culture, and regular financial literacy programs.

Moreover, the Bank's focus aligns with various Sustainable Development Goals (SDGs) 2016-2030. Out of 17 Sustainable Development Goals (SDG), the Bank was able to address several during the fiscal year 2022-23 as outlined below:

PILLARS OF SUSTAINABLE DEVELOPMENT GOALS	AREAS OF INVOLVEMENT	CONTRIBUTION (IN NPR)	CONTRIBUTION %
Goal#3; Good Health and Well Being	Health	14,402,361.41	67.94
Goal#4; Quality Education	Education and Financial Literacy	3,741,808.43	17.65
Goal#8; Decent Work and Economic Growth	Culture and Tourism	1,045,600	4.93
Goal#11; Sustainable Cities and Communities	Environment Cleanliness	589,700.5	2.78
Goal#15; Life on Land	Afforestation	1,356,522.62	6.40
Miscellaneous	Other	62,100	0.29
<b>Total Fund Utilized</b>		<b>21,198,092.96</b>	<b>100%</b>

### ■ Financial Literacy

The Bank implemented a series of financial literacy programs across multiple provinces within the country. This initiative was specifically designed to offer comprehensive and accessible financial education to individuals from diverse backgrounds and regions. The primary objective of these programs was to bring improvement in knowledge, attitude, skill and behavior of the audiences. Additionally these programs aimed to empower people with the knowledge and skills needed to make informed financial decisions, manage their finances effectively, and improve their overall financial well-being. Out of total fund utilized, 12.65% i.e. NPR 2.68 million was utilized for financial literacy programs in the FY 2022-23.

### ■ Education, Cultural Heritage, and Others

The Bank offered financial support for education & training for education of children's of deceased or disabled mountaineers, installation of water filters in schools, distribution of printers

and other education materials. The Bank also provided financial support for construction of cycle stand in Durga laxmi Multiple Campus.

### ■ Health

Siddhartha Bank has also been contributing towards the health and wellness of the society. The Bank provided financial support for conducting health camps, provided financial support for installation of Hemodialysis Machine at Koshi Hospital and also provided financial support for the establishment of a dialysis building at Narayani Hospital. The Bank also provided financial support for installation of sanitary pad vending machine in Makawanpur Multiple Campus and Nepal Army. Similarly the Bank provided financial support for installation of water filter to Fateh Bal Eye Hospital, Bheri Hospital and Nepalganj Sub-Metropolitan city office and also conducted blood donation program in its various branches.

▼ Cancer screening camp for women



▼ Construction of computer lab at Shree Amar Singh Secondary School, Pokhara



▲ Handover of Hemodialysis machine to Koshi Hospital



▲ The Dialysis Ward at Narayani Hospital was inaugurated by the Bank's Chairman. The Bank provided financial support for its construction

## SUSTAINABILITY

### SUSTAINABLE FINANCE

#### PORTFOLIO OF SIDDHARTHA BANK

The Bank takes into consideration the sustainability aspects of its lending activities. Further, it ensures that part of the portfolio is also directed towards sustainable financing.

The current portfolio under sustainable financing of the Bank includes hydro-power projects, renewable energy vendor financing, rooftop solar, electric vehicles, agriculture, production-based MSMEs, etc. A significant portion of the Bank's lending comprises renewable energy sectors including Hydropower and Solar Energy.

Furthermore, the Bank has been financing towards Directed Sector as instructed by the central bank, i.e. MSMEs, Agriculture, Energy, and Deprived Sector

Directed sector-wise lending as a percentage of the Bank's total loans as of FY 2022-23 end calculated as per NRB requirement is as below:

SECTOR-WISE LENDING	AMOUNT IN MILLIONS	% FIGURE	SDG GOALS
1. Cottage, Small and Medium Enterprises less than NPR 10 Million	15171.24	7.95%	SDG 8
2. Agriculture	24764.50	12.97%	SDG 2, 8
3. Hydropower/Energy	12,977.45	6.80%	SDG 7
4. Deprived Sector	10,047.41	5.26%	SDG 10
5. Women Entrepreneurship Loan	2,052.84	1.08%	SDG 5
6. Commercial Agriculture and Livestock Loan	4,013.57	2.10%	SDG 2
7. EV Financing	46.50	0.02%	SDG 13
8. Earthquake Relief	0.41	0.002%	SDG 2, 10

The Bank promotes women's empowerment and has a wide array of deposit and loan products to serve women. It provides women entrepreneurship loans for entrepreneurship development and employment creation. The Bank provided micro-loans equivalent to NPR. 2.05 Billion to more than 2371 women-led entrepreneurship businesses till FY 2022-23.

### SUSTAINABLE PARTNERSHIP & COLLABORATIONS (SDG-17)

The Bank has forged partnerships and collaborations with institutions involved in the sector of Sustainable Banking and enhancing access to finance. A few collaborations and programs are:

■ Collaboration with the United Nations Capital Development Fund (UNCDF) to fund for providing Access to Finance for Agricultural Development and to extend Branchless Banking for Projects (Unnati).

■ Partnership with the UKAID Sakchhyam to increase the core competency of the Bank in SME lending.

■ Partnership with the KFW Development Bank, Germany's Financial Project in Nepal called Sustainable Economic Development in Rural and Semi-Urban Areas – MSME Finance Phase II (SEDRA II) to improve access to loan financing for Micro, Small and Medium-sized Enterprises (MSMEs) in rural and semi-urban areas with financing needs in the 'Missing Middle' segment.

■ Partnership with Heifer International Nepal to enhance financial access to women entrepreneurs and small farmers and provide easy loans

### BANK'S CONTRIBUTION TO ITS RESPONSIBILITIES TOWARDS THE STAFF AND THE NATIONAL ECONOMY

#### Healthy and Safe Working Environment (SDG 3)

Health, safety, the environment and loss control in the workplace are everyone's responsibility. Human Capital is the back bone of the Siddhartha Bank and we are committed to provide Safe, Healthy and comfortable work environment to our human capital for enriching their productivity. Health and safety at workplace is not just limited to provision of a medical cover and facilities for medical treatment but it also covers the safety and security at the work place. The health security policy of the Siddhartha Bank ensures proper cleanliness, adequate lighting, ventilation at workspace, risk assessment exercise, creation of safety plan, safety training, fire safety drills, arrangement of First Aid Box, and earthquake evacuation drills.

#### Encouraging work-life balance (SDG 8)

Siddhartha Bank encourages work-life balance and provides various facilities to help employees manage their work and personal responsibilities. The following are initiatives adopted by the Bank to encourage work-life balance:

- The Bank provides all employees with 30 days of Annual Leave, 12 days of Sick Leaves and 9 days of Casual leave.
- Bank employees are encouraged to utilize at least 10 days from their Annual Leaves and avail the LFA facility extended by the bank to rejuvenate every year.
- In order to ensure that employees enjoy a healthy balance between work and rejuvenation while promoting health, the bank shall organize various sporting activities including but not limited to football, cricket, table tennis etc.
- Arrangement of working in shifts to manage the workload and provide better work-life balance to employees.
- Various Loan facilities (Home loan, vehicle loan, personal loan) to staff to meet the personal requirement.
- Medical and accidental insurance coverage for all the staff working at the Bank to meet the medical expenses of staff and family members.

#### Providing opportunities for professional development

Siddhartha Bank provides opportunities for its employees to learn and develop new skills. Siddhartha Bank believes that any amount spent on the training and development of the employee is not an expense but an investment. The Bank has been continuously investing in its employee to enrich their capabilities

through national and international training, on-the-job training, in-house training, job orientation, refresher programs as well as a range of other learning and development activities.

#### **Competitive compensation and benefits**

Siddhartha Bank provides competitive compensation and benefits for various duties and responsibilities that employees are required to undertake. Compensation and benefits are essential human psychological aspects that encourages employees to take the assigned responsibilities according to the best of their abilities and create the willingness among employee to complete the assigned work in a best possible way. We understand the need, motives and desires of every employee and develop new techniques, systems and methods to fulfil the changing needs of employees.

#### **Career Management/Succession Planning**

The succession philosophy at Siddhartha Bank is based on its core cultural elements of Sustained Growth, Transparency, Innovation, Integrity and Customer Centricity. We ensure that each phase of the employee life cycle is governed by a set a clear and transparent processes which can help employees fulfill their professional growth and create a culture of performance at Siddhartha Bank.

With these initiatives Siddhartha Bank has been promoting employee well-being, development, and engagement. Our contribution to the responsibilities towards employee has

helped us to create a workplace that is supportive, engaging, and motivating for its employees. This, in turn, leads to increase in productivity, job satisfaction, and employee retention.

#### **Employee engagement program:**

Employee engagement is crucial for inspiring quality work, commitment, and value in the employees. The Bank makes effort to organize various programs each fiscal year. Some of the staff engagement programs conducted by the Bank in FY 2022-23 are as follows:

#### **Staff Engagement Program for Fiscal Year 2022-23**

S.N.	PROGRAM	LOCATION
1	Absolute Futsal	Birtamode
2	Kamana Sewa Futsal 2022	Kathmandu
3	Cricket Tournament By Nrb	Janakpur
5	Table Tennis Championship Samjhana Cup 2023	Kathmandu
6	Nyef Corporate Futsal Bash 023	Itahari
7	Bankers Futsal 2079	Narayangarh
9	Inficare Futsal	Kathmandu
11	Inter Bank Futsal Tournament	Surkhet
12	Corporate Futsal	Nepalgunj
14	9th Annapurna Post Corp Badminton Competition	Kathmandu

#### **Staff Felicitation for Fiscal Year 2022-23**

EMPLOYEE NAME	POSITION	GENDER	DATE OF JOINING
Arjun Bhadra Khanal	Deputy General Manager	M	27-Mar-08
Bashna Palikhe	Senior Officer	F	16-Jul-08
Binaya Pahari	Senior Officer	M	16-Jul-08
Binjal Pd. Shrestha	Senior Officer	M	21-Feb-08
Chandra Dev Paudyal	Deputy Manager	M	4-Aug-08
Deepak Shrestha	Senior Officer	M	16-Jul-08
Kailash Chaudhary	Officer	M	3-Aug-08
Krishna Prasad Gautam	Senior Officer	M	3-Aug-08
Luna Regmi	Officer	F	16-Jul-08
Omkar Lamichhane	Assistant Manager	M	18-Jun-08
Prakriti Shant Thakurathi	Senior Officer	M	11-Nov-08
Pramila Adhikari	Junior Officer	M	5-May-08
Radhika Bhattarai	Officer	F	16-Jul-08
Roshan Parajuli	Assistant Manager	M	16-Jul-08
Sabitri Kharel	Officer	F	4-Sep-08
Sharmista Karjee	Officer	F	16-Jul-08
Shobha Kanta Paudel	Senior Officer	M	16-Jul-08
Sudhir Wagle	Senior Officer	M	8-Jun-08
Surekha Sapkota	Senior Officer	F	16-Jul-08
Suresh Raj Neupane	Senior Officer	M	15-Apr-08
Tej Singh Bista	Officer	M	3-Aug-08

**Training and Development Expenses:****Total L&D Expenses (2022-23)****NPR 28,888,963.52****Customers**

Customers of Siddhartha Bank include retail, MSME, mid corporates and large corporates, backward and marginalized groups, farmers, traders, wholesalers etc. For continuous and quality service, Siddhartha Bank operates 196 branches, 225 ATM, 123 Branchless Banking Unit, NPR 190.87 billion in advances, NPR 228.57 billion in deposit and 1.58 million plus customer till fiscal year 2022-23.

**Job creation**

The Bank as of the end of FY 2022-23 directly employs 1,970 people. 247 permanent staff are recruited in FY 2022-23. The Bank's branches and businesses are expected to increase in coming years leading to fresh recruitment of human resources. Further, the Bank is indirectly creating job opportunities with easy financing to deprived sector, small and medium enterprises, corporate financing, and project financing.

**Investor**

The Bank is committed to create sustainable impact for today and for generation to come with transparent and timely disclosures to enable informed decision-making. The Bank earned NPR 3.17 billion as net profit, return on equity 13.50%, Earning per share stands NPR 22.48 and dividend distributed 4.21% for fiscal year 2022-23

**Contribution in the form of taxes**

Being a responsible corporate citizen, the Bank has ensured its noteworthy contribution in national goals like raising the living standard of the deprived sector, supporting employment creation, increasing tax/revenue collection, enhancing access to Banking, etc. The Bank has been pivotal in the Government's objective of ensuring every citizen has a Bank account.

The Bank has contributed to the government exchequer of NPR 2.99 billion during the review year. The table below shows the Bank's contribution during the past six fiscal years:

FY	NPR IN BILLION CONTRIBUTION IN THE FORM OF TAXES
2017-18	1.62
2018-19	1.94
2019-20	2.02
2020-21	2.13
2021-22	2.52
2022-23	2.99

**BUSINESS ETHICS AND ANTI-CORRUPTION MEASURES**

The Bank aims to create a transparent and open work culture in the organization. It is the responsibility of an organization to protect it from financial and reputational harm and ensure that it operates in an ethical and socially responsible manner. The anti-Bribery & Anti & Corruption policy of the Siddhartha Bank Limited is a set of benchmarks for the supervision of systems and procedures, controls, training, and other related matters in the implementation of the Anti-Bribery & Anti & Corruption practices in the Bank. The Bank is committed to operating with transparency, trust, and integrity and applies a zero-tolerance approach to bribery and corrupt practices in its entire process of operational and business functions. Any form of bribery and corrupt practice is unacceptable and strictly prohibited.

As an organization committed to the prevention of Bribery and Corrupt-Practices, the Bank:

- Prohibits officials engage in any type of bribery and corrupt practice.
- Prohibits employees to offer, promise, accept, influence any type of gifts or facilities or things or services or acts as described by this Policy to or from third parties or customers or any other person for impairment of their duties. Provided, there is no restriction in acceptance of festival gifts offered in a normal manner.
- Prohibits officials to offer, promise or provide anything as restricted by this Policy to any public official or third parties or customer to influence them or obtain business or personal benefits.
- Prohibits third parties and customers to offer anything as restricted by this policy to officials of the Bank to impress or influence to get any banking or other services from the Bank.
- Prohibits officials from carrying any kind of unethical or unfair practice or favoring or manipulation in the process of recruitment, promotion or professional development of employees and must assure competency-based human resources procedures and processes for recruitment, promotion and professional development.
- Apply fair process in the selection and appointment of suppliers/vendors/business partners/contractors or any other persons for the services of the Bank abiding by due process set out by prevalent laws, regulatory directives and internal rules as applicable.

### Annual Statement on Environmental and Social Risk Management

1 POLICY FORMULATION AND GOVERNANCE	YES/NO	DATE	REMARKS
1.1 Formulation and Board approval of an ESRM Policy (or similar policy document)	Yes	06-06-2019 09-08-2022	Approved through 315th Board Meeting Amendment policy approved through 398th Board Meeting
1.2 Formulation and Board approval of an ESRM Procedure (Manual)	Yes	06-06-2019 09-08-2022	Approved through 315th Board Meeting. Amendment approved through 398th Board Meeting
1.3 Nomination of an E&S Officer	Yes	06-06-2019 06-11-2022	Head Integrated Risk Head Credit Risk

2 EMPLOYEE TRAININGS AND CAPACITY BUILDING	01	02	03	04	TOTAL	REMARKS
2.1 Allocation of Fund in the budget for ESRM Training Programs/Seminars/Workshops (in NPR):	-	175,157.20	-	3,000	178,157.20	
2.2 No. of ESRM Training Programs/Seminars/Workshops conducted in the given quarter:	-	1	-	1	2	
2.3 No. of attendees of the ESRM Training Programs/Seminars/Workshops conducted in the given quarter:		24	-	29	53	

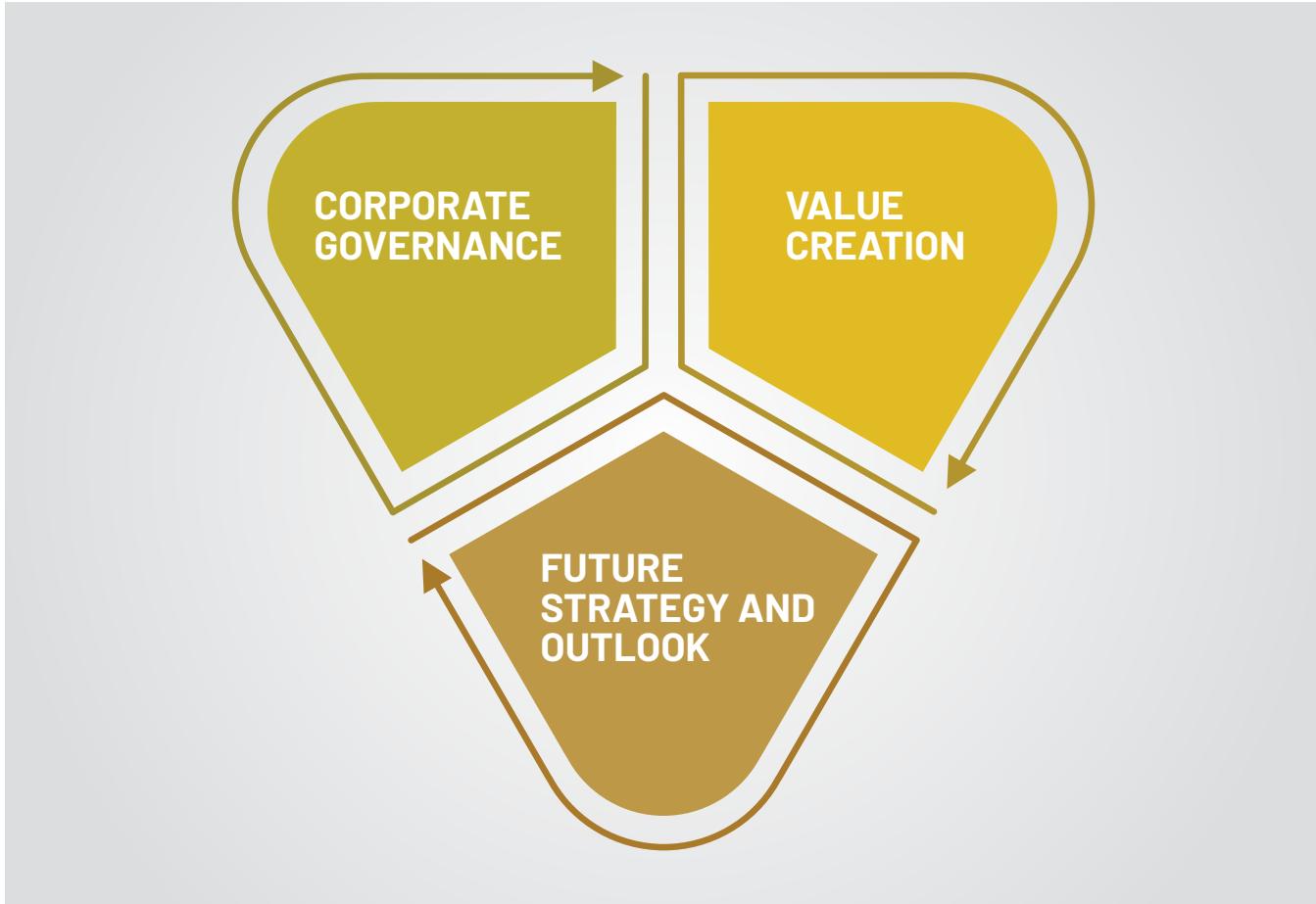
3 INCORPORATION OF ENVIRONMENTAL & SOCIAL RISK IN CORE RISKS MANAGEMENT	01	02	03	04	TOTAL	REMARK
3.1 No. of loan requests rejected due to the Exclusion List	-	-	-	-	-	-
3.2 No. of transactions subject to Environmental & Social Due Diligence (ESDD)	8	25	52	61	146	
3.3 Share (% total loan value) of the transactions subject to ESDD in the total disbursed commercial (business purpose) loan portfolio	0.98%	3.13%	7.29%	16.24%	6.98%	
3.4 Total No. of disbursed transactions by E&S Risk Rating:						
Low	6	24	48	52	130	
Medium	2	1	4	9	16	
High	-	-	-	-	-	
3.5 Total amount in disbursed transactions by E&S Risk Rating (figure in Million):						
Low	35.890	165.282	663.624	759.532	1,624.328	
Medium	42.471	24.500	20.223	443.889	531.083	
High	-	-	-	-	-	
3.6 No. of transactions with specific E&S Action Plan:	2	1	4	9	16	
3.7 No. of transactions rejected on the E&S risk management grounds:	-	-	-	-	-	
3.8 No. of transactions beneficial to E&S improvements:	-	1	-	2	3	
Renewable Energy Projects (e.g. hydro power plants, solar panels, biogas plants, wind power)	-	1	-	2	-	
Energy efficiency Projects (e.g. efficient lighting, heating/cooling, ventilation, boiler retrofitting, facility upgrades)	-	-	-	-	-	
Effluents (Wastewater) Treatment Plants	-	-	-	-	-	
Waste Recycling and Reuse	-	-	-	-	-	
Water consumption reduction	-	-	-	-	-	





# **Integrated Reporting**

The Integrated Report has been prepared in accordance with the International Framework issued by The International Integrated Reporting Council (IIRC).

**OUR APPROACH TO INTEGRATED REPORT (IR)**

We are pleased to present our second Integrated Report which has been prepared in accordance with the International Framework issued by The International Integrated Reporting Council (IIRC).

The purpose of this report is to explain to providers of financial capital how the Bank creates, preserves or erodes value over time. The report also benefits all stakeholders interested in the Bank's ability to create value over time, including employees, customers, suppliers, business partners, local communities, legislators, regulators and policy-makers.

We have tried to keep this report brief, consistent and complete, including all material matters, both positive and negative in a fair way. This report ensures accurate data of the Bank's operation, both financial and non-financial performance according to our strategic planning, mission and vision.

**SCOPE AND BOUNDARIES OF THIS REPORT**

Our Integrated Report covers the period from July 17, 2022 to July 16, 2023 by following the guidelines of Integrated Report issued by The International Integrated Reporting Council (IIRC) and concerns the operations of Siddhartha Bank Limited.

**FORWARD LOOKING STATEMENTS**

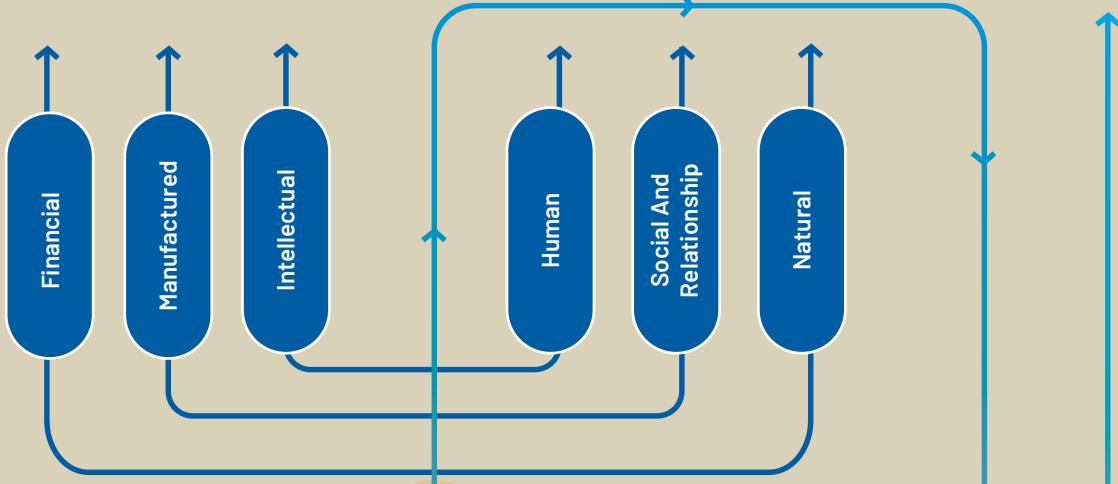
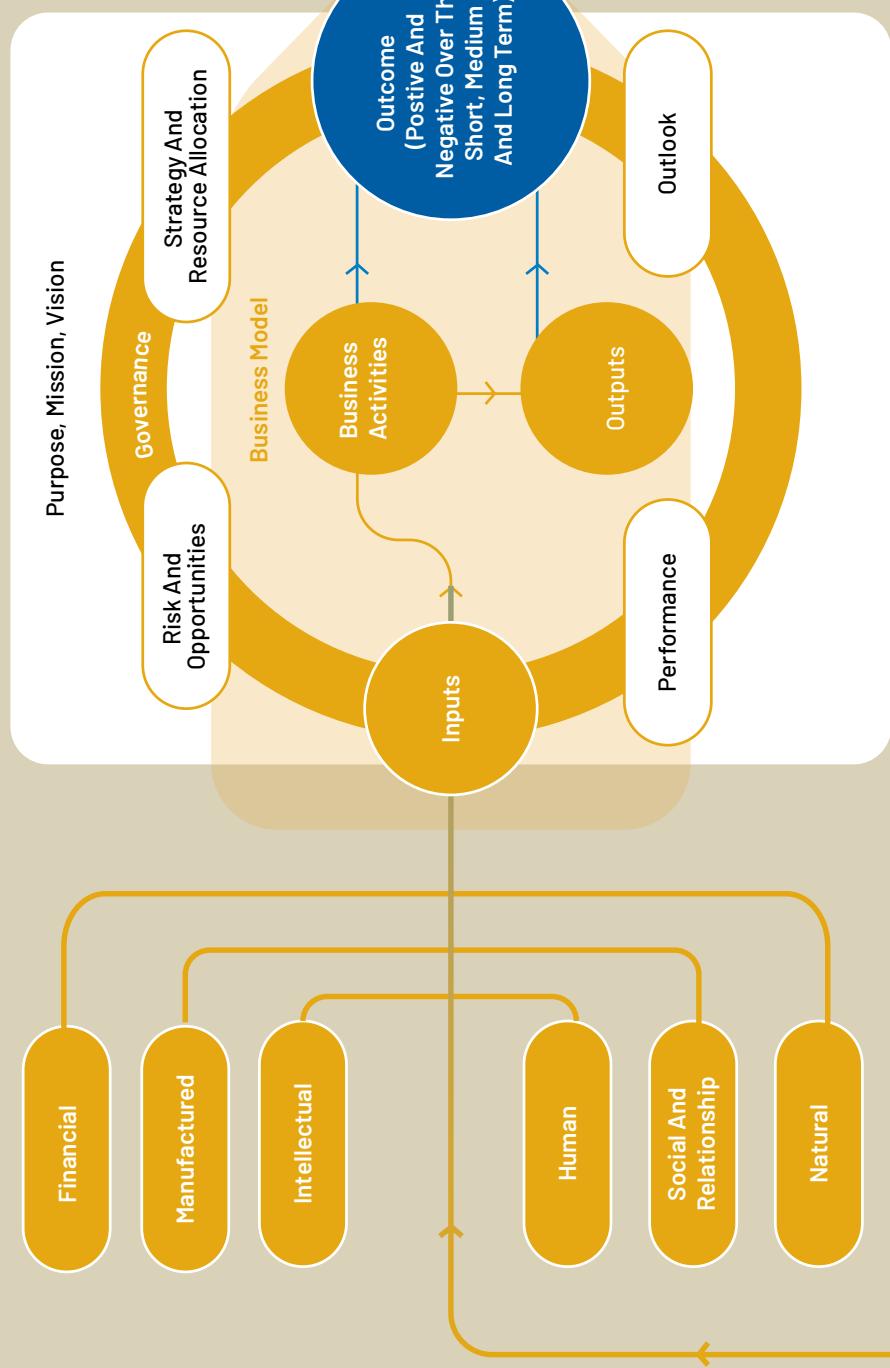
This report contains statements that relate to future operations and performance of the Bank. Actual results may differ materially from those suggested by such statements due to certain risks associated with our expectations with respect to, but not limited to, future circumstances such as technological changes, the impact of changes in banking regulations and other regulatory changes in the country, natural calamities, inflation, deflation, unanticipated fluctuation in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in Nepal and globally, among others.

**ASSURANCE**

For maintaining proper transparency, Siddhartha Bank has obtained combined assurance from both internal & external perspective.

**Process through which value is created, preserved or eroded**

## EXTERNAL ENVIRONMENT



## MATERIALITY OF THE REPORT

The Bank has disclosed information about all matters that substantively affect the Bank's ability to create value over the short, medium and long term. The Bank has disclosed both positive and negative matters, including risks and opportunities and favorable and unfavorable performance or prospects based on their materiality.

## RESPONSIBILITY OVER THE INTEGRITY OF THE INTEGRATED REPORT

The Board and the Management of the Bank ensures that the Integrated Annual Report has been prepared pursuant to International Framework of the International Integrated Reporting Council (IIRC). The Board and the Management also ensures that reasonable care has been taken in the preparation and presentation of this Annual Integrated Report and addresses all material issues and make fair presentation on Bank's integrated performance and its overall impact.



# Integrated Report

## 1. ELEMENTS OF AN INTEGRATED REPORT

### 1.1. ORGANIZATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT

Siddhartha Bank Limited (SBL) is a leading commercial bank in Nepal with an asset size of NPR 285.98 billion. The Bank has been positioning itself as a digital first, customer centric bank with focus on sustainability.

The Bank has an extensive network of branches, ATMs, branchless banking agents, and is committed to providing a one-stop financial solutions to meet the varied needs of its customers. The Bank is serving its customers through 196 branches (including 5 extension counters), 225 ATMs, 1,732 POS machines and 123 branchless banking locations.

The Bank is fully committed towards customer satisfaction and the range of modern banking

products and services that the Bank has been providing is an example to its commitment towards customer satisfaction.

The Bank has been able to gain significant trust of the customers and all other stakeholders to become one of the most promising commercial bank in the country.

### Mission, Vision, Core Values and Code of Conduct

The mission, vision, core values and code of conduct have been presented in Page 6 - 8 of the annual report.

### Principal Activities and Operations

The principal activities of the Bank are to provide full-fledged commercial banking services including agency services, trade finance services, card services and e-commerce products and services to its customers through its strategic business units, branches, extension counters, ATMs and network of agents.

#### Ownership of Subsidiary

SUBSIDIARY	PRINCIPAL ACTIVITIES	JULY 16, 2023	JULY 16, 2022
Siddhartha Capital Limited	Management of public offerings, portfolio management, underwriting of securities, management of mutual fund schemes	51% holding	51% holding



### 1.1.1. External Environment

#### Competitive Landscape of Banking Industry in Nepal and Siddhartha Bank

Nepali banking industry is relatively stable with moderate to low threats, considering the analysis using the Porter's five forces.





### POLITICAL FACTORS

Banking is greatly affected by political factors in any country. Funds are mobilized more proficiently in a stable political environment. However, if the political environment is unstable, it might lead to create credit risks for the bank. Government regulations and foreign investment policy influences the operations and investment of banks in the country. Likewise, taxation policies are different of each government and changes in tax laws affect the Bank's cost of doing business. In overall, political factors play a vital role in shaping the banking industry and banks need to closely monitor and react to any changes in the political environment.



### Legal Factors

Legal factors play a crucial role in Nepalese banking as banks are highly regulated and must comply with various laws and regulations along with protection of customers rights and data privacy. Likewise, the Bank also must comply with taxation laws of the country as well as labor laws.



### ECONOMIC FACTORS

Nepal has a very weak economic structure with a low GDP, high inflation rate, trade deficit and low foreign currency reserve. Economic growth drives demand for credit and financial services. Inflation affects the cost of borrowings and return on investment. High inflation may lead to increased loan defaults and rise in non-performing loans. Interest rates is another critical component of economic factor which impact the demand of loans and deposits in banks. Nepal have a well-diversified economy which is gradually expanding along with the private sector. Banks have been playing a significant role in financing private sector.



### SOCIAL FACTORS

The rural areas have been untouched by banking, though government has a policy to open at least one branch in one local level of the country. Small businessman and farmers have to take loans in traditional ways (unsystematic approach). Banks play a crucial role in improving financial literacy and serving those customers who are deprived of banking. Customer expectations are changing rapidly in Nepal and banks need to keep pace with changing customer expectations to remain competitive. Banks also need to understand the cultural context in which they operate to develop and sell products/services that are acceptable and relevant in such locality.



### Environmental Factors

Environmental factors affect the banking in Nepal. Climate change can impact the banking industry in several ways including increased risk of natural disasters. Banks need to manage these risk by assessing vulnerabilities and developing contingency plans even at the time of pandemic. Sustainable development is becoming important for Nepalese banks and must take into account while making investment. The Bank can promote sustainability by investing in environmental friendly projects, energy efficiency products and waste management projects.



### Technological Factors

The banking sector has been immensely changed with the help of technology. With the rise in technological advancements, many people are adapting to new technologies and banks need to provide such services like mobile banking, internet banking and digital payments. Banking now focuses on customer centric approach, Internet banking, ATMs, universal banking, core banking, system automation, etc. This has increased efficiency and productivity. Banks need to invest more in infrastructure to ensure seamless operations of digital banking services. Today the virtual banking concept has reduced costs and provides better customer service. With the increased use of technology, cyber security has been a big concern for banks.

## Siddhartha Bank's position among 20 Commercial Banks (FY 2022-23)

### Ranking

PARTICULARS	AMOUNT (NPR IN MILLION)	RANKING
Loans and advances	190,874.67	11 <sup>th</sup>
Deposits	228,568.33	11 <sup>th</sup>
Operating Profit	4,652.98	9 <sup>th</sup>
Net Profit	3,166.77	10 <sup>th</sup>
Return on Equity (%)	13.50%	5 <sup>th</sup>
Return on Assets (%)	1.15%	12 <sup>th</sup>
NPL (%)	2.01%	5 <sup>th</sup>

### Market Share

PARTICULARS	MARKET SHARE (%)
Loans and advances	4.43%
Deposits	4.49%
Debit Cards	6.04%
Credit Cards	13.72%
Mobile Banking	4.51%

## 1.2. GOVERNANCE

Siddhartha Bank is strongly committed to ensuring that its systems, procedures and practices reflect a high standard of Corporate Governance. Siddhartha Bank's Corporate Governance Framework is based on accountability, effective delegation and adequate oversight to support sound decision making.

Siddhartha Bank believes that good corporate governance is critical to the proper functioning of the Bank and thus, has a strong Board, four Board level committees along with effective control functions and a robust risk management framework with sound risk culture in place. The Board members and the senior management team are equally committed to good corporate governance. The Board level committees in the Bank have been formed in line with NRB Directive.

Further details about corporate governance has been provided in Page 115 – 142 of the annual report.

### Board of Directors

The Bank's Board of Directors constitutes of six members, with three directors from promoter shareholders, two from public shareholders and one independent director. The members of the Board of Directors are well versed with banking and business in Nepal. The detail about the Board and Board level committees have been provided in Page 116 – 119 of the annual report.

### Gender Diversity of the Board of Directors

PARTICULARS	PERCENTAGE
Male	83%
Female	17%

### Code of Conduct of Directors

With a view to lead by example in terms of sound corporate governance and ethical practices, the Board of Directors adhere to the code of conducts regarding the following:

- Honesty and Integrity
- Conflicts of interest and disclosure
- Confidentiality and Inside Information
- Use of Bank property
- Relations with Bank staff and members of the Bank's governing bodies
- Compliance with Laws, Rules and Regulation
- Disclosure of Information/Regulatory details
- Professional Behavior

### Board's Oversight & Review on Internal Control System of the Bank

The Board of Directors (BOD) of the Bank appoints the Chief Executive Officer (CEO) and may also appoint other key personnel, including members of the senior management. The BOD provides oversight of senior management, provides them with autonomy and holds them accountable for their actions. The Board expects adherence to the following at all times.

- Bank's values
- Risk appetite
- Risk culture

The responsibility to review internal control system of the Bank and its effectiveness lies with the Board of Directors. For this purpose, various committees have been formed under the Board of Directors and its authority has been delegated by forming necessary committees for completion of operation in special areas and formation of smooth and effective strategy and its implementation.

The audit committee reviews audit reports of internal auditor, external auditor and supervisory inspection and provides its independent suggestion to the Board of Directors about the effectiveness of the internal control system of the Bank.

The activities done by the Board in the process of oversight have been mentioned in Page 120 of the annual report.

Further detail about CEO level committees and Management level committees have been provided in Page 121 – 123 of the annual report.



## RISK MANAGEMENT FRAMEWORK

The Bank has a robust risk management framework so as to identify, eliminate and control the risks inherent in its business operations. The Board Level Committees viz. Risk Management Committee, Audit Committee, Employees Services Facility Committee and AML/ CFT Committee comprising of directors and management are focused to identify, evaluate, analyze, monitor and manage the risks.

The Bank established an independent Integrated Risk Management Department for the mitigation and management of several risks such as credit risk, operations risk, liquidity risk, market risk, interest rate risk, foreign exchange risk and any other risks identified. Further, the Bank has established separate units under Integrated Risk Management Department for internal control and risk management of several risks. The Bank has developed various risk identification and control systems to identify risks inherent to its operations and their control. The Internal Audit Department, which reports to the Audit Committee is an independent unit and plays a crucial role in the ongoing maintenance and assessment of the Bank's internal control, risk management and governance systems and processes.

The Internal Audit department forms an independent and informed view of the risks faced by the Bank based on their access to all

bank records and data, their enquiries, and their professional competence. The findings are discussed with the Audit Committee and ensure effective oversight.

The Bank's Assets Liabilities Management Committee (ALCO) is a Senior Management Committee which continuously oversees the overall Asset Liability Management and Risk Management of the Bank. The ALCO defines the risks the Bank intends to take in relation to the overall balance sheet management and its business operations.

Besides these, the Bank has also formed Executive Committee, Management Credit Committee and Operations Risk Management Committee. These committees oversee effectiveness of risk management and ensure that the Bank is well positioned to manage risks and achieve its strategic objectives. With strengthening of these committees, the Bank's management team have enhanced focus on oversight of operational control, risk management, policies formulation and strategy rather than only on business and day to day operational activities. Likewise, the Bank has focused on participative approach by encouraging employees to provide valuable inputs as this helps in increased employee engagement, improved decision making and enhanced problem solving.

## THREE LINE OF DEFENSES

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Further detail of risk management activities performed by the Bank during the year including disclosure of risk reporting have been provided in 97 - 113. Similarly, the risk governance structure of the Bank has been presented in Page 100 of the annual report.



### 1.3. BUSINESS MODEL

The Bank's business model is its system of creating values over the short, medium and long term for its various forms of capitals such as financial capital, human capital, social & relationship capital and others by transforming inputs through its business activities.

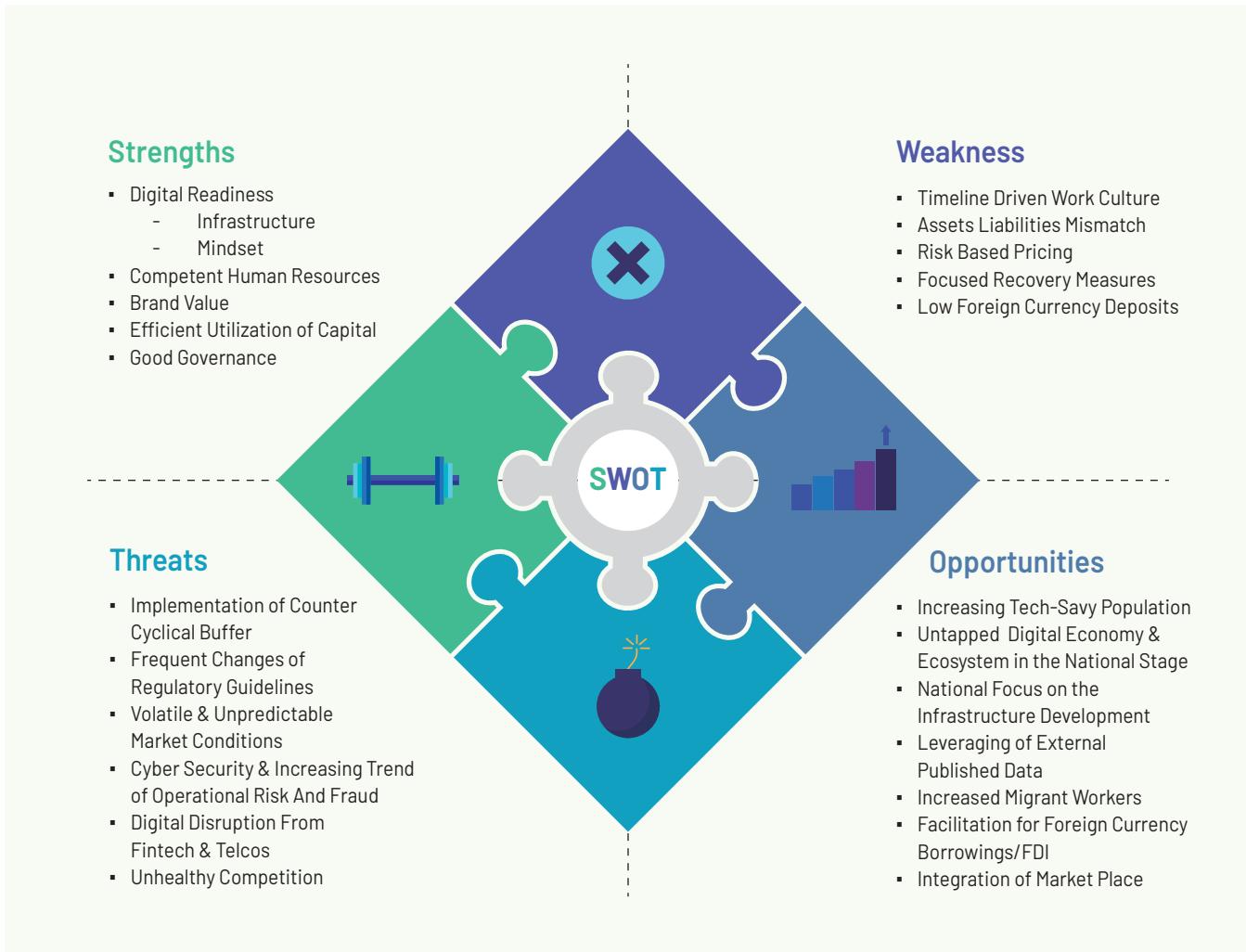
The Bank's value creation model is depicted below:



Further information about Bank's various business segments along with different conventional as well as Alternate Delivery Channel (ADC) products & services have been provided in Page 37 - 61 of the annual report.

## 1.4. RISKS AND OPPORTUNITIES

The SWOT analysis of the Bank based on the prevailing market scenarios and achievements of the Bank with respect to the strategies and policies is highlighted as under:



## 1.5. STRATEGIC FOCUS AND RESOURCE ALLOCATION

### a. Strategic focus

Strategic focus are the priorities of the SBL for this plan period. This plan contains a set of five strategic directions which will guide the bank's overall efforts and endeavors. This plan aims to drive the bank towards following strategic directions.



## b. Strategies

### 1. Credit Portfolio:

- Focus on MSMEs.
- Focus on low capital charged credit portfolio (high risk assets to be reduced).
- Priority for agricultural and hydro sector to meet the NRB requirements regarding minimum lending in such sectors.
- NPA management shall be focused.
- Pricing for yield enhancement shall be revised.
- New Product and Services Launching to BLB Agent/ Customer

### 2. Deposits Portfolio

#### ■ Current Deposit

- a. Widen the existing clientele base
- b. Merchants Accounts: In order to increase the current deposit base of the Bank, the focus shall be to bundle up QR codes with our existing current and prospective current account customers and they shall be extensively marketed.

#### ■ Saving Deposit

- a. Payroll Management: The Bank shall continue to focus on soliciting salary accounts.
- b. Targeting Non-profit organizations for Savings Deposit
- c. Targeting Youth for Savings Accounts
- d. Staff scheme for soliciting saving deposit: Various Employee Incentive Programs with attractive rewards shall be launched to motivate staff members towards mobilization of CASA and individual deposits.
- e. Follow up on inactive accounts

#### ■ Fixed Deposit

- a. Targeting high net worth individuals:
- b. Increase the FCY deposit portfolio

#### ■ Introduction of New Product and revamping of existing deposit products

#### ■ Staff deployment for coordination at Province/Sub province office

## 3. Treasury Business

- Generate profit from proprietary trading in G7/G10 currencies along with USD/INR solely.
- Exploring the possibilities of option and other derivative products.
- Strengthen its role as 'Sales Agent' and 'Market Maker' in order to further boost the income from the respective roles.

## 4. Remittance Business

- Existing resource utilization to improve business: resume existing resources with topmost priority.
- Increase Overseas Presence: Tie up with new business partners in UAE, Canada, etc.

## c. Resource allocation

FUNCTION/DEPARTMENT	HEADCOUNT	COMPENSATION*
Administration Function	13	13,322,041
Alternate Delivery Channel Banking And Support Function	36	33,599,383
AML/CFT	4	5,092,289
Board Affairs	3	5,640,848
Branch Operations Supervision Function	32	34,455,524
Branches	1486	1,230,009,959
Business Process Re-Engineering Function	5	5,729,328
Circle Office Heads	6	19,278,414
Compliance Function	18	16,092,897
Department Heads	13	49,423,122
Deposit Function	7	8,399,225
Executive Management	10	85,348,515
Finance Function	14	11,610,165
Human Resource Function	14	13,881,246
Information Systems	28	27,799,368
Integrated Risk Function	27	46,705,136
Internal Audit	20	22,044,114
Legal Function	3	3,509,008
Loan Processing And Supervision	133	157,466,377
Marketing	10	10,252,281
Micro Banking & BLB	11	12,108,299
Province Heads	9	34,370,383
Remittance Function	16	13,550,496
Secretary	2	2,952,915
Trade Operations Function	42	34,050,101
Treasury Function	8	8,739,768

\*Compensation excludes bonus payment, insurance premium paid by the Bank and deemed income (differential interest and accommodation facility)

## 1.6. PERFORMANCE

The Bank has effectively controlled and managed credit risk, operational risk, liquidity risk, market risk, interest rate risk, foreign exchange risk and other risks that may occur in the course of business and has adopted the concept of balanced, continuous and sustainable growth in the expansion of the Bank's business in FY 2022-23.

Key metrics of the Bank's operation in FY 2022-23 in comparison with previous year has been presented below:

### Financial Highlights

PARTICULARS	2022-23 (NPR IN MILLION)	2021-22 (NPR IN MILLION)	INCREMENT/(DECREMENT) (%)
Balance sheet size	285,977.92	264,327.02	8.19%
Net worth	25,306.59	21,597.87	17.17%
Loans and Advances	190,874.67	186,090.64	2.57%
Deposits	228,568.33	196,483.98	16.33%
Investments	69,655.72	59,647.28	16.78%
Total Income	29,905.58	23,167.18	29.09%
Total Expenses	26,738.81	20,264.72	31.95%
Operating Profit	4,652.98	4,266.55	9.06%
Net Profit	3,166.77	2,902.46	9.11%
Return on Equity (%)	13.50%	13.82%	-0.32%
Return on Assets (%)	1.15%	1.18%	-0.03%
Capital Adequacy Ratio (%)	12.47%	13.00%	-0.53%
Dividend (%)	4.21%	13.16%	-8.95%
NPL (%)	2.01%	1.07%	0.94%
Provision Coverage (%)	129.70%	189.43%	-59.73%

Further details about financial performance of the Bank have been provided in Page 51 - 56 of this annual report.

### Non-financial highlights

Details about non-financial highlights of the Bank have been provided in Page 56 - 58 of this annual report.

## 1.7. OUTLOOK

An outlook discussion addresses the potential challenges, uncertainties and opportunities and the Bank's strategy in facing the risks and capitalizing on the opportunities.

This has been provide in Page 44 - 46 of the annual report.

This covers future business as well as economic outlook.

## 1.8. BASIS OF PREPARATION AND PRESENTATION

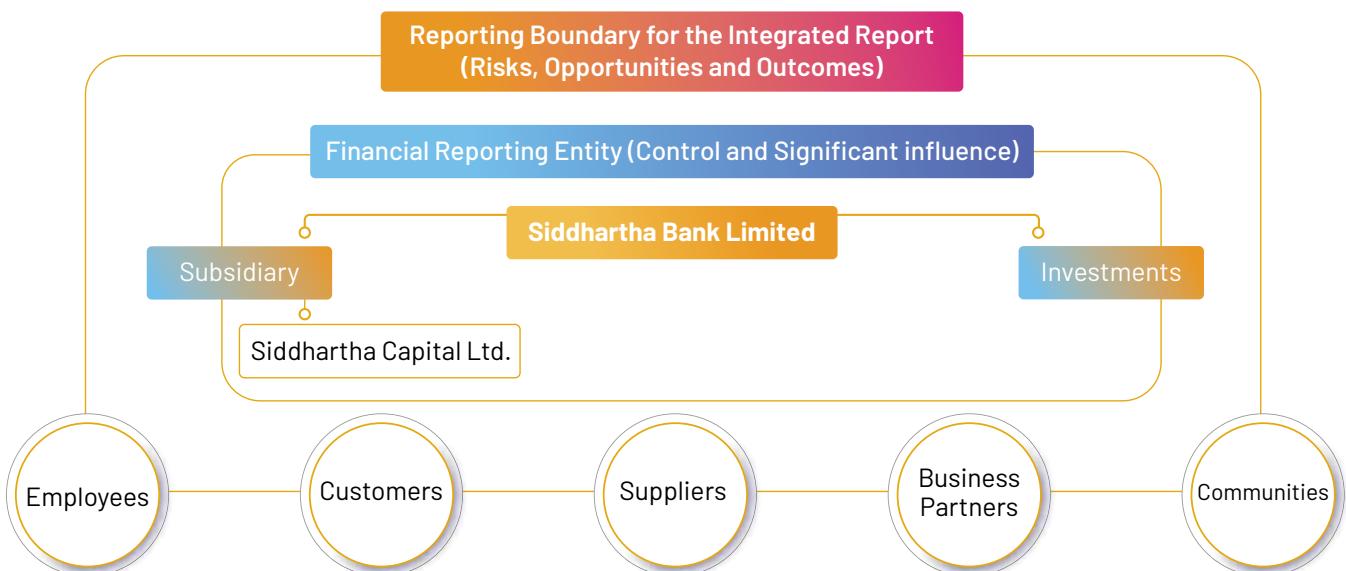
The Integrated Report has been prepared in accordance with the International Framework issued by The International Integrated Reporting Council (IIRC).

### a. SBL's materiality determination process

The report discloses matters that substantially affects the Bank's ability to create value and could influence decisions of providers of financial capital. The Bank has disclosed both positive and negative matters, including risks and opportunities and favorable and unfavorable performance or prospects based on their materiality.



## MATERIALITY BOUNDARY



## **1. Role of those charged with governance and key personnel in the identification and prioritization of material matters**

The Board and senior management team are the key personnel in the identification and prioritization of material matters of the Bank. The major decisions taken by the Board, Board level committees, CEO level committees and Management level committees have been presented in Page 116 - 123.

### **1. BOARD LEVEL COMMITTEES**

- a. Audit Committee
- b. Risk Management Committee
- c. Employees Facilities related Committee
- d. AML/CFT Committee

### **2. CEO LEVEL COMMITTEES**

- a. Executive Committee
- b. Management Credit Committee
- c. Asset Liabilities Management Committee
- d. Loan Recovery Committee
- e. Loan Write-off Sub Committee
- f. Financial Direction Committee
- g. Operation Risk Management Committee

### **3. MANAGEMENT LEVEL COMMITTEES**

- a. Procurement Committee
- b. Assets Disposal Committee
- c. Record Disposal Committee

#### **b. Reporting Boundary**

This report for the FY 2022-23 covers only the Bank's operations run by corporate office, its branches, Branchless Banking agents and other direct networks in Nepal. Impacts of the activities of our suppliers in other countries are not within the scope

of this report. Siddhartha Bank has one subsidiary company viz. Siddhartha Capital Limited (SCL) which is incorporated in Nepal with 51% shareholding. The financial statements of the SCL are prepared on a going concern basis under historical cost convention in accordance with Nepal Financial Reporting Standards (NFRS).

## **c. Summary of the significant frameworks, standards and principles used to evaluate Bank's material matters**

### **Integrated Reporting**

- International Framework of the International Integrated Reporting Council (IIRC)

### **Governance, risk management and operations**

- Companies Act, 2063
- Nepal Rastra Bank Act, 2058
- Banking and Financial Institutions Act, 2073
- NRB directives, circulars, notices and guidelines

### **Financial Reporting**

- International Financial Reporting Standards
- Nepal Financial Reporting Standards
- Generally Accepted Accounting Principles

### **Additional Reporting**

- International Standards on Auditing
- Nepal Standards on Auditing
- Income Tax Act, 2058
- Value Added Tax Act, 2052
- Securities Registration and Issue Regulation
- Other applicable rules and regulations of Nepal

## ADDITIONAL DISCLOSURES

### VALUE ADDED STATEMENT AND ITS DISTRIBUTION

PARTULARS	IN NPR	
	2021-22	2022-23
Value added		
Net interest income	6,596,847,515	8,184,543,098
Net fee and commission income	1,219,703,354	1,345,620,915
Net trading income	442,926,681	191,735,761
Other income	541,099,521	349,800,090
Less: Operating expenses		
(Other than Personnel expenses, Depreciation and Amortization)	(827,855,831)	(917,442,986)
Less: Impairment Charges	(607,471,211)	(1,187,561,177)
<b>Total value added</b>	<b>7,365,250,027</b>	<b>7,966,695,701</b>
Distributions		
To Employees (Personnel expenses)	2,685,015,444	2,852,235,828
To Government (Corporate Tax)	1,356,004,019	1,398,487,648
To Shareholders	1,147,950,902	593,188,166
Retained by the Bank (including depreciation)	2,176,279,662	3,122,784,059
<b>Total distribution</b>	<b>7,365,250,027</b>	<b>7,966,695,701</b>

### ECONOMIC VALUE ADDED

PARTULARS	IN NPR	
	2021-22	2022-23
Net operating profit	4,266,552,680	4,652,981,749
Provision for tax	1,356,004,019	1,398,487,648
Net operating profit after tax (A)	2,910,548,661	3,254,494,101
Average capital employed (i.e. shareholders' fund)	20,999,840,209	23,452,232,530
Cost of Capital (%)*	10.03%	7.99%
Capital charge (B)	2,106,283,973	1,873,833,379
<b>Economic value added (A-B)</b>	<b>804,264,688</b>	<b>1,380,660,722</b>

\* The expected cost of capital of the Bank is assumed to be one year fixed deposit rate offered by the Bank at the end of each financial year.

### DISCLOSURE FOR NON-PERFORMING ASSETS

#### I. Movements in NPA

PARTULARS	NPR IN MILLION		
	2022-23	2021-22	% INCREMENT OR DECREMENT
Restructured/Rescheduled loans	2.14	6.24	-65.62%
Substandard loans	1,143.88	794.56	43.96%
Doubtful loans	1,821.76	389.65	367.53%
Loss loans	864.02	806.26	7.16%
<b>Total non-performing loans</b>	<b>3,831.80</b>	<b>1,996.71</b>	<b>91.91%</b>

#### II. MOVEMENT OF PROVISIONS MADE AGAINST NPA

PARTULARS	NPR IN MILLION		
	2022-23	2021-22	% INCREMENT OR DECREMENT
Restructured/Rescheduled loans	0.27	0.78	-65.62%
Substandard loans	280.81	196.35	43.01%
Doubtful loans	900.90	190.08	373.95%
Loss loans	815.07	724.75	12.46%
<b>Total</b>	<b>1,997.05</b>	<b>1,111.96</b>	<b>79.60%</b>

### III. SECTORAL NPA

PARTICULARS	2022-23	2021-22	NPR IN MILLION
			% INCREMENT OR DECREMENT
Agriculture	121.37	510.69	320.75%
Fishery	0.50	10.01	1913.70%
Mining	34.65	62.74	81.09%
Agriculture, Forestry & Beverage Production Related	158.28	242.88	53.45%
Non-food Production Related	201.53	351.05	74.19%
Construction	140.83	127.78	-9.27%
Electricity, Gas and Water	2.13	54.64	2469.76%
Metal Production, Machinery and Electrical Tools	0.91	12.08	1231.67%
Transportation, Communications and Public Services	195.31	105.07	-46.21%
Wholesaler and Retailer	569.08	1,568.62	175.64%
Finance, Insurance and Real Estate	-	130.61	0.00%
Hotel or Restaurant	24.26	13.14	-45.84%
Other Service Industries	32.13	74.67	132.42%
Consumable Loan	304.82	380.06	24.68%
Local Government	-	0.14	0.00%
Others	210.92	187.62	-11.04%
<b>Total</b>	<b>1,996.71</b>	<b>3,831.80</b>	<b>91.91%</b>

### LOANS CLASSIFICATION ALONG WITH PROVISIONING

FY 2022-23

CLASSIFICATION	INSURED	OTHER	NPR IN MILLION	ACTUAL PROV.
			TOTAL AMOUNT	
Good (1.30%)	3,681.94	171,029.59	174,711.53	2,356.82
Watch List (5%)	259.06	12,072.29	12,331.34	616.08
Rescheduled / Restructured (12.5%)	-	2.14	2.14	0.27
Substandard (25%)	35.13	1,108.75	1,143.88	280.81
Doubtful (50%)	29.97	1,791.79	1,821.76	900.90
Bad (100%)	34.64	829.38	864.02	815.07
<b>Total Loan</b>	<b>4,040.73</b>	<b>186,833.93</b>	<b>190,874.67</b>	<b>4,969.95</b>
<b>Total Non - Performing Loan (NPL)</b>			<b>3,831.80</b>	

FY 2021-22

CLASSIFICATION	INSURED	OTHER	NPR IN MILLION	ACTUAL PROV.
			TOTAL AMOUNT	
Good (1.30%)	5,009.38	170,023.16	175,032.53	2,220.92
Watch List (5%)	93.75	8,967.64	9,061.39	449.50
Rescheduled / Restructured (12.5%)	-	6.24	6.24	0.78
Substandard (25%)	19.02	775.54	794.56	196.35
Doubtful (50%)	12.72	376.93	389.65	190.08
Bad (100%)	22.05	784.21	806.26	724.75
<b>Total Loan</b>	<b>5,156.91</b>	<b>180,933.72</b>	<b>186,090.64</b>	<b>3,782.39</b>
<b>Total Non - Performing Loan (NPL)</b>			<b>1,996.71</b>	

## FAIR VALUE HIERARCHY

IN NPR

PARTULARS	FAIR VALUE HIERARCHY LEVEL	AS ON 16 JULY 2022		AS ON 16 JULY 2023	
		CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
<b>Financial assets</b>					
FVTPL					
Derivative financial instruments	1	19,694,323	19,694,323	17,320,155	17,320,155
Sub total		19,694,323	19,694,323	17,320,155	17,320,155
FVTOCI					
Quoted equities	1	3,866,045,671	3,866,045,671	4,642,181,363	4,642,181,363
Unquoted equities	3	294,416,910	294,416,910	1,530,979,155	1,530,979,155
Sub total		4,160,462,581	4,160,462,581	6,173,160,518	6,173,160,518
Amortized cost					
Cash and cash equivalent	3	7,928,989,024	7,928,989,024	11,554,080,479	11,554,080,479
Due from Nepal Rastra Bank	3	5,730,448,535	5,730,448,535	9,000,713,492	9,000,713,492
Placements with Bank and Financial Institutions	3	320,313,255	320,313,255	5,011,346,934	5,011,346,934
Loan and advances to B/FIs	3	6,403,394,142	6,403,394,142	5,170,773,907	5,170,773,907
Loans and advances to customers	3	178,587,363,232	178,587,363,232	184,009,571,040	184,009,571,040
Investment securities (except equity instruments)	3	53,207,699,151	53,207,699,151	56,307,315,516	56,307,315,516
Sub total		252,178,207,339	252,178,207,339	271,053,801,368	271,053,801,368
<b>Total of financial assets</b>		<b>256,358,364,243</b>	<b>256,358,364,243</b>	<b>277,244,282,041</b>	<b>277,244,282,041</b>
FVTPL					
Derivative financial instruments	1	19,359,606	19,359,606	23,887,253	23,887,253
Sub total		19,359,606	19,359,606	23,887,253	23,887,253
<b>Financial liabilities</b>					
FVTPL/FVTOCI					
Liability for employees defined benefit obligations	3	392,571,650	392,571,650	293,508,627	293,508,627
Sub total		392,571,650	392,571,650	293,508,627	293,508,627
Amortized cost					
Due to Bank and Financial Institutions	3	7,234,641,506	7,234,641,506	11,613,657,572	11,613,657,572
Due to Nepal Rastra Bank	3	24,965,102,753	24,965,102,753	288,453,474	288,453,474
Deposits from customers	3	191,550,643,583	191,550,643,583	223,654,669,691	223,654,669,691
Borrowing	3	1,022,800,000	1,022,800,000	7,312,480,160	7,312,480,160
Other liabilities	3	5,642,248,034	5,642,248,034	5,320,179,290	5,320,179,290
Debt securities issued	3	11,662,559,000	11,662,559,000	11,662,559,000	11,662,559,000
Sub total		242,077,994,875	242,077,994,875	259,851,999,187	259,851,999,187
<b>Total of financial liabilities</b>		<b>242,489,926,132</b>	<b>242,489,926,132</b>	<b>260,169,395,067</b>	<b>260,169,395,067</b>

## MATURITY PATTERN OF KEY ASSETS AND LIABILITIES (ALM) AS OF JULY 16, 2023

S.N.	PARTICULARS	NPR IN MILLION					
		1-90 DAYS	91-180 DAYS	181-270 DAYS	271-365 DAYS	OVER 1 YEAR	TOTAL
<b>Assets</b>							
1.	Cash balance	3,797.71	-	-	-	-	3,797.71
2.	Balance with NRB	8,879.50	-	-	-	-	8,879.50
3.	Balance with domestic BFIs						
a.	Current account	576.29	-	-	-	-	576.29
b.	Money at call, interbank lending, placement, etc.	-	-	-	-	-	-
4.	Balance with foreign BFIs						
a.	Current account	4,189.84	-	-	-	-	4,189.84
b.	Money at call, placement, etc.	6,051.96	611.24	-	1,314.50	-	7,977.70
5.	Investments						
a.	Government securities	3,246.94	3,619.00	6,998.00	6,613.97	33,559.43	54,037.33
b.	Nepal rastra bank instruments	-	-	-	-	-	-
c.	Corporate securities	44.10	90.57	-	5,043.68	2,462.33	7,640.68
d.	Others	-	-	-	-	-	-
6.	Loans & advances (Gross without accrued interest receivable and staff loans)	31,624.32	13,065.64	9,907.81	8,192.99	128,083.91	190,874.67
7.	Interest receivable	2,339.31	-	-	-	-	2,339.31
8.	Others (including staff loans)	1,258.70	125.23	129.44	340.52	8,780.95	10,634.83
<b>Total (A)</b>		<b>62,008.67</b>	<b>17,511.68</b>	<b>17,035.25</b>	<b>21,505.66</b>	<b>172,886.61</b>	<b>290,947.87</b>
<b>Liabilities</b>							
9.	Deposits						
a.	Current deposits	5,614.94	863.84	863.84	1,295.76	5,189.66	13,828.03
b.	Saving deposits	10,972.20	2,743.05	5,486.10	8,229.15	32,448.35	59,878.86
c.	Call deposits	5,733.89	1,911.30	2,548.39	2,548.39	8,494.65	21,236.62
d.	Fixed deposits	39,686.50	30,488.96	16,396.66	12,177.32	32,890.54	131,639.99
e.	Margin deposits	1,354.20	374.82	103.24	48.33	104.23	1,984.83
10.	Borrowings						
a.	Call/short notice	-	-	-	-	-	-
b.	Inter-bank/financial institutions	6,700.00	-	-	-	-	6,700.00
c.	Refinance	-	-	-	-	288.45	288.45
d.	Repo	-	-	-	-	-	-
e.	Statutory Liquidity Facility (SLF)	-	-	-	-	-	-
f.	Debentures/bonds	-	-	-	-	11,662.56	11,662.56
g.	External Commercial Borrowing	-	-	-	-	7,312.48	7,312.48
11.	Other liabilities and provisions						
a.	Sundry creditors	937.99	-	-	-	-	937.99
b.	Bills payable	48.67	-	-	-	-	48.67
c.	Interest payable	545.62	-	-	-	-	545.62
d.	Provisions	-	507.25	-	-	-	507.25
e.	Others	1,114.19	0.89	-	740.21	2,244.68	4,099.97
<b>Total (B)</b>		<b>72,708.21</b>	<b>36,890.11</b>	<b>25,398.23</b>	<b>25,039.16</b>	<b>100,635.61</b>	<b>260,671.32</b>

## MARKET SHARE INFORMATION

PARTICULARS	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Deposit</b>					
Total deposit of Banking Industry (NPR in million)	3,354,428	3,933,738	4,740,066	5,159,175	5,771,238
Total deposit of SBL (NPR in million)	122,528	145,948	185,197	196,484	228,568
Market share of SBL%	3.65%	3.71%	3.91%	3.81%	3.96%
Industry growth rate	18.24%	17.27%	20.50%	8.84%	11.86%
SBL growth rate	20.42%	19.11%	26.89%	6.09%	16.33%
<b>Loan</b>					
Total lending of Banking Industry (NPR in million)	2,913,970	3,273,096	4,174,616	4,713,537	4,877,407
Total lending of SBL (NPR in million)	108,613	127,496	165,646	186,091	190,875
Market share of SBL%	3.73%	3.90%	3.97%	3.95%	3.91%
Industry growth rate	20.27%	12.32%	27.54%	12.91%	3.48%
SBL growth rate	26.04%	17.39%	29.92%	12.34%	2.57%
<b>Total business</b>					
Total business of Banking Industry (NPR in million)	6,268,398	7,206,834	8,914,682	9,872,712	10,648,645
Total business of SBL (NPR in million)	231,140	273,444	350,844	382,575	419,443
Market share of SBL%	3.69%	3.79%	3.94%	3.88%	3.94%
Industry growth rate	19.18%	14.97%	23.70%	10.75%	7.86%
SBL growth rate	23.00%	18.30%	28.31%	9.04%	9.64%
<b>Total Debit Cards</b>					
Total Debit Cards of Banking Industry	6,708,521	7,329,202	8,839,855	10,856,357	12,245,485
Total Debit Cards of SBL	271,113	344,375	430,613	545,087	685,560
Market share of SBL%	4.04%	4.70%	4.87%	5.02%	5.60%
Industry growth rate	21.00%	9.25%	20.61%	22.81%	12.80%
SBL growth rate	37.84%	27.02%	25.04%	26.58%	25.77%
<b>Total Credit Cards</b>					
Total Credit Cards of Banking Industry	123,146	160,297	192,370	238,794	283,772
Total Credit Cards of SBL	17,207	23,813	27,215	30,600	38,848
Market share of SBL%	13.97%	14.86%	14.15%	12.81%	13.69%
Industry growth rate	17.59%	30.17%	20.01%	24.13%	18.84%
SBL growth rate	75.15%	38.39%	14.29%	12.44%	26.95%
<b>Total mobile banking and internet banking users</b>					
Total mobile banking and internet banking users of Banking Industry	9,264,531	12,338,024	15,355,160	19,991,565	23,220,184
Total mobile banking and internet banking users of SBL	283,721	385,654	529,038	723,873	832,222
Market share of SBL%	3.06%	3.13%	3.45%	3.62%	3.58%
Industry growth rate	56.49%	33.17%	24.45%	30.19%	16.15%
SBL growth rate	52.18%	35.93%	37.18%	36.83%	14.97%



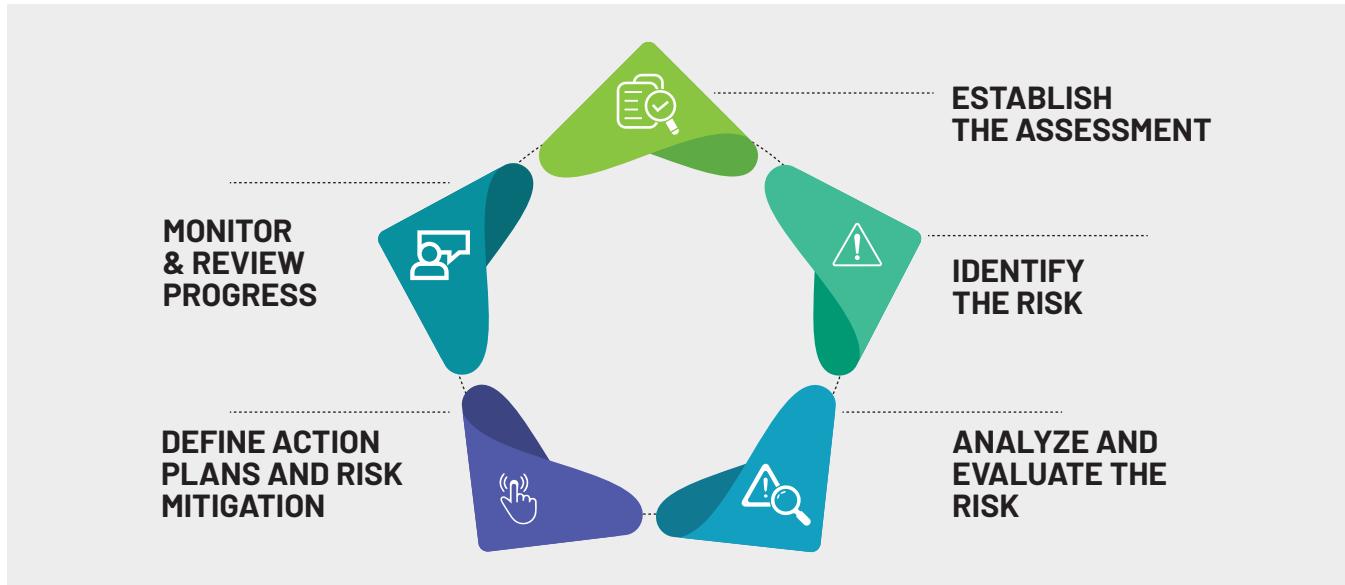


# Risk Management Report

At Siddhartha Bank, Risk management is an integral part of its internal governance framework. The Bank has always been committed to effective risk management to promote better risk culture at all levels.

The management of risk is a critical factor in the execution of the Bank's strategy. The material risks and uncertainties that the Bank faces throughout its business and portfolios are critical focus areas of the Bank. Given the foregoing and in line with the global recognition of the risk management and control systems, the Bank has developed strategies for managing each risk element to which the Bank is exposed as part of the overall strategy for an evolving and efficient risk management system.

## Risk Management Framework/Structure



## RISK MANAGEMENT STRATEGIES

- Monitor the risks inherent in the business activities and ensure their exposures are in line with the Board approved limits, risk appetite, risk limits, and corresponding capital or liquidity needs.
- Ensure internal control, risk management system, and corporate governance across all levels, functions and activities of the Bank are in place
- Ensure compliance with central bank regulations, other regulations, and the Bank's policies, and standard operating procedures at all times

- Strengthen the risk management framework, and the risk functions and take actions on risk management
- Guide and support departments through awareness programs/ activities training at different levels for a better understanding of risk management and its implementation.
- Ensure each unit/department also analyzes, monitors, and escalate risks involved in their areas
- Review and analyze existing products and new products to be developed from various risk aspects

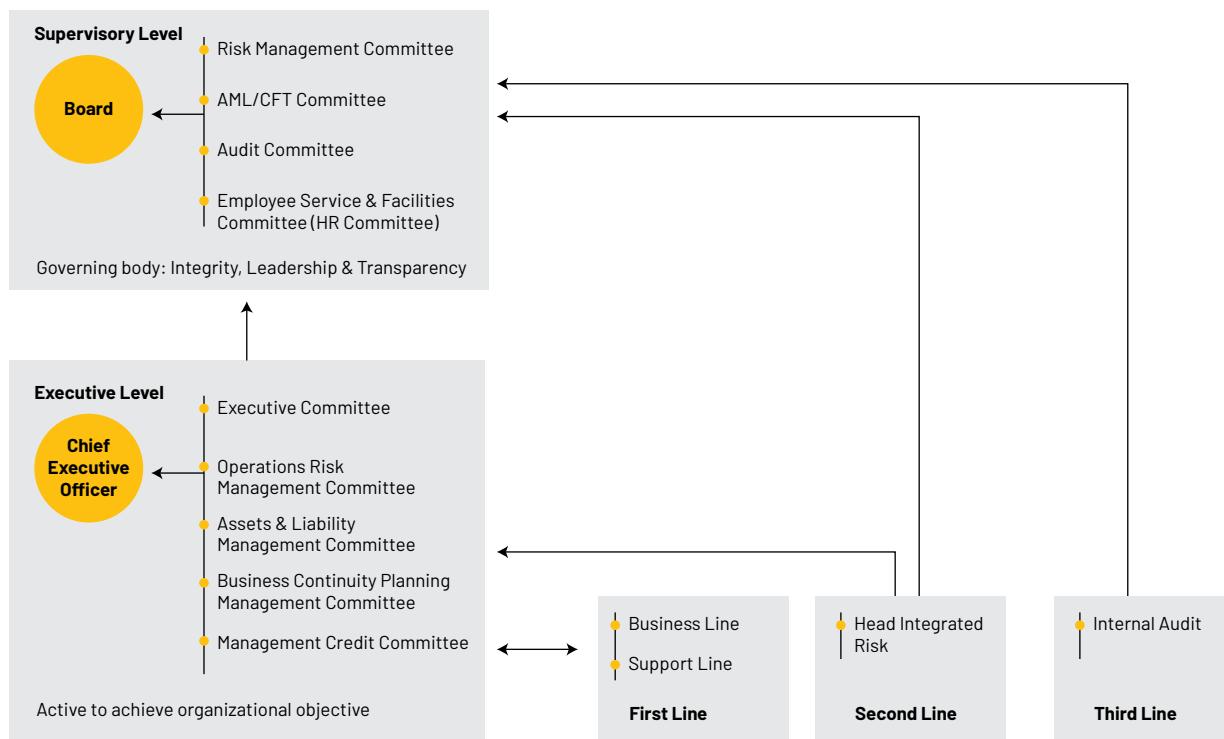
## RISK MANAGEMENT UNITS OF THE BANK:

RISK MANAGEMENT UNIT	PRIMARY ROLES AND RESPONSIBILITY
Credit Risk Management	Manage Potential for loss due to failure of counterparty to meet its obligations to pay the Bank per agreed terms
Operation Risk Management	Manage potential for direct or indirect losses or damaged reputation arising from adequate or failed processes, people, systems, and the impact of external events.
Market Risk Management	Manage the risk of loss in earnings and capital movement due to adverse movement of interest rates, foreign exchange, and market prices.
Liquidity Risk Management	Manage the risk of adverse movement in the liquidity position of the Bank resulting in loss and/or inability to solicit deposits
Compliance Risk Management	Manage non-compliance to regulatory requirements and fines /penalties thereafter
Anti -Money Laundering/Combating the financial terrorism Risk Management	Manage potential threats from suspects to abuse the system to legitimize their money
Information Security Risk Management	Manage information technology-related risk
Environmental and Social Risk Management	Manage the potential for damage to the environment and ecosystem through business activities to cause an adverse impact such as damage, injury, or loss to people and communities

## RISK MANAGEMENT FRAMEWORK

The Bank's Risk Management Framework (as demonstrated in figure below), articulates holistic agenda for ensuring an effective and inclusive risk control throughout the Bank.

### Three Level Structure of Siddhartha Bank



### Risk Management Procedure



## **Component of Risk Management at Siddhartha Bank:**

Embedding a sound risk management culture has been one of the core objectives of the Bank, which underpins the Bank's ability to identify, assess, discuss and take actions to address existing and emerging risks. To align with its strategic priorities, good governance and internal control and to remain resilient, the Bank's risk management framework has covered the following components:

- Risk Governance
- Risk Appetite
- Risk Management Procedure

### **Risk Governance Framework**

The material risks and uncertainties that the Bank faces throughout its business and portfolios are critical focus areas of the management. Considering the risks inherent in the banking business, the Bank has adopted three lines of defense risk governance model that helps it to comprehensively address risks on an ongoing basis.

#### **First line of defense- Risk management by business/ support units**

Main business functions and support units of the Bank are considered as first line of defense and hold ownership of the risk. They ensure all the business activities are conducted in a defined

control environment and bear full responsibility for the risks that arise in their operations.

#### **Second line of defense - Independent risk control and compliance**

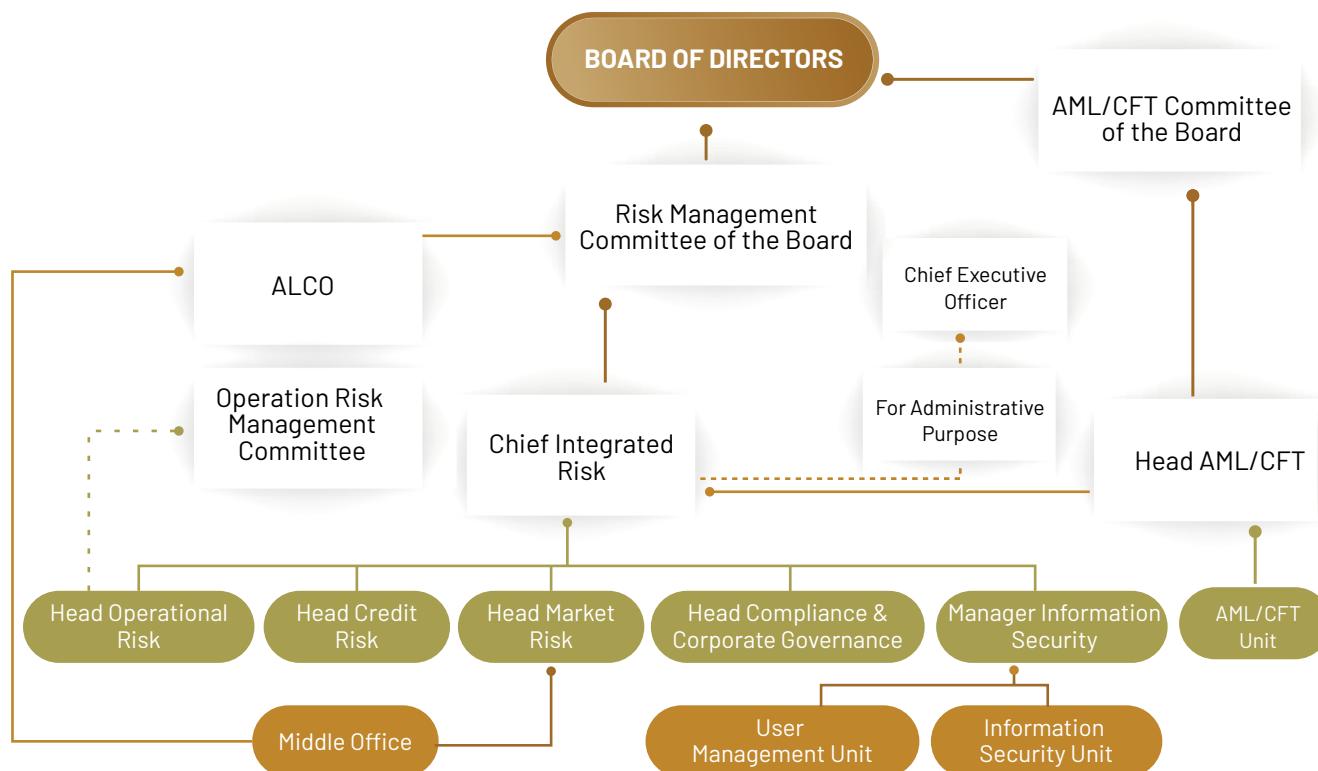
Integrated Risk Management Department and Compliance Department as a second line of defense confirms all the business activities are conducted in controlled environment. They develop and review policies and procedures, design frameworks, apply various tools and processes to identify and mitigate risk and establish risk appetite.

#### **Third line of Defense - Independent Audit Function**

The third line of defense is the Internal Audit Department which provides independent assurance of oversight of the robustness of risk management function including effectiveness of management's control of its own business activities (the first line) and of the processes maintained by the risk controllers (the second line). Further, statutory audit and regulatory audit shall also form third line of defense of the bank.

As a result of our three lines of defense model, we are able to not only prioritize risk management, but also establish and nurture a 'risk-aware' culture across the bank, which helps to ensure the bank's long-term sustainability.

## **Bank's Risk Governance Structure**



## **Risk Appetite**

Risk appetite is the aggregate level and types of risk that the Bank is willing to assume, or seeks to avoid, in pursuit of its goals, objectives, and operating plan, consistent with applicable capital, liquidity, and other requirements. The Bank adopts Key Risk Indicators (KRIs) to measure its risk profile. KRIs are defined for each risk type to ensure accurate measurement and are aligned with the bank's objectives. The risk appetite is evaluated periodically and communicated throughout the Bank. The Risk Committee, in consultation with the Board, develops the risk appetite and executes the strategic, capital, and operating plans within the risk appetite and established limits.

## **Risk Management Procedure**

Effective risk management includes techniques guided by the Bank's overall risk framework and integrated with the Bank's strategies and business planning process. The risk management techniques followed by the bank are:

**Policies and Limits:** The Bank's various risk-related policies are designed to address specific types of risk. They are based on recommendations from risk management, internal audit, business lines, and senior executive management. Industry best practices and regulatory requirements are also factored into the policies. Policies are guided by the Bank's risk framework, and risk appetite, and set the limits and controls within which the Bank operates. Limits control risk-taking activities within the tolerances established by the Board and senior executive management. Limits also establish accountability for key tasks in the risk-taking process and establish the level or conditions under which transactions may be approved or executed.

### **Guidelines and Standards Operating Procedures (SOP):**

Guidelines and SOPs are the directives provided to implement policies. The bank has developed separate SOPs for every function of the bank. They are reviewed from time to time and may change due to market or other circumstances. In case the risk has to be taken outside of the prescribed SOP, approval of the Bank's senior management is required.

**Processes and Standards:** Processes are the activities associated with identifying, evaluating, documenting, reporting, and controlling risk. Standards define the breadth and quality of information required to make a decision, and the expectations in terms of quality of analysis and presentation. Processes and standards are developed on an overall bank-wide basis, and documented in a series of policies, manuals, and handbooks. Key processes cover the review and approval of new products, models, and stress testing

**Measurement, Monitoring, and Reporting:** Risk measurement techniques include the use of models and stress testing. The Bank uses models for a range of purposes including estimating the value of transactions, risk exposures, credit

risk ratings and parameters, and economic and regulatory capital. A strong governance framework balances the use of quantitative risk methodologies and includes the application of sound and experienced judgment.

**Regular Monitoring:** It ensures that business activities are within approved limits or guidelines, and are aligned with the Bank's strategies. Breaches, if any, of these limits or guidelines are reported to senior management.

**Risk Reports:** Aggregate measures of risk across products and business, and are used to ensure compliance with policies, limits, and guidelines. They also provide a clear statement of the amounts, types, and sensitivities of the various risks in the Bank's portfolios. Senior management and the Board use this information to understand the Banks' risk profile and the performance of the portfolios.

## **Risk Culture**

The Bank's risk culture promotes accountability, and learning from the past, and encourages open communication and transparency on all aspects of risk-taking. To promote a sound risk culture, the bank has focused on three key dimensions: the tone from the top, incentive policies, and risk accountability and ownership.

## **RISK CONTROL AND MITIGATION METHODOLOGY**

Considering the importance of effective risk management and control systems in banks, the Bank has developed strategies for managing each risk element faced by the Bank as a part of the overall strategy for an evolving and efficient risk management system.

The Bank's risk management framework and control measures aim to strike the appropriate balance between our regulatory requirements, which demonstrate our ability to sustain financial stress and unexpected losses, and our shareholders' return expectations. The Bank's risk management is a discipline that encompasses all the activities that affect its risk profile which involves identification, measurement, monitoring, and controlling risks.

Risk assessment comprises three steps risk identification, risk analysis, and risk evaluation. Identification of the nature, sources, cost of risk, areas of impact, events, their causes, and their potential consequences from both existing and new business initiatives is essential to properly manage risks.

Risk analysis involves developing an understanding of the Bank's risk by considering factors affecting and consequences of an unfavorable event and the likelihood of such an event occurring.

Risk evaluation assists in making decisions, based upon the outcomes of risk analysis, about which risks need treatment for implementation.

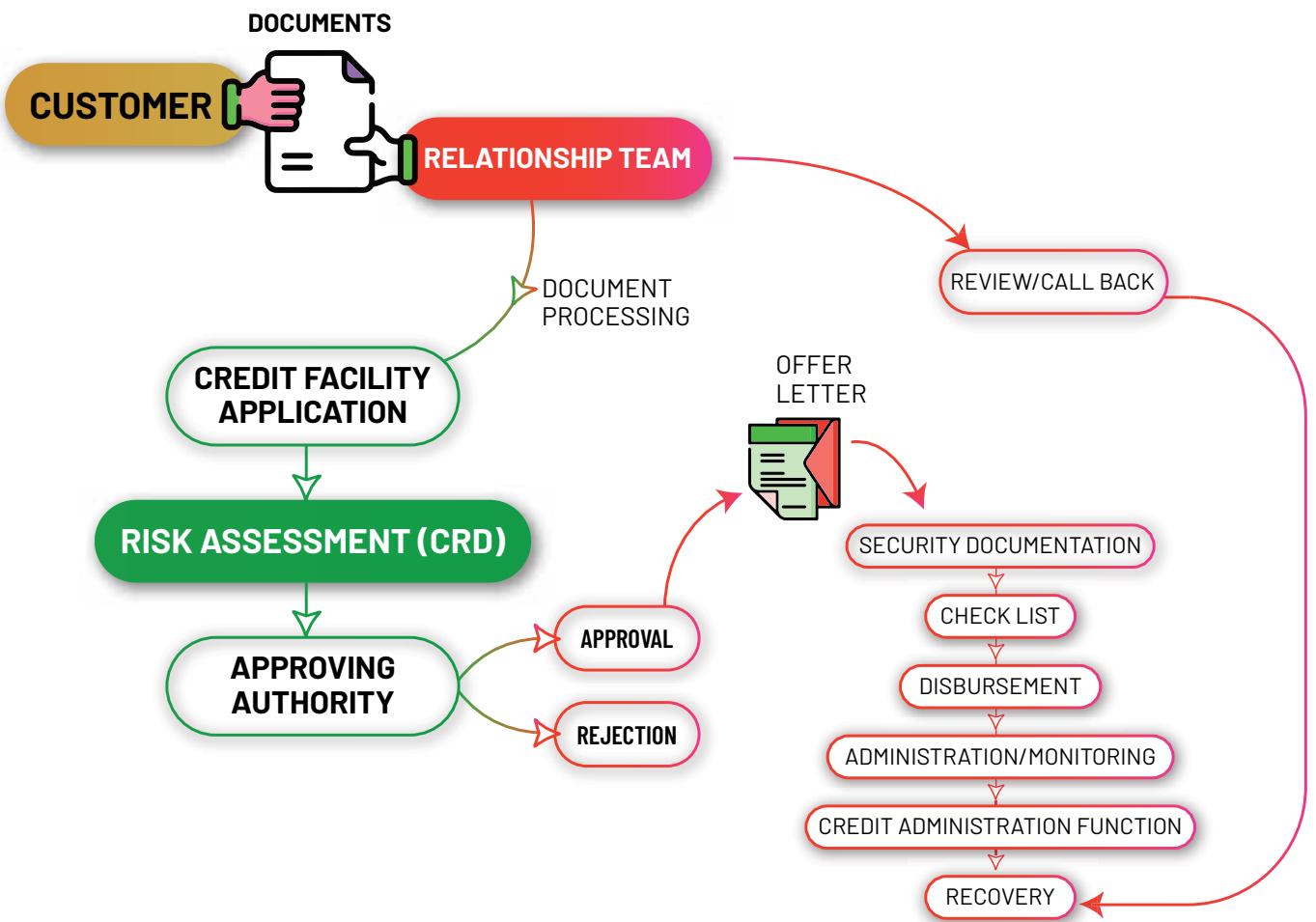
After the assessment of exposed risk, risk treatment is concerned with the selection of the best option to eliminate or mitigate unacceptable risks.

#### a. Credit Risk:

In relation to the Bank's lending, investment and other contractual commitments, credit risk is the risk that results from the borrowers or counterparties' failure to fulfill their obligations under contractual agreements.

The transactional/ borrower level and the portfolio level risk analysis make up the integral part of the Bank's Credit risk management system. The Bank has developed strong procedures, processes, and tools to identify and assess the risks on an individual borrower basis in order to manage credit risk on the transaction level.



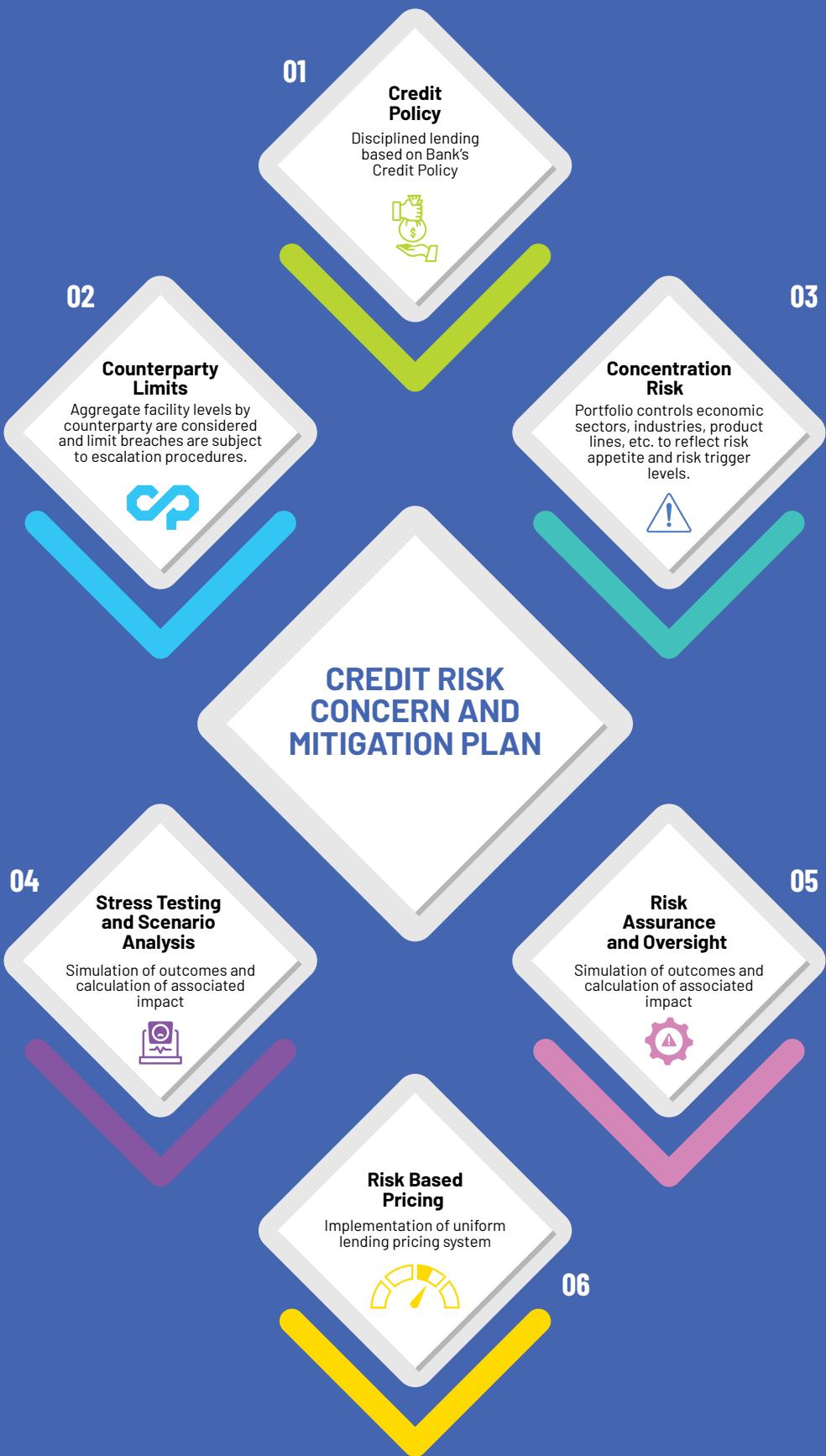


#### **Credit Risk Management System at Borrower/ Transaction Level:**

The staff of the Credit Risk Department are deployed in each province or division to be consistent with the idea of province-level banking. A decentralized credit risk department shall allow conducting independent site visits for cross-verification of business, collateral, and residence sites. Additionally, this process shall allow for the verification of accuracy and completeness of loan documentation and evaluate loan performance, which would uncover vulnerabilities in the loan portfolio of the Bank. The corporate and SME business files are examined by the credit risk department. Moreover, CRD reviews retail loans that are beyond the CEO's purview.

#### **Credit Risk Management System at Portfolio Level:**

The Risk Management Committee is in charge of managing risk connected with all of the Bank's operations, including making sure internal risk management, control systems, and compliance with applicable laws and regulations are complied. At least on a quarterly basis, the member secretary of the Risk Management Committee updates the Board on the issues seen and decisions made by RMC related to internal risk management and control systems. The Risk Management Committee reviews the Bank's risk position in relation to its risk profile and suggesting an action plan on regular basis.



### b. Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. The Bank believes that operational risk can be minimized to the extent possible by discarding manual processes and ensuring the highest level of integrity through transparency and proactive management of all operational risk types.

To achieve the desired risk management result, the Operations Risk Department ensures a constructive and collaborative

approach in providing oversight to which the Risk Management Committee takes decisions to ensure accountability on time. The Risk Management Committee takes active participation in reviewing risk management protocols and results to facilitate evidence-based affirming and effective risk management techniques.

The Bank in line with Basel provisions calculates risk exposure and allocates sufficient capital/cushion for perceived operational risk.

### Risk Mitigation and Monitoring

RISK DESCRIPTION	KEY RISK	RISK ASSESSMENT	RISK MITIGATION AND MONITORING
Operational Risk	Internal/External Fraud	Key Risk Indicators Review	Capital Allocation in line with Capital Adequacy Framework 2015
	Control Lapses in Operational Process	Workshop/ Training	
	Breakdown in Corporate Governance	Whistle Blowing	Trigger Reporting and Escalation
	External Events Risk	Periodic Review of Branches/ Department Processes	Monitoring of major operational risk indicators vide Key Risk Indicators, Key control parameters, and set of internal controls prescribed in internal documents.
		Review of Internal Audit/ External Audit Report	Review of controls and their effectiveness considering the nature of business.
		Risk Register	

The Bank shall indulge in activities where risks are known and reasonable in accordance with the risk appetite of the Bank. The risk appetite and tolerance level of the Bank for various sources of operation risk are demonstrated below:

RISK CATEGORY	OPERATIONAL RISK AREAS	OPERATIONAL RISK APPETITE	OPERATIONAL RISK TOLERANCE
Compliance risk	-	No	Zero
Fraud	Internal Fraud	No	Zero
	External Fraud	No	Zero
Physical Security	Employee and Bank Assets	low	Low
Information Technology	Service availability	Low	Low
	Information security(cyber-attacks	Low	Low
	System enhancement or development	Low	Low
Information System Management	Use of Information, Management and Retrieval	Low	Low
	Misuse of Confidential Information	No	Zero
Business disruption and continuity plans	Critical System	Low	Low
	Essential System	Moderate	Moderate
	Non-Critical	High	High
Other People Related Risk	Performance, Knowledge, competencies	Low	Low
	Service to Customer	Low	Low
	Practices or Behavior (gender biasness, harassment)	No	Zero

### c. Market Risk:

Market Risk is the risk to the Bank's earnings and capital due to changes in the market level of interest rates or prices of securities, foreign exchange, commodities and equities, as well as the volatilities of those changes.

Market Risk mainly comprise of the following five risks throughout the Bank:

- a) Interest rate risk
- b) Foreign exchange risk
- c) Position Risk
- d) Commodities price risk
- e) Concentration Risk

In order to manage market risk, the Bank has outlined limits to achieve or avoid in its market related policies and through various internal circulars that are circulated as per requirement. The Bank's Market Risk Management Unit, oversees the functions of Treasury Mid Office and daily, weekly, and monthly reports are prepared to capture the current market scenario as well as predict the future market scenario. Worst market case scenarios and the bank's ability to absorb them are analyzed through regulatory approved and internally developed stress case scenarios.

Market Risks are discussed at Asset Liability Management Committee (ALCO) of the Bank regularly. ALCO ensures the functioning of the jobs in line with the policies and procedures and suggests/recommends necessary steps collectively to address the risk of interest rate movement, exchange rate movement and equity price changes.

The Bank assesses the open position on a daily basis and calculates risk exposure for the allocation of required capital in line with Basel provisions. Likely impact on earnings due to changes in the market condition and changes in the standing of the counterparty are well assessed periodically and necessary actions are taken as appropriate. Treasury front office is equipped with an advanced dealing platform for liquidity and efficient dealing. Similarly, the unit is equipped with modern and advanced information system on global news, market movements and any incidents so that bank can manage and maintain the position favorably. The Bank in line with Basel provisions calculates risk exposure and allocates sufficient capital/cushion for perceived market risks.

RISK DESCRIPTION	KEY RISK	RISK ASSESSMENT	RISK MITIGATION AND MONITORING
Market Risk	Mismatch in interest rate sensitive assets and liabilities Uncovered FCY Open Position Sharp stock price decline and rising debt costs Growing concentrations in either assets or liabilities Rapid assets growth funded by volatile large deposit large size of Off-balance sheet exposure Adverse movement in Economic and Market conditions	GAP Analysis Mark to Market Analysis Financial Ratio Analysis Structural liquidity assessment Deposit Composition Nostro Reconciliation Open Position Approach Stress Testing	Capital Allocation in line with Capital Adequacy Framework 2015 Trigger Reporting and Escalation Setting the risk appetite of the Bank Assigning market dealing and portfolio limits and credit exposure limits through approved policies

#### **d. Strategic Risk**

Strategic Risk is subject to occurrence from the pursuit of an unsuccessful business plan of the Bank. There is possibility of adverse effects on Bank's financial result and capital due to the absence of appropriate policies and strategies or their inadequate implementation. Strategic Risk may also arise from changes to the regulatory framework or ineffective positioning in the macroeconomic environment. Strategic risk induces operational loss that consequentially hampers the capital base.

#### **Risk Mitigation and Monitoring**

The Bank, through its Corporate Strategy ensures adequate process of identification, measurement, monitoring and controlling strategic risk by conducting a strategic risk review on a yearly basis including the Bank's financial performance quarterly comparison with the banking industry and ongoing business plan. The monitoring of business plan achievement and performance of the bank is also outlined in the budget and business plan. Each department reviews their budget and business plan and conducts gap analysis to challenge the predefined objectives for periodic validation.

#### **e. Reputation Risk**

Reputation risk is the current or prospective risk to earnings and capital that arises from a decline in the customer base, costly litigation due to adverse perception of the stakeholders. Reputation risk exposure is present throughout the organization as it bears potential loss to the bank due to inappropriate actions or activity or lack of governance oversight.

#### **Risk Mitigation & Monitoring**

To protect the Bank's reputation among all the related stakeholders and to maintain an overall positive image, the Bank has been promoting awareness by encouraging businesses and functions to take account of Bank's reputation in all decision making including dealing with customers and vendors. Further, effective implementation of reporting systems and promote effective and proactive stakeholder management through continuous engagements and transparency of banking affairs.

The responsibility to monitor and control reputation risk is currently handled by Central Information and Grievance Handling Desk (CIGHD), a unit with the authority and responsibility to provide comprehensive information to customers. The unit receives, coordinates, and responds to customer information, complaints and grievance handling including information/complaints received from digital platforms (Social media, website, emails, suggestion box, etc.) The unit is also responsible for coordinating with concerned departments for quick resolution and acts by Right to Information Act, 2007, and disclosure policy of the Bank. To channelize the information and complaint handling procedure, a central level digital platform attested to the website of the Bank, which is integrated in Customer Relationship Management model. Furthermore, a suggestion box including a customer feedback form is placed in each branch to gain an overview of customer grievances

regarding banking services in case the customer wishes to lodge through physical means.

Associated with the monitoring and control of reputation risk, senior-level executives (Chief Information Officer and Grievance Handling Officer) oversee the functionality of the CIGHD unit. The Bank has deputed Branch Managers and Operation Officers as Branch Information Officer and Grievance Handling Officer respectively to receive and report customer information and grievances to the Chief Information Officer and Chief Grievance Handling Officer. Further, to manage and control reputation risk due to operation-related work, clear job description, line of authority, policy and procedure, and staff code of conduct is in place.

#### **f. Compliance Risk**

Compliance Risk is associated with the risk of legal or regulatory sanctions, material financial loss, or loss to reputation the Bank may suffer as a result of its failure to comply with laws, regulations, rules, related organization's standards, and codes of business conduct applicable to its banking activities. The Siddhartha Bank has board approved "Compliance Policy" devised to ensure a proper compliance orientation and focus within the Bank to address compliance risk inherent in banking business operations.

#### **Risk Mitigations and Monitoring**

- Zero tolerance policy is adopted in relation to compliance of regulations and internal policies
- Comprehensive compliance policies/procedures are implemented and circulated to the Bank's Department and its branches
- Compliance risks are identified and measured in relation to its regular business operations and development of new products and business practices.
- Regulations, changes in regulations, policies are timely disseminated to ensure compliance at all times.
- Employee training and education is carried out and policies/regulations/manuals are made available
- Monitor timely submission of regulatory returns by the reporting unit through a system of monthly/quarterly/annual return checklist.

#### **g. Money Laundering/ Terrorist Financing Risk**

The Bank has implemented sound mechanisms in place so as to ensure that it prevents risks associated with money laundering and terrorist financing.

#### **Risk Mitigations and Monitoring**

- Implemented risk management system for proper identification and analysis of ML/FT risks related to risk factor such as customer, product & service, delivery channel & geography, and effective implementation of the Bank's policies and procedures that commensurate with the relevant inherent and residual risks identified.

- Board level AML/CFT Committee ensures the oversight of AML Governance within the Bank.
- AML/CFT Department screens, monitors and reports the issues related to AML/CFT and develop AML compliance programs to adequately address the ML/FT risks identified through risk assessment.
- Installed dedicated AML Monitoring System, that analyzes, monitors, detects and generates reports on customer's transaction profiles and generates red flags, alerts, for the suspicious transaction, on a daily basis, through various scenarios constructed on the basis of indicators of suspicion.
- Installed World compliance online search database tools for screening of on boarding /existing customer.
- Various elements of a sound risk management approach is applied across most areas of the AML programs, including Know Your Customer, Customer Due Diligence, Customer Risk Rating, Red Alerts and Transaction Monitoring, Sanctions Screening, PEPs screening, Adverse Media Screening, Reporting and Retention of Record.

#### **h. Information Technology Security Risk**

The Bank is aware that with increase dependency in technology and with digital first strategy it is exposed to IT risks and thus has made considerable investment to ensure that customer data and the Banking system is more secure.

#### **Risk Mitigations and Monitoring**

The Bank has invested in software's and network security devices that makes the Bank's system more secure and impenetrable. Information Security Department (ISD) and Identity Access Management (IAM) unit are formed which is responsible for protecting the information/data of the organization from unauthorized elements (external and internal) and CIA (confidentiality, Integrity and Availability) by implementing and maintaining organization-wide Information Security Policy, Standards, Guidelines and Procedures. ISD works in consortium with IT Department, PSD and other related departments in order to conduct functionality and gap analysis to quantify various IT risks pertaining to different key business areas and infrastructure and comply with statutory and regulatory requirements. ISD conduct gap analysis in accordance with NRB IT Guidelines and External Audit report.

The ISD scope and key activities carried out for IT Risk Management of Bank is mentioned below:

- Enhanced Information Technology (IT) Security following the periodic operational security procedures reviewing the Bank's Information Security Policy, ICT policy, Standard Operating Procedures, Profile and user manual.
- Reviewed best practices of the industry including PCI DSS, ISO 27001:2013, ISACA's COBIT 5 framework on Governance & Management of IT; IS acquisition, Development and Implementation; IS operation, maintenance and service management; Protection of Information Assets.
- Reviewed IT Risk Management Framework and IT Risk assessment of define scoping systems, application/database and network devices, which would help, further in IT/Operation

risk assessment in determining the probability of occurrence of the incident.

- Developed a security infrastructure and scope for IT Risk Assessment to protect SBL assets through accountability and inventory list, data classification/categorization, and handling procedures.
- To protect against the loss of data in the event of physical disaster or other incidents, which may lead to the loss of data (e.g. data corruption), the ISD has maintained and reviewed the system data backup documents as a part of the process of onboarding and off boarding applications/database, system, network etc.
- Security alerts are monitored and analyzed and distributed to appropriate information security IT team, technical and business unit, management personnel.
- Phishing simulation are carried out by Information Security Department (ISD) as a sample basis within Branches including Departments that ISD can use to educate and train bank's staff/executives/stakeholders and the enterprise workforce to recognize and avoid falling victim to a real phishing campaign.
- Protection of system and data are ensured by implementing seamless access management processes, which aim to ensure that only authorized users are able to access it. Detect and prevent unauthorized access with timely and periodic review with Information Security Department of user rights assigned.
- Implemented Web Application Firewall (WAF) to ensure it is continuously blocking web malicious traffic and allowing legitimate traffic. Regularly review logs to identify any potential security threats.
- The development, implementation and execution of the vulnerability management procedure defined in SBL Information Security Policy, is the responsibility of the Security Operations area under the authority of the Information Security Department. Performed and reviewed Internal/External Vulnerability assessment.
- Implemented and deployed Kaspersky Embedded System (KES) in the ATM machines that stops threats and coordinates enforcement with network and cloud security to prevent successful cyber-attacks.
- Deployed a new generation firewall and review the Firewall rule set policy to intact ACL (Access Control list).

#### **i) Environment and Social Risk:**

The Bank aims to ensure that it minimizes the environment and social risks resulting from its business operations as financing activities. The key environmental and social risk associated with businesses are assessed with the use of environmental and social due diligence checklist.

#### **Risk Mitigations and Monitoring:**

The environmental and social due diligence check list guides the identification of key risk in businesses and helps in development of mitigating factors to overcome the identified risk to help sustainably operate businesses. Following the questionnaire in the ESDD checklist, a risk rating of High, Medium or Low is deduced. As per the ESRM policy, a risk rating of High or Medium is

required to prepare an E&S Risk Summary and Corrective Action Plan.

Based on the E&S summary, a corrective action plan is prepared which are developed identifying the risk, mitigation measure, timeline for implementation and who should be responsible for implementation. Transaction specific corrective action plan and covenants can be part of the loan documents.

Monitoring is done in a periodic manner to ensure that environment and social risks identified and summarized in E&S risk summary are being mitigated as per the timeline set out in corrective action plan. It also ensures that the E&S risk profile of the transaction hasn't increased. The Bank has developed a mechanism to ensure that the E&S risk associated with businesses are embedded in the proposals itself and are addressed during the time of decision making with the E&S risk information available.

## DISCLOSURE OF RISK REPORTING

### Credit Risk

#### Credit Concentration Risk

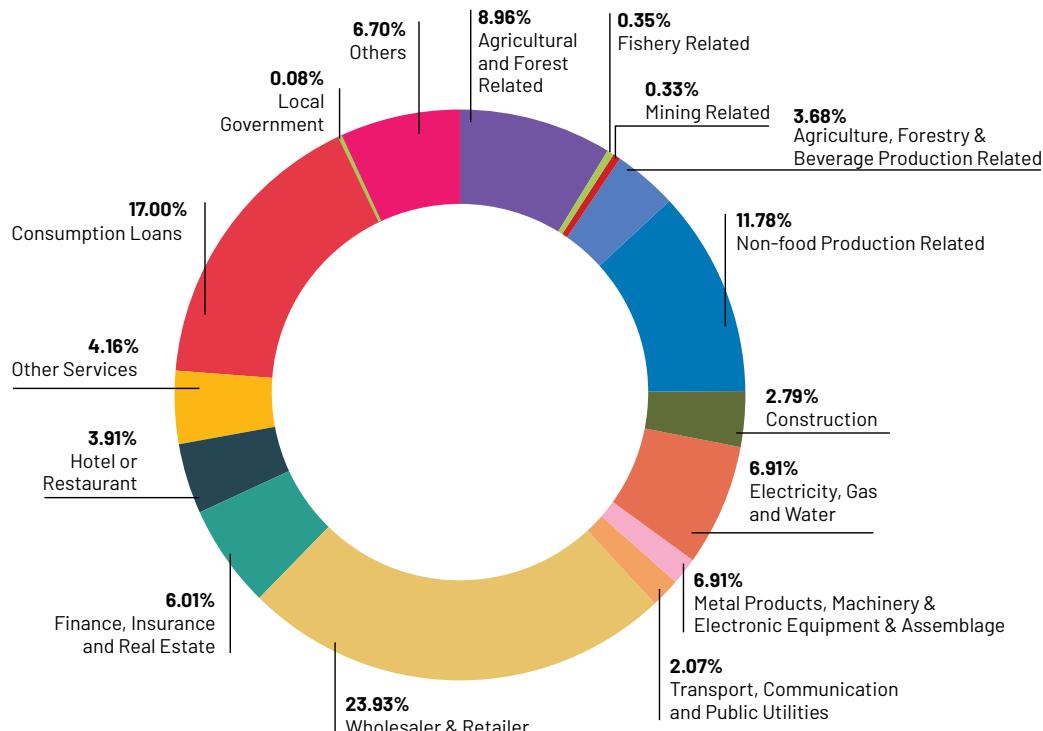
The Credit Concentration Risk review and analysis of the Bank includes the following parameters as channeled by the Bank's Risk Appetite Level and Risk Trigger Level of the Bank:

- Single Obligor Limit
- Sectoral Lending (16 sectors as prescribed by NRB)
- Top Borrower Wise Exposure
- Single Borrower's Concentration
- Additional Sectors Concentration

#### Single Obligor Concentration (Loan Limit % of Core Capital):

S. NO	PARTICULARS	LIMIT OF NRB	LOAN EXPOSURE AS ON FY 2021-22	LOAN EXPOSURE AS ON FY 2022-23
1	Single Obligor Limit	25%	13.55%	10.60%
2	SOL (Productive Sector)	30%	26.51%	17.28%
3	SOL (Hydropower Sector)	50%	18.20%	17.06%

#### Sector wise loan concentration of the Bank



### Top borrower wise exposure:

BORROWER	16TH JULY 2023			Million NPR
	FUNDED EXPOSURE	NON-FUNDED EXPOSURE	TOTAL LOAN EXPOSURE	
1.	1,141.79	1,141.81	2,283.60	
2.	1,884.93	-	1,884.93	
3.	1,155.04	406.14	1,561.18	
4.	1,350.33	25.03	1,375.36	
5.	1,314.50	-	1,314.50	
6.	1,176.44	51.40	1,227.84	
7.	1,193.05	34.04	1,227.09	
8.	1,084.74	111.37	1,196.10	
9.	1,151.98	-	1,151.98	
10.	1,147.21	1.24	1,148.45	
11.	271.16	845.22	1,116.38	
12.	1,026.45	-	1,026.45	
13.	525.07	435.58	960.65	
14.	679.66	270.10	949.76	
15.	305.28	543.52	848.81	
16.	816.30	-	816.30	
17.	798.92	0.40	799.32	
18.	735.69	39.44	775.12	
19.	747.49	13.26	760.75	
20.	701.05	35.25	736.31	

### Single Borrower's Concentration:

S. NO.	PARTICULARS	LIMIT OF NRB	LOAN EXPOSURE AS ON FY 2021-22	LOAN EXPOSURE AS ON FY 2022-23
1.	Top 10 borrowers	-	6.35%	6.60%
2.	Top 100 borrowers	-	24.48%	25.36%

Exposure Cap for Single borrowers (% of Total Loans and Advances)

1.	Top 10 borrowers	-	6.35%	6.60%
2.	Top 100 borrowers	-	24.48%	25.36%

### Additional Sectors Concentration:

S. NO.	PARTICULARS	LIMIT OF NRB	LOAN EXPOSURE AS ON FY 2021-22	LOAN EXPOSURE AS ON FY 2022-23
1.	Real Estate Lending	25%	3.44%	3.10%
2.	Total Margin Lending	40%	21.53%	20.24%

### Market Risk :

#### 1. Stress Testing

As part of the Bank focus on fostering risk culture stress testing is consider as a critical tool for risk management program. Stress testing, as an important risk management tool identifies potential risks and supports the optimization of capital and liquidity buffers. It enables the exploration of vulnerabilities in business models whilst overcoming the limitations of historical data. Stress tests are used to measure the impact of extreme, yet plausible events. Where necessary, measures are taken on the basis of the results of the stress tests that are in line with the Bank's risk appetite.

Central Bank has advised all banks to perform and submit stress testing on quarterly basis. The outcome of stress testing in credit, market and liquidity scenarios is submitted to Central Bank upon review of senior management and Board on quarterly basis. The output of stress testing are taken into account for assessing potential risk, mitigation of such risk as well as current and future capital requirement of the Bank.

#### 2. Net Open Position:

Net open currency position is the un-hedged position in all the foreign currencies that exposes the Bank to the foreign exchange risk.

FOREIGN CURRENCIES	NET OPEN POSITION	
	FY 2022-23	FY 2021-22
AED	27.08	33.14
AUD	(1.86)	(0.53)
BHD	0.11	0.04
CAD	3.66	1.51
CHF	2.16	0.04
CNY	6.91	7.09
DKK	0.20	0.22
EUR	(1.15)	0.19
GBP	(1.80)	(0.02)
HKD	1.23	0.40
INR	218.40	184.61
JPY	(1.19)	0.10
KRW	(6.45)	0.07
KWD	0.34	0.24
MYR	2.60	1.41
QAR	1.70	0.56
SAR	1.76	1.59
SEK	0.11	0.10
SGD	11.08	1.54
THB	0.20	0.26
USD	573.08	75.74
Net Open Position	838.16	320.71
Core Capital (as of previous quarter)	20,122.82	18,837.88
Net Position to Core Capital	4.17%	1.70%

### 3. Deposit Mix and Concentration (Amount in Millions)

PARTICULAR	FY 2022-23	% MIX	FY 2021-22	% MIX
Current	13,108	5.87%	11,211	5.74%
Margin	1,743	0.78%	2,473	1.27%
Saving	59,718	26.73%	54,740	28.05%
Call	19,069	8.53%	18,537	9.50%
Fixed	129,795	58.09%	108,188	55.44%
<b>Total LCY Deposit</b>	<b>223,432</b>		<b>195,150</b>	

### 4. CASA Mix (Amount in Millions)

PARTICULAR	FY 2022-23	% MIX	FY 2021-22	% MIX
Current Deposit (Including Margin)	14,851	6.65%	13,684	7.01%
Saving Deposit	59,718	26.73%	54,740	28.05%
<b>Total CASA</b>	<b>74,569</b>	<b>33.37%</b>	<b>68,424</b>	<b>35.06%</b>
<b>Total LCY Deposits</b>	<b>223,432</b>		<b>195,150</b>	

### 5. Concentration of deposit on Top 20 depositors as of 16th July 2023

PARTULARS	INTERNAL CAP	REGULATORY THRESHOLD	ACTUAL RATIO
Depositor's Concentration			
% of Top 20 Depositors	25%	-	18.85%

### AML/CFT RISK ASSESSMENT

The Bank has conducted the AML/CFT risk assessment in accordance with the requirement of Unified Directives No. 19 (9)(3) issued by Nepal Rastra Bank and prepared the AML/CFT risk assessment report for the period July 16 2022 to July 16 2023. The Bank has assessed the risks inherent in its business, taking into account risk factors including those relating to its customers, countries or geographical areas in which it operates products & services, and its delivery channels.

Based on the annual risk assessment conducted by the Bank on the various risk factors such as Customer, Product & Services, Delivery channel, and Geography, overall inherent risk of the Bank for FY 2022-23 is Medium rating.

The Bank has various control mechanisms for offsetting overall inherent risk. AML control of the Bank is assessed based on various preventive controls such as policy & procedures, training, AML program, AML governance, Management Oversight, and detective control such as monitoring & control, independent testing & assurance, and detection & filing of STR/SARs. Hence the AML control of the Bank is adequate and helps detect/control potential AML risk but has the scope of improvement, hence control effectiveness is assessed as 89%. The residual risk is the risk remaining post-assessment of control against the identified inherent risk. Hence the residual risk of the Bank after applying the control measures is the Medium rating.

### Summary of Bank ICAAP assessment:

The Bank operates a prudent approach to risk with rigorous management controls to support sustainable business growth and minimize risk and losses. The bank has been promoting risk-based controls through a strong and independent risk function (Integrated Risk Management Department). The risk department maintains control frameworks to identify and escalate current and emerging risks that support the Bank's activities are within the risk appetite and are driven by risk decision-making.

Within the purview of robust risk management, the Bank's mission and value propositions are cascaded from the senior management down to every employee who has a role in risk management. The Bank's risk governance framework consists of key policies, standards, and processes through which the Bank identifies, assesses, measures, monitors and controls risk across every operational and business activity. The Bank's risk management policy also emphasizes risk culture and lays out standards, procedures and programs that are designed to set, reinforce and enhance the Bank's overall risk culture integrate its values and conduct expectations into the organization providing employees with tools to assist them with making prudent and ethical risk decisions and to escalate issues appropriately. The Bank monitors its risks through the coordinated efforts of the risk management departments taking into account current fluctuations in the risks taken and prospects of the bank business and operations to ensure alignment of regulatory capital requirements with the true risk profile of the Bank thus ensuring long term strategy and soundness of the Bank.



1  
D 1

Marketing  
Treasury Book  
Human Resource  
D 1



The Bank believes that the assessment of capital is a comprehensive and regular process where business plans and strategies are formulated within the defined risk appetite and preferences, risk management systems in making decisions regarding capital requirements and its management. Within the bank's internal governance framework, the ICAAP process ensures that the management body:

- Adequately identifies, measures, aggregates and monitors the Bank's risks;
- Ensures that the Bank holds adequate internal capital in relation to risk profile; and
- Uses sound risk management systems and develops them further.

The ICAAP process constitutes key governance parameters for capital management as prescribed in the regulatory framework, which mainly consists of three pillars designed to mutually reinforcing adequate capital base corresponding to overall risk profile of the Bank.

The Bank has adequate capital for its size and complexity of business. The Bank manages its capital to ensure that it is able to operate above the regulatory and internal capital requirements. The ICAAP indicate that the Bank's capital adequacy ratio and Tier- I capital ratio remains well above internal requirement

of 11.5% and 8.75% throughout the period of fiscal year 2022-23. It indicates that the Bank was able to maintain a sufficient capital base to meet the minimum capital requirements.

The Bank has adopted the regulator driven risk assessment methodology for assessment of material risk & potential capital charge impact under ICAAP. Simplified Standard Approach, Net Open Position approach and Basic Indicator Approach is applied for measurement of Credit Risk, Market Risk and Operational Risk respectively. The Bank considers that the risk assessment undertaken for the above risks reflects an acceptable level of its risk profile. Over and above risks, additional capital shall be set aside using best practices for their assessment and associated capital charge by supervisory review.

The Bank has developed various internal risk assessment methodologies and tools for assessment of material credit risk, market risk and operational risk and scenarios for stress testing. The risk analysis, outcome and mitigating measures for effective internal control are presented to the Senior Management through Risk management committee for its effective implementation.





# **Corporate Governance**

Siddhartha Bank is strongly committed to ensuring that its systems, procedures and practices reflect a high standard of Corporate Governance. It has a well-defined and well-structured Corporate Governance framework in place to support the Board's aim of achieving long-term and sustainable value, as well as fostering a culture that values ethical behavior, integrity and respect to protect shareholders' and other stakeholders' interests at all times by adapting governance as an integral part of organizational culture.

Siddhartha Bank's Corporate Governance Framework is based on accountability, effective delegation and adequate oversight to support sound decision making. Siddhartha Bank believes good corporate governance is critical to the proper functioning of the Bank thus, has a strong Board, four Board level committees along with effective control functions and a robust risk management framework with sound risk culture in place. The Board members and the senior management team are equally committed to good corporate governance. The Board level committees in the Bank have been formed in line with NRB Directive.

### Corporate Governance Framework



## BOARD OF DIRECTORS AND BOARD LEVEL COMMITTEES

The Board constitutes of versatile members from various walks of life. The board constitutes of directors from both promoter & general shareholders categories along with a representative from independent category as prescribed by Nepal Rastra Bank. During the fiscal year 2022-23, 19 Board meetings were conducted to discuss on various agendas related to the smooth functioning of the Bank. Under the chairmanship of Mr. Manoj Kumar Kedia, the Board constitutes of the following members:

## BOARD OF DIRECTORS

S.NO	NAME	DESIGNATION	DATE OF APPOINTMENT	NO. OF MEETINGS ATTENDED
1.	Manoj Kumar Kedia	Chairman		18
2.	Narendra Kumar Agrawal	Director		17
3.	Rahul Agrawal	Director	January 29, 2021	18
4.	Dinesh Shanker Palikhe	Director		19
5.	Ankit Kedia	Director		19
6.	Mina Kumari Sainju	Independent Director	April 27, 2021	19

### Discussion and Decision

- Necessary discussion on various loan proposals, acceptance and approval after review.
- Regarding the annual budget and work plan of the Bank for the year 2022-23.
- Regarding the annual financial report of the Bank for the year 2021-22.
- Regarding the Bank's five-year strategic plan.
- Regarding the quarterly review of the annual budget and work plan for 2021-22.
- Regarding the monthly financial progress statement.
- Quarterly comparative financial progress with other commercial Banks statement.
- Regarding tax related issues.
- Discussion regarding sector loans and loans provided by the Bank.
- Discussion and approval regarding the construction of the Central Office Building located at Naxal, provincial office building at Biratnagar and the provincial office building in Pokhara, including time extension, cost increase, progress details and final payment.
- Regarding the Lease of the building required for the branch office and the renewal of the Lease Agreement of the existing branch office.
- Regarding additional time for opening of new branches and extension.
- Regarding new BLB Point expansion.
- Purchase of ATM Machines, Customer Relationship Management (CRM) Sales License, Personal Computers, Human Capital Management System etc.
- Transfer of founder share rights.
- Regarding the report submitted by Audit Committee, Risk Management Committee, Anti-Money Laundering Committee
- Regarding the review of the Bank's director, board of directors and director level committee.
- Regarding appointment of external auditor.
- Approval of details related to section 78 of the Companies Act, 2063.
- Discussion on the date, time, place, topics of discussion of the twenty-first annual general meeting, the report of the board of directors, the amendment of the memorandum and articles of association and Book Close.

- Regarding the registration and listing of Bonus shares.
  - Regarding the renewal of the contract of the existing legal advisors of the Bank.
  - Regarding the corporate governance report to be submitted at Nepal Securities Board.
  - Regarding the Bank's 20<sup>th</sup> anniversary.
  - Regarding quarterly review of Bank's investment statement.
  - Regarding investment in Avasar Equity Diversified Fund.
  - Regarding the loan agreement with International Finance Corporation (IFC).
  - Regarding additional seed capital investment in Siddhartha Systematic Investment Scheme.
  - Opening and closing of dollar accounts in various international Banks and Nostra accounts in national Banks.
  - Daily liquidity facility from Nepal Rastra Bank.
- Regarding the new organizational structure of the Bank.
  - Regarding the Bank's New Staff Service Regulations, 2080.
  - Regarding the support provided under corporate social responsibility.
  - Regarding on-site inspection of Nepal Rastra Bank.
  - Regarding the monetary policy, the budget of the Government of Nepal, the directives issued by the Nepal Rastra Bank and its amendments.
  - Regarding various new internal policy rules and procedures of the Bank, amendments to the existing policy rules and procedures and various product papers of the Bank.
  - Regarding write-off of various loans.
  - Regarding the accounting of the non-Banking assets of the Bank, clearing of accounts and transfer of non-Banking assets by the Bank itself.

S.NO	DATE OF MEETING	MEETING NO	NO. OF DIRECTOR'S PRESENCE	NO OF DIRECTORS WHO SIGNED THE DECISION WITH DISSENTING
1.	2022-08-08	397	5	
2.	2022-08-09	398	5	
3.	2022-09-01	399	6	
4.	2022-09-27	400	6	
5.	2022-11-11	401	5	
6.	2022-12-06	402	6	
7.	2022-12-20	403	6	
8.	2023-01-09	404	6	
9.	2023-02-23	405	6	
10.	2023-02-24	406	6	No difference in opinion
11.	2023-03-09	407	6	
12.	2023-03-27	408	6	
13.	2023-04-07	409	6	
14.	2023-05-17	410	6	
15.	2023-05-18	411	6	
16.	2023-06-04	412	6	
17.	2023-06-05	413	6	
18.	2023-07-09	414	5	
19.	2023-07-12	415	6	

ABSENCE OF DIRECTOR OR ALTERNATE DIRECTOR IN BOARD MEETING	REASON OF ABSENCE
Narendra Kumar Agrawal (2022-08-08)	Due to predetermined special work
Narendra Kumar Agrawal (2022-08-09)	
Rahul Agrawal (2022-11-11)	Foreign visit
Manoj Kumar Kedia (2023-07-09)	Due to predetermined special work

## AUDIT COMMITTEE

S.N.	NAME OF AUDIT COMMITTEE MEMBERS	DESIGNATION
1.	Dinesh Shanker Palikhe	Convener
2.	Narendra Kumar Agrawal	Member
3.	Nirakar Bahadur Singh, Head- Internal Audit Department	Member Secretary

### Details of the Meeting

- Total no of meeting: 20

S.N.	MEETING NO.	MEETING DATE
1.	195	2022-07-19
2.	196	2022-08-02
3.	197	2022-08-22
4.	198	2022-09-04
5.	199	2022-09-22
6.	200	2022-10-12
7.	201	2022-10-17
8.	202	2022-11-10
9.	203	2022-12-09
10.	204	2022-12-22
11.	205	2023-01-17
12.	206	2023-02-07
13.	207	2023-02-20
14.	208	2023-03-16
15.	209	2023-04-11
16.	210	2023-05-11
17.	211	2023-05-16
18.	212	2023-06-05
19.	213	2023-06-22
20.	214	2023-07-10

### Discussion and Decision

- Review and Approval of Risk Based Annual Audit Plan for the FY 2023-24.
- Discussion regarding the audit conducted in different branches and different departments of the Bank.
- Discussion about the audit reports related to the promissory note transactions of the various branch offices of the Bank.
- Discussion about audit reports related to investment and risk management.
- Review and provide necessary suggestions to the Board of Directors regarding whether things like regularity, thriftiness, propriety and effectiveness have been adopted in relation to the Bank's operations.
- Recommending the names of three auditors to the board of directors for external audit for the year 2022-23.
- Discussion regarding Concurrent Audit Report of various departments under Central Office.
- Discussion about the performance evaluation of Internal Audit Department.
- Review of the quarterly financial statements of the Bank.
- Discussion on the Terms of Reference of the staff in provincial level.
- Discussion and review of the Bank's non-performing loans.

## RISK MANAGEMENT COMMITTEE

S.N.	NAME OF RISK MANAGEMENT COMMITTEE MEMBERS	DESIGNATION
1.	Narendra Kumar Agrawal, Director	Convener
2.	Dinesh Shanker Palikhe, Director	Member (Audit Committee- Convener)
3.	Suresh Raj Maharjan, Head- Business Support/Payment Solutions	Member
4.	Shailaja Gyawali, Head- Integrated Risk Management Department	Member Secretary

### Details of the Meeting

- Total no of meeting: 9

S.N.	MEETING NO.	MEETING DATE
1.	50	2022-09-04
2.	51	2022-09-29
3.	52	2022-10-16
4.	53	2022-12-09
5.	54	2022-12-21
6.	55	2023-02-07
7.	56	2023-04-10
8.	57	2023-05-17
9.	58	2023-06-05

### Discussion and Decision

- Formulation and review of policy documents.
- Review and discussion to make the Bank's risk management policies and procedures more effective.
- Discussion on various indicators related to credit.
- Discussion regarding the decisions made by the Asset Liability Management Committee.
- Discussion regarding the details of the Bank's annual risk assessment for the year 2022-23.
- Discussion regarding the details of the annual internal capital adequacy report under the Internal Capital Adequacy Policy (ICAAP Policy) of the year 2022-23.
- Review and discussion of credit risk, market risk, operational risk, and information technology risk assessment report.
- Review and discussion about stress testing.
- Development and discussion on Camel Rating directory.
- Reporting news related to adverse media risk.
- Review on sectoral reports like hydropower project, cement sector and steel sector.
- Review and discussion of quarterly ICAAP reports.
- Analysis and approval of the impact of various internal stress test scenarios that the Bank may adopt.
- Review and discussion of internal limits of major risk indicators of various departments in Bank operations.
- Effective Credit Proposal Presentation and provincial training for employees related to environmental and social risk management.
- Review about Risk Register Application for risk measurement and central record collection under operational risk of the Bank.
- A review and discussion of the impact of the global economic recession on the entire Banking sector and the Bank's business.
- Review of annual and five-year strategic plans..

## EMPLOYEES FACILITIES RELATED COMMITTEE

S.N.	NAME OF EMPLOYEE FACILITIES RELATED COMMITTEE MEMBERS	DESIGNATION
1.	Rahul Agrawal, Director	Convenor
2.	Ankit Kedia, Director	Member
3.	Sundar Prasad Kadel, Chief Executive Officer	Member
4.	Rameshwar Prasad Basyal, Deputy Chief Executive Officer	Member
5.	Pankaj Pant, Head-Human Resource Department	Member Secretary

### Details of the Meeting

- Total no of meeting: 4

S.N.	MEETING NO.	MEETING DATE
1.	7	2022-07-28
2.	8	2023-02-23
3.	9	2023-07-06
4.	10	2023-07-11

### Discussion and Decision

- Review and discussion about the situation of human resources in the Banking sector.
- Evaluation of human resources of the Bank in FY 2022-23.
- After discussing the proposed human resource budget for the year 2022-23, recommendation for decision to the board of directors.
- Review and discussion regarding human resource activities of all departments of the Bank.
- Discussion regarding staff requirements for FY 2023-24.

## AML/CFT COMMITTEE

S.N.	NAME OF AML/CFT COMMITTEE MEMBERS	DESIGNATION
1.	Mina Kumari Sainju , Independent Director	Convenor
2.	Ankit Kedia, Director	Member
3.	Shailaja Gyawali, Head- Integrated Risk Management Department	Member
4.	Saroj Kafle, Head- Compliance Department	Member
5.	Chandan Gupta Rauniyar, Head – Asset Laundering Prevention Department	Member Secretary

Mr. Saroj Kafle was the member secretary of this committee till 16th October, 2012 and remained a member thereafter.

Mr. Chandan Gupta Rauniyar is the member secretary of this committee since 17th October, 2022.

### Details of the Meeting

- Total no of meeting: 4

S.N.	MEETING NO.	MEETING DATE
1.	19	2022-10-17
2.	20	2023-01-06
3.	21	2023-03-21
4.	22	2023-06-20

### Discussion and Decision

- Discussion about the implementation status of AML/CFT and KYC compliance activities until the third quarter of 2021-22.
- Discussion about comments received from NRB AML Onsite Inspection Team, and steps taken to resolve it.
- Discussion about the comments and narratives received from the internal auditor regarding AML/CFT of FY 2021-22, and the steps taken to resolve them.
- Review and discussion about the risks inherent in money laundering and financial investment in terrorist activities when providing new service facilities and issuing/updating new contracts, policies, procedures, instructions launched by the Bank in the first, second and third quarters of 2022-23.
- Discussion regarding risk assessment and assessment report of 2021-22.
- Discussion related to regional and institutional risk assessment report on 2021-22.
- Discussion regarding Annual Departmental Program on 2022-23.
- Discussion on KYC and AML/CFT policy.
- Review regarding the number and scenario of border transactions/suspicious transactions in the fourth quarter of FY 2021-22 and first, second and third quarters of 2022-23.

## REMUNERATION OF COMMITTEE MEMBERS DURING THE YEAR

### Board of Directors

NAME	DESIGNATION	MEETING ALLOWANCE (NPR)
Manoj Kumar Kedia	Chairman	3,24,000
Narendra Kumar Agrawal	Director	2,38,000
Rahul Agrawal	Director	2,52,000
Dinesh Shanker Palikhe	Director	2,66,000
Ankit Kedia	Director	2,66,000

### Audit Committee

NAME	MEETING ALLOWANCE (NPR)
Dinesh Shanker Palikhe, Convener	2,80,000
Narendra Kumar Agrawal, Member	2,80,000
Nirakar Bahadur Singh, Head- Internal Audit Department, Member Secretary	-

### Risk Management Committee

NAME	MEETING ALLOWANCE (NPR)
Narendra Kumar Agrawal, Member, Director	1,26,000
Dinesh Shanker Palikhe, Member, Director	1,26,000
Suresh Raj Maharjan, Head- Business Support/Payment Solutions	-
Shailaja Gyawali, Head- Integrated Risk Management Department	-

### Employee Facilities Related Committee

NAME	MEETING ALLOWANCE (NPR)
Rahul Agrawal, Director, Convener	56,000
Ankit Kedia, Director, Member	56,000
Sundar Prasad Kadel, Chief Executive Officer	-
Rameshwar Prasad Basyal, Deputy Chief Executive Officer, Member	-
Pankaj Pant, Head- Human Resource Department, Member Secretary	-

### AML/CFT Committee

NAME	MEETING ALLOWANCE (NPR)
Mina Kumari Sainju, Independent Director, Convener	56,000
Ankit Kedia, Director, Member	42,000
Shailaja Gyawali, Head- Integrated Risk Management Department, Member	-
Saroj Kafle, Head- Compliance Department, Member	-
Chandan Gupta Rauniyar, Head – Asset Laundering Prevention Department, Member Secretary	-

### Board Oversight & Review on Internal Control System of the Bank

The Board provides oversight of senior management and holds members of senior management accountable for their actions and enumerate the possible concerns if those actions are not aligned with the Board's performance expectations. This includes adhering to the Bank's values, risk appetite and risk culture, under all circumstances. Board of Directors (BOD) of the Bank selects the Chief Executive Officer (CEO) and may select other key personnel, including members of senior management. The Board does the following activities for effective management oversight:

1. Monitors senior management's actions are consistent with the strategy and policies approved by the board, including the risk appetite
2. Meets regularly with senior management
3. Question and critically review explanations and information provided by senior management
4. Set appropriate performance and remuneration standards for senior management consistent with the long-term strategic objectives and the financial soundness of the Bank
5. Assess whether senior management's collective knowledge and expertise remain appropriate given the nature of the business and the Bank's risk profile
6. Be actively engaged in succession plans for the CEO and other key positions, as appropriate, and ensure that appropriate succession plans are in place for senior management positions

The responsibility to review internal control system of the Bank and its effectiveness lies with the Board of Directors. For this purpose, various committees have been formed under the Board of Directors and its authority has been delegated by forming necessary committees for completion of operation in special areas and formation of smooth and effective strategy and its implementation. The audit committee reviews audit reports of internal auditor, external auditor, and supervisory inspector, and provides its independent suggestion to the Board of Directors about the effectiveness of the internal control system of the Bank.

The Bank's overall area of operations is divided into three parts-Business, Operations and Control in order to manage the risks properly and smoothen operation of the bank. The Integrated Risk Management Department of the Bank is being empowered so as to make the internal control system of the Bank more robust. This department operates as an independent unit, rather than being under the management of the Bank, and the department is accountable to the Risk Management Committee of the Bank.

Similarly, Internal Audit Department of the Bank performs audit of the areas of operations of the Bank and compliance with policies and procedures prepared and implemented by the Bank. This department carries out necessary actions as an independent unit and presents its reports to the Audit Committee.

## CEO LEVEL COMMITTEE

### Executive Committee

Total no of meeting: 18

S.N.	NAME OF EXECUTIVE COMMITTEE MEMBERS	DESIGNATION
1.	Sundar Prasad Kadel, Chief Executive Officer	Convener
2.	Rameshwar Prasad Bashyal, Deputy Chief Executive Officer	Member
3.	Sher Bahadur Budhathoki, Assistant Chief Executive Officer	Member
4.	Arjun Bhadra Khanal, Head - SME & CBD	Member
5.	Srijan Krishna Malla, Head - Information Technology	Member
6.	Suresh Raj Maharjan, Head - Business Support/ Payment Solutions	Member Secretary
7.	Prashanna Khadka, Head - Corporate Credit	Member
8.	Shailaja Gyawali, , Head - Integrated Risk Management Department	Member
9.	Manohar K.C, Head - Credit Control and Administration	Member
10.	Pradeep Pant, Head - Valley Resources	Member

### Discussion and Decision

- Monetary policy published by Nepal Rastra Bank for the year 2022-23.
- NRB Onsite Inspection Report.
- Five-year strategic plan of the Bank.
- Annual budget for the year 2023-24.
- Banks' Quarterly Performances.
- Employee's evaluation and requirement
- Regarding the organizational structure of the Bank.
- Organogram related to Business Vertical.
- Banks' structure and credit underwriting department.
- Relocation of departments in the Bank's head office.
- Strategies to increase Fee Based Income.
- Regarding the objectives of Ancillary Products.
- Regarding Directed Lending
- Regarding Working Capital Loan to QR Merchants.
- Taking external commercial borrowing by the Bank.
- Regarding foreign Banks
- Regarding employees' By-laws.
- Regarding Amendment in Bank Guarantee SOP.
- Regarding the review of various policies of the Bank.
- Regarding the programs to be held in connection with the World Environment Day.
- Regarding preparations for celebrating the 20th anniversary of the Bank.

### Management Credit Committee

Total no of meeting: 34

S.N.	NAME OF MANAGEMENT CREDIT COMMITTEE MEMBERS
1.	Sundar Prasad Kadel, Chief Executive Officer
2.	Rameshwar Prasad Bashyal, Deputy Chief Executive Officer
3.	Sher Bahadur Budhathoki, Assistant Chief Executive Officer
4.	Prashanna Khadka, Head – Corporate Credit
5.	Laxman Ghimire, Company Secretary

### Discussion and Decision

- Necessary discussion on various loan proposals and approval after review.
- Regarding the Banks' sectoral loans which is excess by more than 50 percent of core capital to 100 percent of core capital.
- Regarding the Credit Risk Concentration Review Report.
- Credit Risk Assessment Report.
- Portfolio Quality Management Managers and Portfolio Quality Management Officers.
- Regarding Centralized Credit Underwriting Process
- Listing of mortgage appraisers.
- Reducing Premium Rates.

### Asset Liabilities Management Committee

Total no of meeting: 31

S.N.	NAME OF ASSET LIABILITIES MANAGEMENT COMMITTEE MEMBERS	DESIGNATION
1.	Sundar Prasad Kadel, Chief Executive Officer	Convener
2.	Rameshwar Prasad Bashyal, Deputy Chief Executive Officer	Member
3.	Sher Bahadur Budhathoki, Assistant Chief Executive Officer	Member
4.	Arjun Bhadra Khanal, Head - SME & CBD	Member
5.	Prashanna Khadka, Head - Corporate Credit	Member
6.	Pradeep Pant, Head - Valley Resources	Member
7.	Jit Bahadur Adhikari, Head - Treasury	Member Secretary
8.	Pramesh Shrestha, Head - Finance and Accounts	Member

## **Discussion and Decision**

- Discussion, review and decision regarding interest rate changes/ revisions.
- Review of Bank's investment and asset and liability management related policies.
- Regarding the sources and usages of Nepali rupees and foreign currency.
- Regarding the Bank's investment and business plan.
- Regarding new savings schemes and issue of bonds.
- Review of stress testing.
- Review of asset and liability management.
- Regarding external commercial borrowings from foreign banks and financial institutions.
- Regarding interbank Nepali rupee and US dollar transactions.
- Investment in Government Bonds, Other Monetary Instruments, Agriculture bond and energy bond.
- Analysis of the market and competitive banks.
- Investing in the seed capital of the mutual fund issued by the subsidiary company.
- Discussion on strategies related to investing and buying and selling shares of various companies and mutual funds.
- Review of monetary policy.
- Regarding daily liquidity facility.
- Regarding the trade finance business of the Bank.

## **Loan Recovery Committee**

Total no of meeting: 32

S.N.	NAME OF LOAN RECOVERY COMMITTEE MEMBERS	DESIGNATION
1.	Sundar Prasad Kadel, Chief Executive Officer	Convener
2.	Rameshwar Prasad Bashyal, Deputy Chief Executive Officer	Member
3.	Sher Bahadur Budhathoki, Assistant Chief Executive Officer	Member
4.	Anindra Raj Acharya, Head - Special Assets Cell	Member
5.	Gokul Sapkota, Manager - Legal	Member
6.	Dipak Raj Wagle, Manager - Special Assets Cell	Secretary

## **Discussion and Decision**

- According to the debt recovery guidelines, making appropriate decisions including auction related to debt recovery up to NPR 25 million (total including principal, interest and others).
- Filing a case in the Debt Recovery Tribunal for recovery of the remaining debt that could not be recovered even through auction.
- Recommend to the board of directors for necessary decision making to accept as non-Banking assets.

## **Financial Direction Committee**

Total no of meeting: 70

S.N.	NAME OF LOAN WRITE-OFF SUB COMMITTEE MEMBERS	DESIGNATION
1.	Sundar Prasad Kadel, Chief Executive Officer	Convener
2.	Rameshwar Prasad Bashyal, Deputy Chief Executive Officer	Member
3.	Sher Bahadur Budhathoki, Assistant Chief Executive Officer	Member
4.	Suresh Raj Maharan,	Member
	Head - Business Support/ Payment Solutions	
5.	Gyanendra Karki, Head – General Administration	Member
		Secretary
6.	Pramesh Shrestha, Head - Accounts and Finance	Member

## **Discussion and Decision**

- Regarding the selection of Bank's Brand Consultant and Digital Marketing Consultant.
- Regarding selection of tenders for digitization of account opening forms in 135 branches of the Bank.
- Choosing a Service Provider for Outsourcing Bank's Records Management Services.
- Regarding the financial support for the production of public awareness short film against meter interest under the Bank's corporate social responsibility.
- Regarding the purchase and installation of 20 computers and solar systems for Amarsingh Secondary School in Kaski Pokhara under the Bank's corporate social responsibility.
- Regarding the selection of insurance company for the annual insurance protection of all assets of the Bank.



## **Operational Risk Management Committee**

Total no of meeting: 3

S.N.	NAME OF OPERATIONAL RISK MANAGEMENT COMMITTEE MEMBERS	DESIGNATION
1.	Sundar Prasad Kadel, Chief Executive Officer	Convener
2.	Shailaja Gyawali, Head – Integrated Risk Management Department	Member Secretary

In various meetings of this committee, various Heads of Departments have been invited based on need and justification.

### **Discussion and Decision**

- Review and discussion of possible risks in the Bank's business and operations due to the events and trends in the Banking sector.
- Analysis of the incident registered in the Bank's risk record (register) and discussion on the place, duration, source of risk, inspection of responsibility and internal control record of the incident.
- Review and discussion about the improvement of the conditions mentioned in the on-site inspection of the audit and reviewing the implementation of given conditions.
- Discussion and approval on Framework for Operational Risk Appetite and Risk Tolerance.
- Review and discussion on risk tolerance of various departments made by operational risk department in collaboration with related departments.

## **MANAGEMENT LEVEL COMMITTEE**

### **Procurement Committee**

Total no of meeting: 102

S.N.	NAME OF PROCUREMENT COMMITTEE MEMBERS	DESIGNATION
1.	Suresh Raj Maharjan, Head – Business Support / Payment Solutions	Convener
2.	Srijan Krishna Malla, Head – Information Technology	Member
3.	Gyanendra Karki, Head – General Administration	Member Secretary
4.	Pramesh Shrestha, Head – Finance and Accounts	Member

### **Discussion and Decision**

- Regarding the selection of bids for purchase of Bank's Web Application Firewall, Video Banking System, Human Capital Management System, and Customer Loyalty Program Solution.
- Regarding the selection of bids for the construction of Modular Data Center of the Bank.
- Regarding selection of tenders for using POS Devices on rent.
- Regarding the selection of suppliers for the purchase of Transformer, Generator, UPS, Car Lift, and Passenger Lift in the Bank's Naxal building.
- Regarding the purchase of Bank tables and wall calendars for the year 2023.
- Regarding the selection of tenders for the purchase of Automated Teller Machine, Check Deposit Kiosk, and Cash Deposit Machines for various branches of the Bank.

## **Assets Disposal Committee**

Total no of meeting: No meeting of the Assets Disposal Committee was held during FY 2022-23.

S.N.	NAME OF ASSETS DISPOSAL COMMITTEE MEMBERS	DESIGNATION
1.	Suresh Raj Maharjan, Head – Business Support / Payment Solutions	Convener
2.	Pramesh Shrestha, Head – Finance and Accounts	Member
3.	Gyanendra Karki, Head – General Administration	Member Secretary

## **Record Disposal Committee**

Total no of meeting: No meeting of the Assets Disposal Committee was held during FY 2022-23.

S.N.	NAME OF RECORD DISPOSAL COMMITTEE MEMBERS	DESIGNATION
1.	Gyanendra Karki, Head – General Administration	Convener
2.	Pramesh Shrestha, Head – Finance and Accounts	Member
3.	Nirakar Bahadur Singh, Head – Internal Audit Department, Member Secretary	Member



# NOTICE OF 22<sup>ND</sup> ANNUAL GENERAL MEETING TO SHAREHOLDERS OF SIDDHARTHA BANK LIMITED

## Dear Shareholders,

According to the decision of the 419<sup>th</sup> meeting of the Board of Directors of the Bank held on 30<sup>th</sup> October, 2023, it was decided to schedule the 22<sup>nd</sup> annual general meeting of the bank on the following date, time and place, as per section 67 of the Companies Act, 2063. We sincerely request shareholders to attend the meeting and participate in discussion over resoultions.

## Date, place and timing of meeting

Date: November 21, 2023, Tuesday

Location: Amrapali Banquet, Baluwatar, Kathmandu.

Meeting Start Time: 10:00 AM

(Attendance Book will be kept open from 8:00 AM onwards.)

## AGENDA FOR DISCUSSION

### A. Ordinary Resolution

1. To discuss and approve the annual report of the Bank for FY 2022-23.
2. To approve the auditor's report along with statement of financial position of July 16, 2023 and profit and loss statement from 17<sup>th</sup> July, 2022 to 16<sup>th</sup> July, 2023, cash flow statement for the same period, statement of changes in equity and related schedules.
3. To approve the consolidated financial statement including the financial statement of Bank's subsidiary company "Siddhartha Capital Limited" for FY 2022-23.
4. To appoint an external auditor as recommended by Bank's Audit Committee and to determine remuneration for the

same as per Section 111 of the Companies Act, 2063 and Section 63 of the Bank and Financial Institutions Act, 2073 for FY 2023-24. (According to section 111(3) of the Companies Act 2063, the incumbent auditor SAR Associates, Chartered Accountant is eligible for re-appointment.)

5. To approve the proposal of Board of Directors regarding proposed cash dividend of NPR 593,188,166 at the rate of 4.21% (including for tax purpose) of Bank's paid up capital NPR 14,089,980,190.

### B. Special Resolution

1. To approve expenses exceeding the limit provisioned in Section 105(1)(c) of Companies Act during FY 2022-23, while providing financial assistance while conducting Corporate Social Responsibility.
2. To delegate complete authority to the Board of Directors for merger and acquisition between Siddhartha Bank Limited and any other appropriate bank or financial institution, to appoint a licensed valuator for Due Diligence Audit (DDA) of assets, liabilities and transactions of bank, determine valuator's remuneration, drafting of memorandum of understanding relating to merger and acquisition, complete other necessary procedures related to merger and acquisition and sign it.

### C. Miscellaneous

As directed by Board of Directors

- *Company Secretary*

## **Brief Information on Annual General Meeting**

1. For the purpose of the general meeting, the banks' share registration book will be closed for a day on 7<sup>th</sup> November, 2023. The shareholders registered in the bank's shareholders' register before the date of distribution of shares or transactions in the Nepal Stock Exchange Limited before that date will be able to participate, discuss and vote in the meeting.
2. Shareholders can participate, discuss and vote in the meeting by themselves or through a representative. Likewise on behalf of the minor shareholders, the guardian of the minor or the representative appointed by him/her may participate, discuss and vote in the meeting. Only to the person whose name is entered as a custodian in the register of shareholders will be considered a guardian.
3. In the case of joint shareholding in the name of more than one person, the vote or proxy given by the partner nominated by such partners or by the representative nominated by them, and in case no partner is nominated accordingly, only the vote or proxy given by the person whose name is mentioned earlier in the register book of shareholders will be valid.
4. A shareholder who wishes to appoint a representative to attend, discuss and vote at the meeting, he/she can appoint representative only from the existing shareholders' of the bank.
5. The shareholder to be appointed as a representative should submit the letter of representation to the share registrar of this bank, M/S Siddhartha Capital Limited, Narayanchaur, Naxal, Kathmandu, 48 hours prior the meeting.
6. After appointing representative and submitting the proxy to Registrar to Share of the Bank, M/S Siddhartha Capital Limited, Narayanchaur, Naxal, Kathmandu, if any shareholder wants to revoke the representative and appoint another representative, notice must be given 48 hours prior the commencement of meeting to Registrar to Share of the Bank.
7. In case more than one representative is appointed by the same shareholder, all such representatives shall be canceled except for the cancellation according to Article 6. If the shareholder appointing a representative cancels such representative for any reason and wants to attend the meeting and participate, discuss and vote in the meeting, written notice must be sent to the Registrar to shares Bank, M/S Siddhartha Capital Ltd., Narayanchaur, Naxal, Kathmandu, 48 hours before the commencement of the meeting.
8. Shareholders who request to raise questions under miscellaneous heading must inform 7 days prior of meeting to Office of Company Secretary at Bank's head office in Naxal, Kathmandu about the subject matter of discussion. Subject matter without prior information shall not be discussed during meeting.
9. The shareholders who have not received the share certificate or share statement shall visit the bank's share registrar M/S Siddhartha Capital Ltd., Narayanchaur, Naxal, Kathmandu to collect the share certificate or the statement from the institution where their beneficiary account is held. Share certificates will not be distributed in the meeting room on the day of the meeting.
10. Shareholders will be allowed to enter the meeting room only after showing identity card along with entrance card issued by bank or share certificate or DMAT account details having shares dematerialized of Bank.
11. We sincerely request shareholders to be present on the day of meeting before the commencement of meeting. Also, attendance book will be open from 8:00 am on the day of meeting for the convenience of dignitaries.
12. We request the shareholders who have not updated the bank account in the beneficiary account and the shareholders who have not yet dematerialized their share certificates (DEMAT) to dematerialize their share certificates and also update the bank account in the beneficiary account.

### **Note:**

1. The annual report, director's report, auditor's report and agenda for discussion related to general meeting are also uploaded on bank's website [www.siddharthabank.com](http://www.siddharthabank.com)
2. For more information, it is also requested to contact Office of Company Secretary (Telephone No. 01-5970020) at the Bank's Registered Office, Naxal, Kathmandu.

# DIRECTOR'S REPORT

## SYNOPSIS OF FINANCIAL PERFORMANCE OF THE BANK

The Bank has effectively controlled and managed credit risk, operational risk, liquidity risk, market risk, interest rate risk, foreign exchange risk and other risks that may occur in the course of business and has adopted the concept of balanced, continuous and sustainable growth in the expansion of the Bank's business during FY 2022-23.

### A. Share Capital and Capital Adequacy

Throughout the review period, the Bank's paid-up capital increased to NPR 14.09 billion, marking an increment from NPR 12.52 billion. For the FY 2022-23, the Bank proposed distribution of a cash dividend (inclusive of taxes) amounting to NPR 593 million, equivalent to 4.21 percent, which has been presented in this annual general meeting for the approval. The Bank's core capital and supplementary capital at the end of the review period stands at 9.37 percent and 3.10 percent, respectively, with an overall capital adequacy ratio of 12.47 percent.

### B. Deposit

During the review period, the deposits escalated from NPR 196.48 billion to NPR 228.57 billion, reflecting a 16.33 percent increase compared to the previous year. Despite the overall economic system's contraction in liquidity during this period, the Bank achieved a balanced 16.33 percent deposit growth. This success is attributed to the introduction of various attractive deposit schemes and the trust bestowed upon the Bank by its customers.

In the same timeframe, the Bank launched "Siddhartha PAY & SAVE" account, a savings account with a unique feature in Nepal for the first time. This account, openable with zero balance, deducts a fixed amount from the parent's account and automatically deposits it into the children's account when electronic transactions of more than NPR 100 are made through debit cards and mobile Banking. The Bank offers a free debit card and Bank-smart XP service for the first year as a special attraction to both parents and children's accounts. Additionally, a cashback scheme was introduced for a limited period to encourage customers to open this account promptly. The Bank



anticipates that this account will promote the use of the digital system by parents and facilitate small savings for their children. During the review period, responding to customer needs and demands, the Bank introduced 'Siddhartha Sribriddhi Term Account,' offering returns of two to ten times the principal amount after a specified period, although this service is currently suspended.

Similarly, the Bank launched the Siddhartha Srividdhi Plus term account during the review period, aiming to provide long-term investment opportunities with the highest returns to customers seeking returns on long-term deposits. This account includes a life insurance facility equal to fifty thousand rupees, with twice the return on the principal amount.

Furthermore, the Bank introduced a short-term credit card facility during the review period, combining the features of Siddhartha Visa Credit Card and UNO Discount Card for existing and new term depositors. This credit card facility allows depositors to access funds at their convenience without prematurely closing fixed deposits. This credit card allows credit facilities up to 90% or NPR 200 thousand (whichever is less) to the customers. For this, the depositors do not need to pay any membership fees and prove their income.

Similarly, during the review period, the Bank introduced UNO credit card facility with discount on membership fee for the first year to existing and new customers of Siddhartha Jeevan Suraksha and Siddhartha Platinum Plus accounts. For this facility, customers can deposit a minimum of NPR twenty thousand rupees in Jeevan Suraksha Account and a minimum balance of NPR fifty thousand rupees should be maintained Platinum Plus account. The credit limit of Siddhartha Jeevan Suraksha Account will be "average account balance of the last one year or NPR twenty thousand rupees whichever is higher" while the credit limit of Siddhartha Platinum Plus account will be "average balance of the last one year or fifty thousand rupees whichever is higher". This credit card facility will help the depositor to get credit facility as per requirement without using the balance in his account.

During the review period, the deposit account of the Bank has reached 1,710,123 which is an increase of 18.75 percent compared to last year. During the year under review, 270,058 new deposit accounts were opened in the Bank. In the same manner, savings account of the Bank has reached 1,485,056, which is an increase of 17.75 percent compared to last year. In the review year, 223,869 new savings accounts were opened in the Bank. Due to the tireless efforts of the employees, several campaigns launched by the Bank and high quality customer service, the Bank has been able to achieve such good results in terms of opening new accounts in the year under review.

## C. Loans

By the end of the FY 2021-22, the loan portfolio of Bank stood at NPR 186.09 billion. The total loan portfolio increased by 2.57 percent and reached to NPR 190.87 billion as of mid-July 2023. The Bank has cautiously increased its loans keeping in mind the overall economic scenario of the country. In this process, the Bank has been assisting more than 40,000 loan customers and more than 30,000 credit card customers to fulfill their financial needs. According to the directions issued by Nepal Rastra Bank, the Bank has continuously focused in priority sectors like agriculture, energy and MSME of less than NPR 10 million.

### Micro, Small and Medium Enterprise Loans (MSME Loans)

Acknowledging the pivotal role of micro, small, and medium enterprises (MSMEs) in fostering Nepal's economic growth, the Bank has aligned its strategies with a five-year plan aimed at significantly boosting the proportion of MSME loans within its overall lending portfolio. With a clear focus on becoming a key player in MSME financing, the Bank has forged partnerships with diverse Development Financial Institutions to enhance access to the "Missing Middle" segment through tailored MSME loans. These efforts are particularly geared towards catering to businesses requiring medium-scale investments yet facing hurdles in accessing traditional banking channels.

Furthermore, the Bank has actively engaged in facilitating direct credit facilities to micro and small enterprises, contributing to the sustainable economic development of rural and semi-urban regions across Nepal. This initiative is being led by the Government of Nepal and the Ministry of Finance, in collaboration with the German Government through Siddhartha Bank, acting on behalf of the Nepal Rastra Bank. Coordinated efforts between the governments of Nepal and Germany, along with support from the German Financial Development Corporation, have facilitated the successful execution of initiatives such as the Sustainable Economic Development in Rural and Semi-Urban Areas (SEDRA-II) program.

During the review period, key achievements included the provision of training and consultancy services, the development of Alternative MSME Credit Analysis Methodologies, and the implementation of an Automated Agricultural Business Analysis Module. Moreover, the Bank has provided essential technical services, including the reinforcement of Management Information Systems (MIS), to bolster sustainable economic growth in rural and semi-urban areas. These concerted endeavors underscore the Bank's commitment to fostering MSME development and contributing to broader socioeconomic advancement in Nepal.

During the review period, the Bank entered into a significant agreement with the International Finance Corporation (IFC), a member of the World Bank Group, aimed at fostering investment in micro, small and medium enterprises (MSMEs) in Nepal, as well as climate financing initiatives. Under this agreement, IFC extended a loan amounting to USD 55 million to the Bank, representing the highest loan amount ever provided by IFC to a Nepali Bank. This collaboration signifies a milestone in supporting the growth of MSMEs and climate-friendly projects in Nepal.

With this infusion of capital, the Bank is poised to channel investments into various projects, including clean energy initiatives, electric vehicles, and climate-friendly agriculture. The overarching objective of this agreement is to facilitate the establishment, operation, and promotion of small and medium businesses, thereby contributing to the strengthening of Nepal's economy. By embracing a Digital First approach, the Bank underscores its commitment to sustainable development, aligning its business strategy with environmental stewardship, societal well-being, and principles of good governance. Through these concerted efforts, the Bank aspires to create a lasting and positive impact, ensuring a sustainable legacy for future generations.

Similarly, during the review period, with the aim of encouraging small businessmen to do business through digital means, the Bank has also launched 'Siddhartha Top-Up Loan to QR Merchants'. From loan application to loan disbursement, the entire credit facility process is provided through a digital platform. It is believed that this scheme will meet the short-term financial needs of the existing and potential QR merchants of the Bank.

Likewise, during the review period, the Bank has cooperated with various consulting agencies to assist potential entrepreneurs in preparing documents for business registration, preparing financial statements, and obtaining legal documents and licenses.

#### **Branchless Banking**

Siddhartha Bank has been a leading bank in establishing and expanding branchless banking services. Starting from Dailekh in the year 2010 till now of the total branchless banking network of the Bank has reached 123. Through branchless banking service, the Bank has been providing service where customers can deposit money and withdraw, transfer funds, pay bills, top-up, mobile and Dishome recharge, small loan application and fixed deposit collection, old age allowance payment, single women, disabled allowance, etc. Powered by biometric and branchless card technology, this service is secure and reliable. By mid-2023, the total number of customers joining branchless banking services has reached 61,109.

Likewise, in accordance with the integrated procedures related to interest subsidy for subsidized loans implemented by the Government of Nepal with high priority for entrepreneurship

and self-employment of youth and women, the Bank provides Siddhartha Higher and Technical and Vocational Education Loan, Siddhartha Dalit Community Business Development Loan, Siddhartha Yuva Self-Employment Loan, Siddhartha Foreign Employment Loan, Siddhartha Technical and Vocational Training Loan and Siddhartha Women's Entrepreneurial Loan. Under the subsidized loan, the Bank has provided a total of 3,185 household's loan worth of NPR 2.6 billion.

The Bank has directly provided services to more than 21,000 households from 138 branches in 53 districts under various credit titles under micro and underprivileged loans till the end of last fiscal year.

#### **Retail Banking**

In line with its strategy, the Bank has formed a separate Retail Business Vertical for retail business. By FY 2022-23, about 29 percent of the total loan amount of the Bank is from retail loans and about 53 percent of the total deposit amount of the Bank is from retail deposits. Bank through Retail Banking has provided retail loans such as home loans, loans, margin lending, educational loans, personal loans, business loans, mortgage collateral loans and term mortgage loans.

Similarly, during the review period, the Bank has launched a new loan scheme named "Siddhartha Hamro Ghar Karja" at an unchangeable competitive interest rate of 10.99 percent for 7 years for house purchase, house construction and house repair. In addition, if the home loan and mortgage is in the name of a woman, there is also an additional discount of 25 basis points in the interest rate. In addition, the Bank has been revising the scheme for a short period of time.

Similarly, in accordance with the Bank's commitment to increase sustainable development and electricity consumption during the review period, the Bank has launched an Electric Vehicle (EV) loan facility under Climate Financing at an irreversible competitive interest rate of 11.25 percent. This effort of the Bank will help in reducing carbon emissions, the main air pollution factor. In addition, the Bank has been revising the scheme for a short period of time.

During the review period, in line with the Bank's strategy, customers can open a fixed deposit account through digital means through Bank Smart (Bank's Omni Channel Mobility Application) and apply for fixed deposit loans through the same means without any hassle and physical documents. In addition, the Bank has been providing services to meet the financial needs of customers through credit cards for purchasing consumer goods.

#### **Corporate Banking**

To bolster its presence in the energy sector and project financing domain, the Bank has embarked on a strategic initiative to invest in hydropower, renewable energy and infrastructure projects. This endeavor has led to the establishment of an Infrastructure and Project Investment Division within the Corporate Credit

Department. Recognizing the specialized skills and technical expertise required for investments in these sectors, the Bank has prioritized the training and development of its workforce. Experienced professionals, including engineers and chartered accountants, have undergone targeted training programs to enhance their capabilities.

Furthermore, the Bank has expanded its range of customer services and facilities with the overarching objective of enhancing the quality of loans and bolstering competitiveness in the market. To achieve this goal, the Bank actively participates in various workshops, seminars, and training programs organized by expert consultants and training providers. These initiatives are aimed at equipping employees with the necessary knowledge and skills to assess and manage risks effectively while fostering growth and innovation in the energy and infrastructure financing landscape.

By the end of 2022-23, the Bank has disbursed NPR 12.97 billion loans to hydropower sector, which has invested in various hydropower projects with a capacity of approximately 730.84 megawatts. Similarly, the Bank invests funds and non-fund based loans in sectors such as large-scale private industries and businesses, public institutions, semi-government institutions, construction businesses, cement, commercial agriculture, poultry and feed, health, educational institutions, private air service providers, star hotels, etc. which has helped in fulfilling financial needs of organizations.

Other Credit related works held during the review period, and continuity of it in current Fiscal Year

#### **Environmental, Social and Governance Aspects**

Sustainable Financing is a high priority for the Bank and the Bank has significantly integrated Environmental, Social and Governance (ESG) aspects into its overall strategy and practices. Using the Bank's Environmental & Social (E&S) unit, it is committed to creating a sustainable impact. The Bank is in the process of implementing an ESG management system in coordination with Invest for Impact Nepal (IIN). While doing business in a responsible manner towards the society and the country, the Bank has been conducting various business literacy programs targeting existing and potential business customers across the country.

#### **Restructuring of Business Functions**

The Bank has made necessary changes in the organizational structure of the Bank to take advantage of contemporary challenges and business opportunities. Aimed at small and medium industries, retail and micro businesses, the Bank has restructured the current business models and launched a new specialized business vertical with the aim of providing effective services to the customers of this sector. The Bank plans to expand its reach to customers through unique and latest products by adopting emerging technologies. The Bank's new structure will address the business needs of various businesses

in corporate banking, MSME banking, retail banking and transaction banking through new business verticals.

#### **Establishment of Credit Underwriting Department**

In order to onboard high-quality loan proposals in the Bank and to ensure uniformity in the evaluation of loans, the Bank has established a credit underwriting department in the new organizational structure of the Bank for the fair evaluation of loan proposals and put the credit underwriting process into operation. The department will help in improving the turnaround time for loan approval and disbursement. This department is also responsible for ensuring compliance with the Bank's internal and external regulatory provisions as well as the best practices prevalent in the Bank. This department will try to implement new underwriting techniques and practices in the Bank. The establishment of this department will make the sales personnel focus on increasing the Bank's loans and other business.

#### **Initiatives taken by the Bank to improve its Credit Operations, Credit Process, Credit related policies, Guidelines and Product Papers**

The Bank is always focused in providing quality service to its customers. The Bank is trying to make a structural change in the overall credit ecosystem by reorganizing, refocusing and reengineering its entire credit related operations. The Bank has appointed the National Banking Institute (NBI) as a consultant to review/update the overall credit ecosystem of the Bank with the aim of further improving and reengineering the credit operations and credit process. A group of ex-Bankers who have extensive experience in credit management and risk management in NBI are reviewing the consulting services. The Bank believes that the consultant's suggestions/recommendations will help to improve the Bank's risk management, increase efficiency in overall credit management, reduce risk and implement best practices of credit management in the Bank and adopt a more effective credit process. The consultant will review the entire credit ecosystem of the Bank i.e. credit structure, credit process, credit disbursement, credit products, etc., provide suggestions for revision and development of papers, develop market friendly credit products and develop or revise overall credit processes for credit products credit related manuals and modules for effective credit approval, credit disbursement, credit monitoring, credit control, credit recovery and credit risk management. It will help to develop and review the process and system used by the Bank for loan services and give suitable suggestions.

#### **Hydropower Financing Analysis and Monitoring**

By the end of FY 2022-23, investment in the hydropower sector (including energy bonds and investments in other renewable energy sectors) of the Bank's total loans was 7.70 percent. Bank's credit investment in the energy sector must be 6.5 percent and 10 percent by the end of FY 2023-24 as per the direction of Nepal Rastra Bank. Realizing the need for appropriate hydropower project guidelines to ensure proper, adequate and equal assessment and monitoring of loans under the energy sector, the Bank has entered into an agreement with an expert in this field to

assist in preparing the guidelines. Such collaboration will provide training in hydropower sector technical knowledge, financial analysis, environmental and social impact assessment, legal and regulatory provisions, project management and community engagement, and provide training in preparing guidelines for investing in hydropower sector, process review, training in understanding the activities involved in project implementation, training related to the review of the process and system used by the Bank for hydropower financing and will provide suggestions for possible changes.

- In order to encourage investment in the designated area from time to time, experts and consultants in the respective fields have made the Bank's employees participate in various workshops, training and development, motivational programs.

## **D. Investments**

While diversifying its business, the Bank has been earning income by making use of investment opportunities from the beginning. During the period under review, the Bank's investment increased from NPR 59.65 billion to NPR 69.66 billion, which is an increase of about 16.78 percent. The Bank has adopted a strategy to increase its investment by identifying more profitable areas for proper management of its deposits and investments. According to this strategy, it is believed that the scope of the Bank's investment will be widened and the risk will be reduced leading to increment in the profit.

Strategically, with a view to long-term benefits, the Bank has invested in various sectors under investment diversification and has been investing as promoter as well as public shareholder. The Bank as founder shareholder in Sanima Reliance Life Insurance Company Limited with NPR 264 million investment, as a public shareholder in Siddhartha Premier Insurance Company Limited with NPR 87 million investment and NPR 30 million in Awasar Equity Limited has been invested. That investment is thus 6.31 percent, 7.54 percent and 10 percent respectively of the paid-up capital of the said organizations as of the end of 2023. Similarly, the Bank has 51 percent investment in Siddhartha Capital Limited, which is a subsidiary company of the Bank; the current paid up capital of the said company is NPR 200 million. Similarly, the Bank has also invested in commercial organizations like Nepal Electronic Payment System Limited, Karja Surakshan Kendra, Nepal Clearing House Limited and National Banking Institute. The Bank believes that the investment made in this way will increase the returns to the shareholders.

## **E. Total Assets**

During the review period, the total assets of the Bank increased from NPR 264.33 billion to NPR 285.98 billion, which is an increase of about 8.19 percent compared to last year.

## **F. Net Interest Income**

During the review period, the total interest income of the Bank was NPR 20.68 billion increased from NPR 27.37 billion, which is an increase of about 33.82 percent compared to last year. Similarly, during the review period, the Bank's interest expense

was NPR 14.08 billion increased to about NPR 19.49 billion. Thus, the net interest income during the review period was NPR 6.60 billion increased to NPR 8.18 billion, which is an increase of 24.07 percent compared to last year.

## **G. Operating Profit and Net Profit**

The operating profit of the Bank during the review period was NPR 4.65 billion which is an increase of 9.06 percent compared to last year. Similarly, during the review period, the net profit of the Bank was NPR 3.17 billion which is an increase of 9.11 percent compared to last year.

## **H. Distributable profits**

The Bank has earned NPR 3.17 billion rupees net profit in FY 2022-23. From the said net profit, NPR 1.46 billion has been appropriated to capital redemption reserve and further additional amounts have been appropriated to various statutory reserves and regulatory reserves after which the remaining distributable profit is NPR 663.61 million. Out of this, NPR 593.19 million i.e. 4.21 percent cash dividend (including tax purpose) has been proposed for distribution. The amount allocated for the debentures is ultimately distributed to the shareholders after the maturity of debentures. Therefore, considering the allocated amount NPR 1.46 billion, actual distributable profit of the Bank in 2022-23 is NPR 2.12 billion which shows dividend distributable capacity of 15.07 percent.

## **I. Net worth per share**

During the period under review, the Bank's net worth per share is NPR 179.61, which was NPR 172.45 in the last year. This is an increase of 4.15 percent compared to last year.

## **J. Earnings per share**

During the review period, the Bank's earnings per share was NPR 22.48, which was NPR 20.60 in the last FY. This is an increase of 9.11 percent compared to last year.

## **K. Quality of Assets**

During the review period, the Bank's non-performing loan ratio was 2.01 percent, which was 1.07 percent in the last fiscal year. Despite the adverse market conditions, the Bank has managed to contain NPA within 2.01%. In the coming days, the Bank has prioritized for recovery of interest and non-performing loans and believes that the ratio of non-performing loans will further improve.

## **L. Loan write-off**

Last year, the Bank written off loans of NPR 1,200,005 whereas during the review period, a total of NPR 1,174,376 loans has been written off. The Bank has continued the recovery process of such written off loans.

## **M. Share structure**

51 percent of the total paid-up capital of the Bank is the share of the promoter shareholders and 49 percent is the share of public shareholders. By the end of the review period, the number of promoter shareholders of the Bank was 278 people and the

number of public shareholders was 69,151. By the end of October of the current year, the number of promoter shareholders of the Bank was 275 and the number of public shareholders was 56,633.

## **N. Card and technology based services**

The Bank has been providing various types of service facilities to the customers through cards and other electronic alternatives. There has been a significant increase in the transaction of service facilities provided by Banks, and the transaction of service facilities provided by electronic payment. During the review period, there has been a significant increase in transactions through electronic alternative means to 79 percent, while transactions through traditional means have reduced to 21 percent. In FY 2021-22, this ratio was 67:33. Keeping in view the increasing electronic transactions, the increasing use of information technology and the control of financial fraud, the Bank has been suggesting protective measures to customers through various means. Likewise, the Bank has been successful in controlling financial fraud, information technology and data security management, upgrading and proper management of hardware, network and system software.

During the review period, the Bank has tied up with various QR merchants associated with MOCO by linking debit, credit and prepaid cards to FOCUSONE's MOCO App and using MOCO App from the same platform. During the review period, the Bank has provided the service of loading/unloading cash by linking customer accounts to E-SEWA digital wallet. In the same way, the Bank has started the payment service by integrating the Billing System in the POS itself, which will help various small merchants to transact easily without separate hardware and software arrangements for the Billing System.

Similarly, with the aim of making mobile Banking services more sophisticated and providing secure online services, Bank has upgraded Bank Smart XP which will provide Omni-Channel experience to customers. Also, along with the migration of the Bank's Core Banking System, various electronic payment services have also been migrated to the Bank's new CBS-Finacle, through which the Bank believes that more sophisticated Banking service facilities will be available to the customers safely.

With the aim of providing round the clock Banking services to the customers, the Bank has put the Cash Deposit Machine Check Deposit Kiosk into operation. Similarly, the Bank has launched VISA P2P and VISA Remittance services to transfer funds through cards.

The Bank conducted cash back offers throughout the year to encourage customers to transact through electronic means and to encourage passive cardholders to transact not only through ATM but also through POS and online transactions. Similarly, the Bank successfully conducted various campaigns like New Year Campaign, Siddhartha Foundation Day Campaign, Bank Smart Activation Campaign, QR Merchant Enrollment and Activation Campaign.

In order to encourage digital payment, the Bank is also conducting various programs related to financial literacy while further modifying and refining the means of digital payment.

## **O. Digital Transformation and Information Technology**

Due to the changing preferences of customers, the Banking sector is being transformed by the latest innovations in technology. In the current situation, with the rapid development of information technology, its security is becoming more and more challenging. In order to minimize the risk that may be caused by information technology, the Bank is aware of the fact that a successful information technology strategy, policy and procedure is necessary and has adopted an action strategy accordingly.

The Bank is using a high-level information technology security system for customer privacy, security and reliability of data. Auditing of information technology as per the directions of Nepal Rastra Bank has been continued even in the year under review after finding the deficiencies in the Bank's system.

Likewise, the Bank has fully implemented the existing Core Banking System (CBS), Customer Relationship Management (CRM) and Loan Origination System (LOS) projects for high-tech and reliable services. Similarly, Mobile Banking (Bank Smart XP) has been upgraded with the aim of providing convenient and safe online service for customers. Various Business Process Automation projects have been formulated for internal and external digital transformation work.

Similarly, management of historical data storage is started to manage, communicate and analyze data obtained through various means. Web Application Firewall (WAF) has been used to increase the security of various Web Applications of the Bank and to control the security of Cyber Threats. SWIFT CSP Assessment has been completed in accordance with cyber-attacks and cyber security policies related to international payments.

In the like manner, the Bank has continued to establish a Customer Care Center to make the relationship between the Bank and the customer effective and manage the services provided by the Bank in an integrated manner. Under this, it has been arranged that the customer can file inquiries, complaints, feedback and suggestions and service requests through the Bank's website, phone, chat, and social networks, and the customer can avail Banking services directly without physically being present at the Bank. From this, it is believed that the experience of customers with the Bank will increase positively and increase customer delight.

## **P. Remittance Service (SBL Remit Service)**

The Bank launched its own online remittance payment service "SBL Remit" from Qatar in the year 2008 with the aim of providing fast, efficient and reliable remittance service to Nepalese who

are employed abroad in line with the strategy of expanding its services and diversifying financial services. Currently, SBL Remit has expanded its services to Japan, Malaysia, Oman, UAE, South Korea, Kuwait and America. In order to make remittances more effective, the Bank has taken a strategy of increasing its remit presence in foreign countries and increasing the number of payment representatives locally, as it has been providing services through more than 7,000 payment center representatives and sub-representatives from major European countries and Australia as well. The Bank is constantly trying to increase its reach by providing online remittance services to Nepalese expatriates worldwide. The Bank has helped to make the remittance business more quality, reliable and easily payable by establishing the Remittance Business Unit (RBU). In the near future, the Bank has planned to increase its remittance services and its presence in India, Canada and Jordan by increasing the remittance business.

Likewise, for immigrant Nepalese brothers and sisters, the Bank is operating 'Siddhartha Remit Account' and 'SBL Premium Remit Savings Account' with attractive interest rates and can open an account with zero balance. Also, opening these savings account will come with many benefits of Bank Smart, Internet Banking, ATM, Demat and C-ASWA facilities.

## **Q. Right to Information and Grievance Management**

As Bank has been established as a public limited company, it gives high priority to the right of information to stakeholders. The Bank has taken accountability, transparency and responsibility as the main and important factors of the right to information for good governance. The Bank shall publicly disseminate relevant information and information to inform the stakeholders. The Bank has fully complied with the provisions of the Right to Information Act, 2064 and has appointed a Chief Information Officer as per Section 6 of the Act.

The Bank is inspired by the motto of "Relationship Forever". Accordingly, the needs and complaints of the customers have been properly addressed. The Bank has proceeded by addressing the complaints received from customers and stakeholders with high priority. The Bank has created a favorable and convenient environment to timely communicate customers' grievances to concerned departments.

The Bank has established a Central Information and Grievance Handling Desk (CIGHD) at the central office to streamline the hearing of complaints received from the network spread across the country and to provide necessary information to the customers. CIGHD collects all information, complaints and suggestions and coordinates with various departments to provide necessary information and resolve customer complaints. CIGHD collects information through website, telephone, email, Facebook, Viber, Instagram, etc. and resolves issues as quickly as possible. The Bank has developed a system for customers to send complaints directly through the complaint portal on the website. The Bank has appointed a Grievance Management

Officer to efficiently address and resolve customer complaints with high priority.

## **R. Trade Finance**

The Bank has been providing various trade finance related services to ease the banking and financial needs of customers involved in national and international trade. The Bank is also one of the member among other banks under the Global Trade Finance Program of the International Finance Corporation. Under trade finance, the Bank issues letter of credit (LC), promissory notes, approved drafts, bills of exchange, securities, tender bonds, performance bonds and advance payment guarantees.

## **S. Treasury and Correspondent Banking**

The Bank operates with Treasury and Correspondent Banking Departments to cater to the various needs of the customers and has helped to increase the profit of the Bank. This department has been equipped with advanced software that can directly view the changes in the rates of international Banks. The Bank has been actively dealing in local and international currency market, capital market, foreign exchange market and bullion market. While conducting its regular work, this department works within the guidelines issued by Nepal Rastra Bank and the internal policy of the Bank.

To expand business beyond the country's geographical boundaries, the Treasury and Correspondent Banking Department has opened Nostro and Vostro accounts in international banks and established relationships with financial institutions connected to the Relationship Management Application (RMA) service promoted by SWIFT. The correspondent Banking network has helped the Bank to effectively manage trade finance transactions, treasury payments, inward and outward payments.

Under the agreement between Siddhartha Bank and the International Finance Corporation (IFC) under the World Bank Group to invest in the business of micro, small and medium enterprises (MSME) in Nepal and in climate financing, IFC has loaned the Bank 55 million US dollars. The loan amount provided to the Bank is the highest loan amount provided by IFC to any Nepali Bank so far. The approved loan amount to Siddhartha Bank from internationally renowned financial institutions confirms the good governance existing within the Bank and the sound financial condition of the Bank. With this collaboration, the Bank will invest in projects like clean energy projects, electric vehicles, climate friendly agriculture. This agreement will help to establish, operate and promote micro, small and medium businesses and also help to strengthen the economy by helping to some extent in solving the problem of lack of liquidity in the Banking system of Nepal. Adopting the Digital First practice, the Bank has always prioritized sustainable development and is committed to create a sustainable impact for future generations by keeping the overall business strategy of the Bank in mind to be environment-friendly, society-oriented and good governance aspects.

## **T. Increase in Branch Network**

The Bank continues to expand its scope. The Bank has also expanded its branch network in rural areas to provide banking services to all Nepalese. In addition, the Bank has been providing banking services to the customers by expanding its reach and services even in the major areas of the country. In the last fiscal year, the Bank is actively providing banking services from a total of 196 branches (including 5 extension counters) by establishing new branches at New Road Gate, Thankot and Mulpani in Kathmandu, Bhaisepati and Lubhu in Lalitpur and new extension counters at Geta in Kailali. At present, the Bank has been providing expanded services to its customers through 226 ATMs, 123 branchless Banking service centers, internet Banking, mobile Banking showing its presence in 54 districts of Nepal.

## **U. Service Extension**

The Bank has been providing the latest, modified, reliable and quality services to the customers according to the wishes and demands of the customers. For this purpose, the Bank has adopted the continuation of research and development as a specific aspect of the organization in order to provide timely services to the customers by evaluating the development of technology, the needs of the customers, the needs created in accordance with the changes in business, etc.

## **V. Bank's Credit Rating**

Credit rating agency ICRA Nepal Limited on December 19, 2022 has given the Bank a moderately safe rating of "[ICRANPIR] BBB+ and [ICRANP] LBBB+(Pronounced as ICRA NP Issuer Rating Triple B Plus)". Organizations that receive this rating are considered safe in meeting their financial obligations on time.

## **W. Bank Awarded for Best Annual Financial Report 2022**

In FY 2021-22, the Bank was awarded for the 'Best Annual Financial Report 2022' organized by Nepal Institute of Chartered Accountants (ICAN) for financial transparency, accountability and governance based on the annual financial report. Also, the Bank's financial report was selected in competition for the title of 'Best Annual Report' organized by the South Asian Federation of Accountants (SAFA). The Bank was also honored by ICAN and SAFA in 2020-21 as well with best annual financial report under banking category by ICAN and with certificate of merit by SAFA. Such titles have encouraged the Bank to publish more sophisticated financial statements in the coming days.

## **FINANCIAL STATUS AND TARGETS FOR THE CURRENT FISCAL YEAR**

The increasing inflation seen in the world economy, the negative impact on the supply chain created by the increasing geopolitical conflict at the international level is becoming a matter of concern. Some signs of improvement have emerged from the action taken by the Nepal Rastra Bank and the Government of Nepal to address the challenges seen in the country's economy. There has been an increase in remittances received from foreign employment and a positive improvement in the country's balance of payments. Liquidity is also improving and it is expected that

there will be growth in the capital expenditure of the Government of Nepal. However, the impact seen in the world economy is predicted to last for some time, the reality is that the negative impact will continue in our economy as well. We believe that there is a slowdown in the economic activities in the country, the cost of doing business is increasing, and the depression seen in the business environment will gradually be solved by the unified efforts of the Government of Nepal, Nepal Rastra Bank and the private sector.

Despite the increasing non-performing loans in the banking sector due to the economic slowdown during the review period, the Bank has managed to earn NPR 3.17 billion net profit. Along with credit growth, the Bank's priority will be to provide loans to designated productive areas while increasing the quality of loans. The main goal of the Bank will be to give reasonable returns to investors along with sustainable development.

Despite various adversities, by the end mid-September 2023, the Bank's total deposits and total loans have reached NPR 220.05 billion and NPR 191.69 billion respectively, and has earned NPR 850 million operating profit. In the coming days, the Bank has given high priority to recover non-performing loans.

## **CORPORATE GOVERNANCE**

The Bank has been following the highest practices and processes of corporate governance in the operation and management of the Bank with utmost importance. Corporate governance practices and ethical business conduct are at the core of the Bank's values. The Bank has always been imbuing integrity, accountability, responsibility, transparency and fairness as integral parts of corporate governance in its business activities. The Bank has adopted corporate governance as an integral part of its policies and regulations in order to increase the quality of services provided to its shareholders, customers, and other stakeholders, as well as the demands of its customers.

The Bank has been conducting its operations in accordance with the prevailing laws and regulations, instructions issued by Nepal Rastra Bank and other regulatory bodies and internal policy rules of the Bank. The internal policy rules of the Bank are revised and updated on a regular basis. The Bank, which is under the prevailing laws, regulations and directives, has updated and implemented the necessary policies to strengthen the institutional governance such as Compliance Policy, Anti Bribery and Anti-Corruption Policy and Employee Code of Conduct. The Bank has created and implemented a code of conduct for the smooth operation of the Bank's daily activities and for policy-level decisions and the Bank's strategy. The code of conduct implemented by the Bank accordance with the guidelines issued by the Good Governance Act and Nepal Rastra Bank with the aim to maintain good corporate governance in Bank. All the members of the Board of Directors have fully complied with the Code of Professional Conduct and Ethics in accordance with the integrated instructions issued by Nepal Rastra Bank. Bank management and employees at every level are performing their work in full compliance with the Code of Conduct. Likewise, the

Bank has been fully complying with the conditions set by the regulatory body when issuing the license and the instructions given during the regulation, inspection or supervision.

Likewise, the Bank has been making the Bank's directors, senior management, officers and all other employees participate in various seminars, conferences and trainings organized by various national and international bodies regarding corporate governance. Such activities will be continued in the future as well.

Also, work has been divided in such a way that the personal responsibilities and liabilities of every employee of the Bank are clear. Based on this, the Bank believes that mutual control and balance will be maintained in the execution of work and will further support the corporate governance. Since the result-oriented work performance evaluation system has been implemented since the past, the goal has been taken to increase its effectiveness by further modifying this system.

Likewise, the Bank has been communicating necessary information to all stakeholders under corporate governance. During the review period, the Bank has issued notice of Annual General Meeting, Annual Report, Notice regarding closure of shareholder register book for General Meeting purposes, Quarterly report, Sensitive notice affecting the value of securities, Information regarding right to information, KYC update notice, Interest rate change notice, Shareholders have so far information about unclaimed undistributed dividends and information about dormant accounts that have not been in operation for the past 10 years has been published in various national daily newspapers and information has been provided through the Bank's website [www.SiddharthaBank.com](http://www.SiddharthaBank.com) and the Bank's official social network at the appropriate time. In the coming days, the Bank will continue to publish various information and details under corporate governance.

## CORPORATE SOCIAL RESPONSIBILITY

The Bank has been doing social work since its inception, always making itself active to help. Keeping responsibility in the overall development and uplifting the society as a high priority, the Bank is always ready to create its identity as a good corporate citizen by continuously building foundations for education, health and livelihood and providing financial support for activities such as environmental protection, infrastructure, disaster mitigation, financial literacy.

According to the guidelines of Nepal Rastra Bank, the Bank has allocated NPR 29.02 million as one percent of last year's net profit under the heading of corporate social responsibility for the review period. Similarly, in the current year, the Bank has provided a total of NPR 21.20 million under corporate social responsibility in the sectors like health, financial literacy, environmental conservation, education upliftment, culture promotion, tourism sector promotion, wildlife conservation and in other social works.

## CONTRIBUTION TO GOVERNMENT REVENUE

Always committed to strengthening the country's economy, the Bank has been contributing on it through Banking services and social responsibility activities. Similarly, the Bank has been fulfilling the duty of a responsible tax payer by contributing significant amount to the government revenue. In the review year, the Bank has contributed NPR 1.15 billion as income tax and NPR 1.83 billion as other several tax which leads to a total of NPR 2.99 billion contribution to the government revenue.

## COMPLIANCE WITH CUSTOMER IDENTIFICATION AND MONEY LAUNDERING PREVENTION ACT

The Bank has set up a separate Centralized KYC Processing Unit to minimize the risk related to customer identification and asset laundering. The Bank has always been following the current Nepalese laws and the updated directives issued by the Nepal Rastra Bank regarding customer identification and asset laundering. The compliance department established to conduct periodic evaluations regarding compliance with the law related to money laundering and other compliance matters is regularly performing its functions. The said department has established a separate compliance department to monitor the relevant regulations following the Money Laundering Prevention Act and the rules and guidelines under it on a regular basis.

Similarly, the Bank, subject to the prevailing laws, regulations and directives, prepares and implements policies, guidelines and regulations related to customer identification and asset laundering and updates the existing policies, guidelines and regulations. Meanwhile, during the review period, the Bank has updated and implemented the KYC and AML/CFT Policy and Standard Operating Procedure for KYC and AML/CFT. Likewise, the Bank has implemented AML Monitoring System through which it monitors customer banking transactions, manages Digital KYC, customer classification and customer related risks, monitors Politically Exposed Person (PEPs), Threshold Transactions and Suspicious Transactions. Details of Suspicious Transaction) are being provided through Go AML System of Nepal Rastra Bank. In the same way, the Bank has purchased the SWIFT Sanction Screening System to effectively monitor the risks related to sanctions. The Bank has set up a separate Centralized KYC Processing Unit to minimize the risk related to customer identification and asset laundering. The Bank has planned to change the existing AML Solution to a more sophisticated AML Solution for proper monitoring of transactions and review of alerts. Also, in the near future, the Bank has made an action plan to implement customer authentication through video KYC and also use electronic means to update and access KYC information. For this, the Bank has updated and implemented e-KYC Guidelines. The Bank has made an action plan to develop technology for automatically classifying customers and assessing customer-related risks in the future. In order to ensure that even the new employees coming to the Bank are aware of sensitive issues such as customer identification

and asset laundering, the newly appointed employees of the Bank are regularly trained on customer identification and asset laundering.

Likewise, in order to maintain high corporate governance in the Bank, the Board of Directors has formulated/ revised various policies and procedures related to corporate governance and risk management as required.

## **INDUSTRIAL/BUSINESS RELATIONSHIP**

In order to expand industrial and commercial scope, the Bank has planned to establish harmonious and professional relations with national and international organizations and industrial commercial establishments and enhance those relations. In addition, the Bank is striving to further strengthen the relationship with all levels of employees and customer categories who have acquired various experience and qualifications.

The work has been carried out by building a harmonious and coordinated relationship between the Bank's management and employees. The management and the employee representatives have discussed the issues of moral development and capacity building of the employees, and necessary actions have been taken for the moral development and capacity building of the employees. The Bank is in affiliation and is associated with Nepal Rastra Bank, Company Registrar's Office, Nepal Securities Board, Nepal Stock Exchange Limited, CDS and Clearing Limited, Internal Revenue Department, Deposit and Credit Protection Fund, Credit Information Center Limited, Nepal Backers Association, Confederation of Banks and Financial Institutions Nepal, Federation of Nepal Chamber of Commerce and Industry, Nepal Confederation of Industries, National Banking Institute, Nepal Management Association, International Finance Corporation (IFC) etc.

Likewise, in the international sector, the Bank has succeeded in establishing a harmonious business relationship with foreign Banks such as Commerz Bank - Germany, Kookmin Bank - Korea, Mashreq Bank Dubai, Standard Chartered Bank Limited - China, Standard Chartered Bank Limited - London, Standard Chartered Bank Limited - Japan, Standard Chartered Bank Limited - India, Standard Chartered Bank Limited-Singapore, H.D.F.C. Bank Limited-India, ICICI Bank Limited India and Hong Kong, Axis Bank Limited-India, KEB Hana Bank-Korea, etc.

## **HUMAN RESOURCE DEVELOPMENT**

For achieving Banks' own established values and objectives and for the successful implementation of future plans and long-term strategies, the Bank is moving ahead with the objective of enhancing the skills, abilities and competencies of the employees. The Bank has always considered its employees as a powerful and important asset. Banking business is a service oriented business as well as a systematic risk taking business. Therefore, competent, dedicated and hardworking employees are needed to provide excellent service and properly manage risk. Keeping in view the various risks that are emerging in the

Banking sector, the Bank is mobilizing employees with proper qualifications and abilities at appropriate locations.

As of mid-July 2023, the total number of employees of the Bank is 1,970, of which 101 are management level employees. There are 62.69 percent i.e. 1,235 men and 37.31 percent i.e. 735 women employees in the Bank. The Bank has been filling the posts of new employees according to the Employee Service Regulations, 2073. During the review period, the Bank has identified competent, capable and qualified people as external sources and appointed 247 new employees, out of which 242 employees have been appointed in assistant level positions and 5 employees have been appointed in officer positions. The Bank has promoted 215 people through internal promotion process. At present, the number of employees who have served in the Bank for more than 20, 15, 10 and 5 years are 12, 61, 197 and 870 respectively.

Similarly, the Bank has been making employees participate in various trainings at the national-international level internally and externally to increase the work effectiveness of the employees in the changing environment for knowledge, ability, skill enhancement and risk management. During the review period, the Bank conducted 246 trainings in which 3,786 employees participated. Also, during the review period, the Bank conducted 4 online exams through the e-learning portal and enhanced the knowledge and skills of the employees.

Under the Central Credit Administration Department and Credit Risk Department at the provincial office, the Bank has allocated/ posted necessary employees. In order to make the regional offices more orderly and well-organized, the Bank has set the goal of deputing necessary employees under the departments of deposit, general administration, information technology, internal audit, and human resources in the regional offices.

In order to make the existing human resource process effective, the Bank has advanced the work for the implementation of new software (Human Capital Management System) to transform the human resource management work digitally and also implemented a new organizational structure (Organizational Structure).

In addition, the Bank is in the process of approval from the Nepal Rastra Bank for the new Employee Service Regulations, 2080 with the amendments made in 2073, which include staff recruitment, career development, training, salary, allowances and other facilities, attendance and leave, code of conduct etc. In the coming year, the Bank has planned to emphasize the e-learning process to make the training and development more systematic and give priority to employee participation and employee recognition.

## **CHANGES IN MANAGEMENT DURING THE YEAR AND ITS REASON**

During the review period, there was no change in the top management i.e. Assistant General Manager and above.

## IMPLEMENTATION OF SUGGESTIONS PROVIDED BY SHAREHOLDERS

The Bank has positively considered the suggestions provided by respected shareholders in earlier annual general meetings of the Bank. The major suggestions provided by the shareholders 21<sup>st</sup> AGM of Bank are related to increment of interest income in ratio of increment in credit, increment of revenue from documentary credit and foreign exchange related business, increment of earning per share, increment of general reserve, reduction of staff costs, reducing non-performing assets and so on. The Bank expects that such suggestions are received in future also as these feedbacks will help to further improve the performance of the Bank in coming days.

## KEY FACTORS AFFECTING THE BUSINESS

The major factors affecting the activities of the Bank are as follows:

- The situation of unbalanced export and import has affected the economic situation of the country as a whole.
- Due to the sluggishness in economic activities, the loan loss provision is increasing.
- Due to tough competition among banks, business has been affected.
- Political instability, the government's inability to spend capital on time and the contraction in revenue have affected the business.
- The possible situation that can be created due to the change in economic, monetary and financial policy of the country also affects the business of the Bank.
- Due to the lack of alternative investment sectors and contraction in the domestic market, the impact on sources of income.
- The increasing trend of skilled manpower migrating to abroad has created a challenge to retain the existing manpower of the Bank.
- It has been estimated that sudden fluctuations in the stock market may affect the Bank's business.
- Potential risks that may arise from loans from Banks and non-fund based services provided by Banks.
- Along with the development of information technology, various types of risks associated with cyber fraud are another challenge for Banks.

- The on-going tension created due to the conflict that is emerging in the international world has affected the economic sector and has also affected the Nepali market that has created a direct impact in banking sector.
- The country's overall economic situation and limited investment opportunities, interest rate gap management, and technology security remain challenges in the current year as well. Keeping these challenges and opportunities in mind, the Bank will continue to increase the scope and quality of its services, pay special attention to quality credit investment management, develop and motivate skilled human resources, update the information system to minimize risks related to information technology, provide more latest services and new markets and has formulated a strategy to expand its services into new areas. Despite these many economic and non-economic challenges, the Bank will continue its efforts to achieve its goals by adopting timely plans and strategies.

## VOTE OF THANKS

The Bank extends its heartfelt gratitude to all its esteemed customers, shareholders, founders, former presidents, past and present directors, as well as the Government of Nepal and regulatory bodies such as Nepal Rastra Bank, Nepal Securities Board, Office of the Registrar of Companies, Nepal Stock Exchange Limited, CDS and Clearing Limited, and auditors, for their unwavering support and invaluable guidance. We remain optimistic about receiving ongoing support from these stakeholders as we strive for further enhancement in the future.

We wish to express our sincere appreciation to the Bank's management team and all employees whose dedication and hard work have been instrumental in every achievement and advancement of the Bank. Their professionalism and diligence are highly commendable. Furthermore, we anticipate continued support from the Bank and the Board of Directors as we navigate the path ahead.

Thank you.

On behalf of the Board of Directors,

**Manoj Kumar Kedia**  
Chairman

**Narendra Kumar Agarwal**  
Director

Date: 30<sup>th</sup> October, 2023

# Disclosures as per Section 109 of the Companies Act, 2063

## a) If there is any qualification in the audit report, the response of the board of directors:

There is not any such qualification.

## b) Recommended amount of dividend to be distributed

After the approval of Nepal Rastra Bank, 4.21 percent of the current paid up capital of the Bank NPR 14,089,980,190 i.e. NPR 593,188,166 (In words: Five Hundred Ninety Three Million One Hundred Eighty Eight Thousand One Hundred and Sixty Six) has been recommended to distribute as cash dividend (including tax) for FY 2022-23.

## c) Details if the shares are confiscated, the number of confiscated shares, the nominal value of such shares, the total amount received by the company before the confiscation of such shares and the amount received by the company after the confiscation of such shares and the amount received by the company for the confiscated shares

The Bank has not confiscated any shares so far.

## d) A review of the performance of the business of the company and its subsidiaries during the previous financial year and the position at the end of that financial year

In this regard, it has been mentioned separately in detail in the director's report.

## e) Major transactions conducted by the company and its subsidiaries during the financial year and any significant changes in the company's transactions during the period under review,

The Bank is conducting regular banking transactions. Similarly, the subsidiary company of the bank has been conducting regular transactions according to the nature of its business. There is no any significant changes during the review period.

## f) Information provided to the company by the primary shareholders of the company in the previous fiscal year

No such information has been received by the Bank in the previous fiscal year.

## g) Details of shareholdings of directors and officers of the company in the previous FY and the information received by the company from them if they were involved in the company's share trading,

No such information has been received by the Bank in the previous fiscal year.

## h) Dealing with the information provided about the personal interests of any directors and their close relatives in the contracts related to the company in the last fiscal year.

No such information has been received by the Bank in the last financial year.

## i) If the company has purchased its own shares, the reason for such purchase, the number and nominal value of such shares and the amount paid by the company for such purchase of shares,

The Bank has not purchased its own shares so far.

## j) Whether there is an internal control system or not and if so, the details of the same,

In this regard, it has been mentioned separately in detail in the director's report.

## k) The list of members of the audit committee, remuneration, allowances and benefits received by them, the details of the work done by the committee and the details of any recommendations made by the committee.

In accordance with the directives of Nepal Rastra Bank and the provisions of prevailing laws, the board of directors of this Bank has formed an audit committee under the coordination of non-executive directors. The main objective of this committee is to evaluate the internal control system of the bank, to evaluate the audit process, to supervise the financial reporting and publish financial statement, to ensure that the financial statements of the bank are accurate and sufficient, and whether all the departments of the bank are complying with the internal procedures and policy rules. In addition to this, the committee also reviews the external audit report and submits proposals for improvement to the board of directors. A total of 20 meetings of the Audit Committee were held in the year 2022-23, the details of which are as follows:

NAME	NO. OF MEETINGS ATTENDED	MEETING ALLOWANCE (RS.)
Dinesh Shankar Palikhe, Convener (Director)	20	280,000
Narendra Kumar Agrawal, Member (Director)	20	280,000
Nirakar Bahadur Singh, Member (Head Internal Audit)	20	-

**i) Details of total management expenses of the previous fiscal year**

The staff expenses of the Bank for the FY 2022-23 (including staff bonus) is NPR 2,852,235,828 and operating expenses is NPR 1,712,907,742 that leads to total of NPR 4,565,143,570 in management expenses.

**m) If the director, managing director, chief executive officer, primary shareholder of the company or close relative or the firm, company or organization in which he is involved has dues to the company:**

Not any such dues.

**n) Amount of remuneration, allowances and benefits paid to Directors, Managing Directors, Chief Executives and Officers**

Payment to Directors: NPR 4,286,724

Payment to Managerial Level (Assistant Manager and above):  
NPR 450,091,486

**o) Cash Dividend to be paid to Shareholders**

NPR 90,034,441 yet to be paid to the shareholders till the review period out of the cash dividends declared by this Bank in previous fiscal years. Further, arrangements have been made to view the details of dividends declared in previous years but uncollected by shareholders from the Bank's website [www.siddharthabank.com](http://www.siddharthabank.com).

**p) Details of purchase or sale of property in accordance with section 141:**

In the previous year, the Bank has not purchased or sold any property in accordance with section 141 of the Companies Act, 2063.

**q) Details of transactions between related companies as per section 175:**

Details related to this has been disclosed under the Notes to Accounts of the financial statements in point no. 5.7.

**r) Any other matters to be disclosed in the report of the Board of Directors in accordance with this Act and prevailing laws:**

1. Auditor

According to the provisions of Section 111 of the Companies Act, 2063 and Section 61(e) of the Bank and Financial Institutions Act, 2073, a proposal has been submitted in this general meeting to approve the appointment of an auditor (SAR and Associates) and remuneration as recommended by the audit committee.

2. Details regarding the close relatives of the directors or officers of this Bank working at least at the official level in Company Registrar's Office, Securities Board or Nepal Rastra Bank:  
None.

# **Additional details under section 109 (4) of the Companies Act, 2063**

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## **1. Comment of the Board of Directors on auditor's report**

The findings and recommendations mentioned in the auditor's report is being discussed in the board of directors meeting and the management is being instructed accordingly to implement the recommendations given by the auditor. Further, the reports prepared by the audit committee have been submitted to the board of directors on regular basis for discussion and necessary decisions.

## **2. Audit Committee**

a) The audit committee of the Bank has following members:

- 1) Mr. Dinesh Shankar Palikhe - Convenor (Director)
- 2) Mr. Narendra Kumar Agrawal - Member (Director)
- 3) Mr. Nirakar Bahadur Singh - Member Secretary  
(Head Internal Audit)

b) During the review period, a total of 20 meetings of the Audit Committee were held in which major discussions and decisions made were as follows:

- Review and approval of Risk Based Annual Audit Plan for FY 2023-24.
- Discussion regarding the audit conducted in different branches and departments of the Bank under the annual internal audit work plan.
- Discussion about the audit reports related to securities transactions of several branches of the Bank.
- Discussion about audit reports related to investment and risk management.
- Reviewing whether regularity, thriftiness, propriety and effectiveness have been adopted in relation to operations of the Bank and providing necessary recommendations to the board of directors.
- Recommending the names of three auditors to the board of

directors for the external audit for the year 2022-23.

- Discussion regarding Concurrent Audit Report of various department in the Head Office.
- Discussion about performance evaluation of the employees of internal audit department for the year 2021-22.
- Review of quarterly financial statements of the Bank.
- Discussion on the terms of reference of the staffs of the internal audit department located in the province level.
- Discussion and review of the Bank's non-performing loans.

c) Meeting allowance amounting to NPR 14,000 is provided to the Directors who are members of the audit committee during the review period.

d) Details of amounts paid to Directors and Chief Executive Officer during the period under review:

- Meeting allowance, Travel and Daily allowance and other allowances and expenses paid for directors is NPR 4,286,724.
- NPR 21,032,236 paid to the Chief Executive Officer for salary, allowances and other benefits.

e) Details of Dividend

The Bank in 2021-22 distributed a bonus shares at the rate of 12.50 percent and cash dividend at the rate of 0.66 percent (inclusive of tax on bonus share). 418<sup>th</sup> Board of Directors meeting held on 11 October, 2023 has proposed to distribute 4.21 percent cash dividend (including tax) in 2022-23.

## **3. The Bank has not confiscated any shares in 2022-23.**

None of the directors, chief executive officer, promoters or their relatives or any firm, company or organization in which they are involved have dues to the bank.

**Certificate from the Auditors  
on the Report of  
Siddhartha Bank Limited**

**Pursuant to Corporate Governance Guidelines for Listed Companies, 2074**

**To the Securities Board of Nepal**

We have examined the information set out in the attached report relating to the financial year ending July 16, 2023 (Ashadh 31, 2080) prepared by the Management of Siddhartha Bank Limited and approved by the 419<sup>th</sup> meeting of its Board of directors held on Kartik 13, 2080 (October 30, 2023).

The management and Board of Directors of the Bank are responsible for preparation of this report in accordance with the requirement of Corporate Governance Guidelines for Listed Companies, 2074. Our examination was limited to verification of the information provided in the report from the accounts and records maintained by the Bank. It is neither an audit nor an expression of opinion on the financial statements of the Bank.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the aforesaid report fairly presents the information set out therein.

  
Sunir Kumar Dhungel  
Managing Partner

Date: Kartik 13, 2080  
Place: Kathmandu, Nepal

UDIN: 231102CA00109l9sig

# Annual Compliance Report on Corporate Governance

(According to Section 20 (4) of the Corporate Governance related Directive of Listed Organizations, 2074)

We would like to inform you that some of the details mentioned in the annual compliance report for the year 2022-23 related to corporate governance are mentioned in the Banks' annual report 2022-23 on several topics such as Board of Director/ board level committees, corporate governance, management level committees, human resource development activities. The details other than above mentioned are given below:

Name of Organization	Siddhartha Bank Limited
Address	Bagmati Province, Kathmandu, Ka.Ma. Na.Pa. Ward No. 1, Naxal
E-mail & website	info@sbl.com.np, <a href="https://www.siddharthabank.com/">https://www.siddharthabank.com/</a>
Report Submitted FY	FY 2022-23

## 1. Details regarding Governing Board

A separate record of the details of decision (minute) in regard to the Directors present at the meeting of the Board of Directors and the topics discussed	Included
Maximum gap between two consecutive meetings of Board of Directors (in days)	40 days
Date of AGM for determining allowances for the meetings of Board of Directors	January 14, 2022 (20 <sup>th</sup> AGM)

## 2. Details regarding Organization's Risk Management and Internal Control System

A) Availability of Financial Administrative Bylaws: Financial Administrative Byelaws 2074 being implemented.

## 3. Details regarding Notice and Information Circulation

A) Information published by the organization and details on information circulation :

INFORMATION	MEDIUM/ CHANNEL	DATE OF PUBLICATION
Annual General Meeting (AGM)	Karobar Rastriya Dainik (First) Karobar Rastriya Dainik (Second)	December 21, 2022 January 4, 2023
Annual Report	Uploaded on Bank's Official Website (FY 2021-22)	January 3, 2023
Quarterly Report	First Quarter (FY 2022-23), Rajdhani Rastriya Dainik Second Quarter (FY 2022-23), Saurya Rastriya Dainik Third Quarter (FY 2022-23) Arthik Rastriya Dainik Fourth Quarter (FY 2022-23) Arthik Abhiyan Rastriya Dainik	October 24, 2022 January 21, 2023 April 20, 2023 August 4, 2023
Regarding Right to Information	First Quarter (FY 2022-23) Arthik Rastriya Dainik Second Quarter (FY 2022-23) Arthik Abhiyan Rastriya Dainik Third Quarter (FY 2022-23) Saurya Rastriya Dainik Fourth Quarter (FY 2022-23) Saurya Rastriya Dainik	November 1, 2022 January 29, 2023 April 27, 2023 July 30, 2023
Regarding Changes in Interest Rates	Arthik Abhiyan Rastriya Dainik Rajdhani Rastriya Dainik Arthik Rastriya Dainik Karobar Rastriya Dainik Karobar Rastriya Dainik Arthik Rastriya Dainik Saurya Rastriya Dainik Arthik Abhiyan Rastriya Dainik Arthik Abhiyan Rastriya Dainik Madhyanha Rastriya Dainik Rajdhani Rastriya Dainik Arthik Abhiyan Rastriya Dainik Arthik Abhiyan Rastriya Dainik	August 16, 2022 September 16, 2022 September 20, 2022 October 17, 2022 November 16, 2022 December 15, 2022 January 14, 2023 February 12, 2023 March 14, 2023 April 13, 2023 May 14, 2023 June 15, 2023 July 16, 2023

Information regarding Price Sensitive impact on the value Securities	Decision made on December 6, 2022 regarding dividend for the FY 2078/79 uploaded on website of NEPSE	The information was uploaded on NEPSE's Website on or December 6, 2022 and later submitted to the office of NEPSE.
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#### Others

1. Information regarding the dividend uncollected by the shareholders published on Karobar Rastriya Dainik on August 15, 2022
2. Notice regarding the closure of shareholder register book for the purpose of general meeting was published on Karobar Rastriya Dainik on December 21, 2022
3. Information regarding the Dormant account for the past 10 years was published on Karobar Rastriya Dainik on August 15, 2022

#### 4. Details on Organization's Accounts & Audit

##### A) Statement of Accounts

Date of Publications of Quarterly Financial Statements	First Quarter (FY 2022-23) October 24, 2022 Second Quarter (FY 2022-23) January 21, 2023 Third Quarter (FY 2022-23) April 20, 2023 Fourth Quarter (FY 2022-23) August 4, 2023
Date of Approval of Financial Statement by AGM	January 12, 2022 (FY 2021-22)

#### 5. Other Details

Any funds/ loans taken by the organization from directors or his/her immediate family members, banks or any financial institutions who has financial interest in the institution	Not Taken
In accordance with the prevailing law, the company's legal owner, shareholder, employee, advisor, consultant in regard with his/her facilities and allowance/ profit gained in the organization gained any other facility from a listed organization, person, firm, company, who has/has not used any property of organization in any way	Not Done
Compliance with the conditions prescribed by the regulatory entities while issuing the license	Done
Recommendations/ instructions by the regulatory entities while conducting regulatory inspections or supervision of the organization has been followed or not	Done
Details of any case in court against the institution / director	There is no case against bank or any director of the bank

NAME OF COMPLIANCE OFFICER: **Saroj Kafle**

DESIGNATION: **Compliance & Governance Officer**

DATE: **October 30, 2023**

DATE OF REPORT APPROVED BY THE BOARD OF DIRECTORS: **October 30, 2023**



**Siddhartha**

Relationship Forever

8.99%  
Interest rate  
Till 31st March 2019







# **Investor Information**

Total no of Shareholders: **69,151**(As on July 16, 2023)

RANGE (NO. OF SHARES)	NO. OF SHAREHOLDERS	OWNERSHIP (NO. OF SHARES)	% OF PAID UP CAPITAL
1-500	51,538	6,940,774	4.93%
501-1,000	7,701	5,444,102	3.86%
1,001-1,500	3,500	4,290,989	3.05%
1,501-2,000	1,620	2,833,963	2.01%
2,001-5,000	2,998	9,050,709	6.42%
5,001-10,000	842	5,868,584	4.17%
10,001-50,000	656	13,458,405	9.55%
50,001 or more	296	93,012,275	66.01%
<b>Total</b>	<b>69,151</b>	<b>140,899,802</b>	<b>100.00%</b>

#### On the basis of Promoter and Public shareholding

NATURE	NO. OF SHAREHOLDERS	TOTAL	OWNERSHIP (NO. OF SHARES)	% OF PAID UP CAPITAL
Promoter Shareholder-Corporate	8	278	5,295,109	3.76%
Promoter Shareholder-Individual	270		66,563,790	47.24%
Public Shareholder-Corporate	387	68,873	6,954,722	4.94%
Public Shareholder-Individual	68,486		62,086,181	44.06%
<b>Total</b>	<b>69,151</b>	<b>69,151</b>	<b>140,899,802</b>	<b>100.00%</b>

#### Details of shareholders holding 0.5% or more shares of the Bank as of July 16, 2023

NAME OF SHAREHOLDERS	AS ON JULY 16, 2023	
	PERCENT	AMOUNT (NPR)
Prudential Investment Company Pvt. Ltd.	3.23%	455,323,800
Narendra Kumar Agrawal	2.95%	415,732,600
Ratan Lal Kedia	2.48%	349,770,300
Savita Kedia	1.92%	271,209,200
Chiranjit Lal Agrawal	1.81%	255,130,800
Pawan Kumar Agrawal	1.76%	248,409,400
Subodh Todi	1.55%	218,369,900
Ashok Kumar Bahety	1.49%	209,468,600
Narpat Singh Jain	1.45%	205,006,400
Deena Nath Kedia	1.41%	198,159,700
Aditya Kedia	1.39%	196,024,200
Mahabir Investment Pvt. Ltd.	1.37%	192,799,700
Tushar Todi	1.28%	180,171,500
Suresh Kumar Rungta	1.21%	170,392,800
Madan Lal Kedia	1.08%	152,387,300
Birendra Kumar Shah	0.99%	139,155,500
Poonam Chand Agrawal	0.97%	136,455,700
Binod Kumar Agrawal	0.94%	131,753,800
Rajesh Kumar Kedia	0.88%	123,764,100
Bharat Kumar Todi	0.87%	123,016,000
Raj Kumar Tibrewala	0.81%	113,664,400
Binay Kumar Shah	0.77%	108,153,900
Rajendra Kumar Agrawal	0.76%	107,113,100
Shyam Sunder Agrawal	0.75%	105,316,700
Suresh Kumar Kedia	0.72%	101,230,000
Keshari Chand Kucheria	0.67%	95,012,500
Bimal Kumar Kedia	0.66%	92,635,000
Shashi Kala Agrawal	0.63%	89,298,800
Manish Jain	0.63%	88,997,700
Jagdish Kumar Agrawal	0.61%	86,451,100
Shambhu Kumar Kandoi	0.59%	83,288,100
Kavindra Bahadur Shrestha	0.59%	82,963,100
Saroj Sharma	0.51%	72,548,300

### Market value and capitalization

FISCAL YEAR	MARKET VALUE PER SHARE (NPR)	MARKET CAPITALIZATION (NPR IN MILLION)
2018-19	318	28,262.58
2019-20	296	28,971.79
2020-21	504	55,249.99
2021-22	303	37,949.01
2022-23	253	35,647.65

### Share price movement and trading volume

FISCAL YEAR	MAXIMUM PRICE	MINIMUM PRICE	CLOSING PRICE	NO. OF SHARES TRADED DURING THE YEAR
2018-19	361	273	318	4,771,832
2019-20	393	252	296	5,214,991
2020-21	533	283	504	31,907,856
2021-22	605	288.20	303	23,844,865
2022-23	348	238	253	8,318,720

### VERTICAL ANALYSIS OF FINANCIAL STATEMENT

#### Statement of Financial Position

PARTICULARS	2022-23	%	2021-22	%	2020-21	%
<b>Assets</b>						
Cash and cash equivalent	11,554,080,479	4%	7,928,989,024	3%	5,976,055,588	3%
Due from Nepal Rastra Bank	9,000,713,492	3%	5,730,448,535	2%	7,740,641,992	3%
Placements with Bank and Financial Institutions	5,011,346,934	2%	320,313,255	0%	3,308,708,365	1%
Derivative financial instruments	17,320,155	0%	19,694,323	0%	146,940,556	0%
Other trading assets	-	0%	-	0%	-	0%
Loan and advances to B/FIs	5,170,773,907	2%	6,403,394,142	2%	6,027,862,003	3%
Loans and advances to customers	184,009,571,040	64%	178,587,363,232	68%	158,579,235,014	69%
Investment securities	62,480,476,034	22%	57,368,161,732	22%	41,825,293,770	18%
Current tax assets	263,764,947	0%	221,065,203	0%	127,218,846	0%
Investment in subsidiaries	51,000,000	0%	51,000,000	0%	51,000,000	0%
Investment in associates	-	0%	-	0%	-	0%
Investment property	654,537,489	0%	213,307,612	0%	291,042,098	0%
Property and equipment	3,548,089,446	1%	3,077,068,355	1%	1,451,931,803	1%
Goodwill and Intangible assets	166,000,283	0%	71,490,971	0%	81,501,245	0%
Deferred tax assets	-	0%	-	0%	-	0%
Other assets	4,050,241,119	1%	4,334,727,127	2%	3,460,601,613	2%
<b>Total Assets</b>	<b>285,977,915,326</b>	<b>100%</b>	<b>264,327,023,511</b>	<b>100%</b>	<b>229,068,032,894</b>	<b>100%</b>
<b>Liabilities</b>						
Due to Bank and Financial Institutions	11,613,657,572	4%	7,234,641,506	3%	7,717,011,244	3%
Due to Nepal Rastra Bank	288,453,474	0%	24,965,102,753	9%	5,859,906,910	3%
Derivative financial instruments	23,887,253	0%	19,359,606	0%	94,517,303	0%
Deposits from customers	223,654,669,691	78%	191,550,643,583	72%	180,924,009,324	79%
Borrowing	7,312,480,160	3%	1,022,800,000	0%	-	0%
Current Tax Liabilities	-	0%	-	0%	-	0%
Provisions	-	0%	-	0%	-	0%
Deferred tax liabilities	501,929,292	0%	239,223,287	0%	966,719,229	0%
Other liabilities	5,613,687,917	2%	6,034,819,684	2%	4,941,503,558	2%
Debt securities issued	11,662,559,000	4%	11,662,559,000	4%	8,162,559,000	4%
Subordinated Liabilities	-	0%	-	0%	-	0%
<b>Total liabilities</b>	<b>260,671,324,359</b>	<b>91%</b>	<b>242,729,149,419</b>	<b>92%</b>	<b>208,666,226,568</b>	<b>91%</b>
<b>Equity</b>						
Share capital	14,089,980,190	5%	12,524,426,835	5%	10,962,299,199	5%
Share premium	-	0%	-	0%	-	0%
Retained earnings	663,610,438	0%	1,359,868,480	1%	1,808,628,800	1%
Reserves	10,553,000,339	4%	7,713,578,776	3%	7,630,878,326	3%
<b>Total equity</b>	<b>25,306,590,967</b>	<b>9%</b>	<b>21,597,874,092</b>	<b>8%</b>	<b>20,401,806,326</b>	<b>9%</b>
<b>Total liabilities and equity</b>	<b>285,977,915,326</b>	<b>100%</b>	<b>264,327,023,511</b>	<b>100%</b>	<b>229,068,032,894</b>	<b>100%</b>

## VERTICAL ANALYSIS OF FINANCIAL STATEMENT

### Statement of Profit and Loss

PARTICULARS	2022-23	%	2021-22	%	2020-21	%
Interest income	27,670,966,196	100%	20,677,563,975	100%	14,949,205,421	100%
Interest expense	19,486,423,098	70%	14,080,716,460	68%	9,438,998,984	63%
<b>Net interest income</b>	<b>8,184,543,098</b>	<b>30%</b>	<b>6,596,847,515</b>	<b>32%</b>	<b>5,510,206,437</b>	<b>37%</b>
Fee and commission income	1,693,079,336	6%	1,505,592,323	7%	1,337,101,297	9%
Fee and commission expense	347,458,421	1%	285,888,969	1%	204,493,070	1%
<b>Net fee and commission income</b>	<b>1,345,620,915</b>	<b>5%</b>	<b>1,219,703,354</b>	<b>6%</b>	<b>1,132,608,227</b>	<b>8%</b>
<b>Net interest, fee and commission income</b>	<b>9,530,164,013</b>	<b>34%</b>	<b>7,816,550,869</b>	<b>38%</b>	<b>6,642,814,664</b>	<b>44%</b>
Net trading income	191,735,761	1%	442,926,681	2%	777,640,273	5%
Other operating income	336,328,302	1%	532,489,900	3%	1,042,360,844	7%
<b>Total operating income</b>	<b>10,058,228,076</b>	<b>36%</b>	<b>8,791,967,450</b>	<b>43%</b>	<b>8,462,815,781</b>	<b>57%</b>
Impairment charge/(reversal) for loans and other losses	1,187,561,177	4%	607,471,211	3%	793,069,069	5%
<b>Net operating income</b>	<b>8,870,666,900</b>	<b>32%</b>	<b>8,184,496,238</b>	<b>40%</b>	<b>7,669,746,712</b>	<b>51%</b>
Personnel expenses	2,852,235,828	10%	2,685,015,444	13%	2,368,241,381	16%
Other operating expenses	917,442,986	3%	827,855,831	4%	932,137,985	6%
Depreciation & Amortization	448,006,336	2%	405,072,283	2%	202,641,830	1%
<b>Operating Profit</b>	<b>4,652,981,749</b>	<b>17%</b>	<b>4,266,552,680</b>	<b>21%</b>	<b>4,166,725,516</b>	<b>28%</b>
Non-operating income	13,471,787	0%	8,609,620	0%	540,449	0%
Non-operating expense	101,194,542	0%	16,694,239	0%	24,679	0%
<b>Profit before income tax</b>	<b>4,565,258,995</b>	<b>16%</b>	<b>4,258,468,061</b>	<b>21%</b>	<b>4,167,241,286</b>	<b>28%</b>
Income tax expense (Current Tax)	1,412,442,144	5%	1,396,816,319	7%	1,327,716,985	9%
Income tax expense (Deferred Tax)	(13,954,496)	0%	(40,812,300)	0%	(15,304,042)	0%
<b>Profit for the period</b>	<b>3,166,771,347</b>	<b>11%</b>	<b>2,902,464,042</b>	<b>14%</b>	<b>2,854,828,343</b>	<b>19%</b>

## HORIZONTAL ANALYSIS OF FINANCIAL STATEMENT

### Statement of Financial Position

PARTICULARS	2022-23	2023 VS. 2022	2021-22	2022 VS. 2021	2020-21
<b>Assets</b>					
Cash and cash equivalent	11,554,080,479	46%	7,928,989,024	33%	5,976,055,588
Due from Nepal Rastra Bank	9,000,713,492	57%	5,730,448,535	-26%	7,740,641,992
Placements with Bank and Financial Institutions	5,011,346,934	1465%	320,313,255	-90%	3,308,708,365
Derivative financial instruments	17,320,155	-12%	19,694,323	-87%	146,940,556
Other trading assets	-	-	-	-	-
Loan and advances to B/FIs	5,170,773,907	-19%	6,403,394,142	6%	6,027,862,003
Loans and advances to customers	184,009,571,040	3%	178,587,363,232	13%	158,579,235,014
Investment securities	62,480,476,034	9%	57,368,161,732	37%	41,825,293,770
Current tax assets	263,764,947	19%	221,065,203	74%	127,218,846
Investment in subsidiaries	51,000,000	0%	51,000,000	0%	51,000,000
Investment in associates	-	-	-	-	-
Investment property	654,537,489	207%	213,307,612	-27%	291,042,098
Property and equipment	3,548,089,446	15%	3,077,068,355	112%	1,451,931,803
Goodwill and Intangible assets	166,000,283	132%	71,490,971	-12%	81,501,245
Deferred tax assets	-	-	-	-	-
Other assets	4,050,241,119	-7%	4,334,727,127	25%	3,460,601,613
<b>Total Assets</b>	<b>285,977,915,326</b>	<b>8%</b>	<b>264,327,023,511</b>	<b>15%</b>	<b>229,068,032,894</b>
<b>Liabilities</b>					
Due to Bank and Financial Institutions	11,613,657,572	61%	7,234,641,506	-6%	7,717,011,244
Due to Nepal Rastra Bank	288,453,474	-99%	24,965,102,753	326%	5,859,906,910
Derivative financial instruments	23,887,253	23%	19,359,606	-80%	94,517,303
Deposits from customers	223,654,669,691	17%	191,550,643,583	6%	180,924,009,324
Borrowing	7,312,480,160	615%	1,022,800,000	-	-
Current Tax Liabilities	-	-	-	-	-
Provisions	-	-	-	-	-
Deferred tax liabilities	501,929,292	110%	239,223,287	-75%	966,719,229
Other liabilities	5,613,687,917	-7%	6,034,819,684	22%	4,941,503,558
Debt securities issued	11,662,559,000	0%	11,662,559,000	43%	8,162,559,000
Subordinated Liabilities	-	-	-	-	-
<b>Total liabilities</b>	<b>260,671,324,359</b>	<b>7%</b>	<b>242,729,149,419</b>	<b>16%</b>	<b>208,666,226,568</b>
<b>Equity</b>					
Share capital	14,089,980,190	12%	12,524,426,835	14%	10,962,299,199
Share premium	-	-	-	-	-
Retained earnings	663,610,438	-51%	1,359,868,480	-25%	1,808,628,800
Reserves	10,553,000,339	37%	7,713,578,776	1%	7,630,878,326
<b>Total equity</b>	<b>25,306,590,967</b>	<b>17%</b>	<b>21,597,874,092</b>	<b>6%</b>	<b>20,401,806,326</b>
<b>Total liabilities and equity</b>	<b>285,977,915,326</b>	<b>8%</b>	<b>264,327,023,511</b>	<b>15%</b>	<b>229,068,032,894</b>

## HORIZONTAL ANALYSIS OF FINANCIAL STATEMENT

### Statement of Profit and Loss

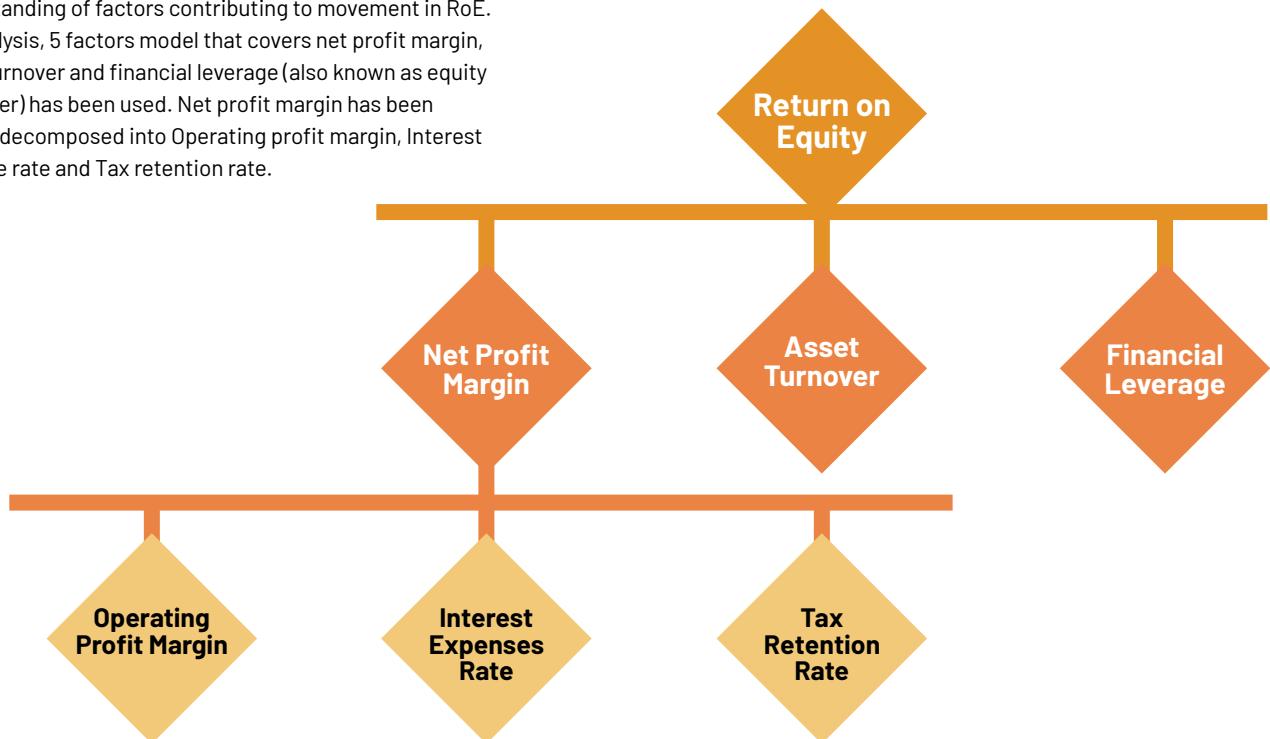
PARTICULARS	2022-23	2023 VS. 2022	2021-22	2022 VS. 2021	2020-21
Interest income	27,670,966,196	34%	20,677,563,975	38%	14,949,205,421
Interest expense	19,486,423,098	38%	14,080,716,460	49%	9,438,998,984
<b>Net interest income</b>	<b>8,184,543,098</b>	<b>24%</b>	<b>6,596,847,515</b>	<b>20%</b>	<b>5,510,206,437</b>
Fee and commission income	1,693,079,336	12%	1,505,592,323	13%	1,337,101,297
Fee and commission expense	347,458,421	22%	285,888,969	40%	204,493,070
<b>Net fee and commission income</b>	<b>1,345,620,915</b>	<b>10%</b>	<b>1,219,703,354</b>	<b>8%</b>	<b>1,132,608,227</b>
Net interest, fee and commission income	9,530,164,013	22%	7,816,550,869	18%	6,642,814,664
Net trading income	191,735,761	-57%	442,926,681	-43%	777,640,273
Other operating income	336,328,302	-37%	532,489,900	-49%	1,042,360,844
<b>Total operating income</b>	<b>10,058,228,076</b>	<b>14%</b>	<b>8,791,967,450</b>	<b>4%</b>	<b>8,462,815,781</b>
Impairment charge/(reversal) for loans and other losses	1,187,561,177	95%	607,471,211	-23%	793,069,069
Net operating income	8,870,666,900	8%	8,184,496,238	7%	7,669,746,712
Personnel expenses	2,852,235,828	6%	2,685,015,444	13%	2,368,241,381
Other operating expenses	917,442,986	11%	827,855,831	-11%	932,137,985
Depreciation & Amortization	448,006,336	11%	405,072,283	100%	202,641,830
<b>Operating Profit</b>	<b>4,652,981,749</b>	<b>9%</b>	<b>4,266,552,680</b>	<b>2%</b>	<b>4,166,725,516</b>
Non-operating income	13,471,787	56%	8,609,620	1493%	540,449
Non-operating expense	101,194,542	506%	16,694,239	67547%	24,679
<b>Profit before income tax</b>	<b>4,565,258,995</b>	<b>7%</b>	<b>4,258,468,061</b>	<b>2%</b>	<b>4,167,241,286</b>
<b>Income tax expense (Current Tax)</b>	<b>1,412,442,144</b>	<b>1%</b>	<b>1,396,816,319</b>	<b>5%</b>	<b>1,327,716,985</b>
<b>Income tax expense (Deferred Tax)</b>	<b>(13,954,496)</b>	<b>-66%</b>	<b>(40,812,300)</b>	<b>167%</b>	<b>(15,304,042)</b>
<b>Profit for the period</b>	<b>3,166,771,347</b>	<b>9%</b>	<b>2,902,464,042</b>	<b>2%</b>	<b>2,854,828,343</b>



# DuPont Analysis

## 5 FACTORS MODEL

DuPont analysis is an approach to decompose the different drivers of Return on Equity (RoE) to gain an in-depth understanding of factors contributing to movement in RoE. For analysis, 5 factors model that covers net profit margin, asset turnover and financial leverage (also known as equity multiplier) has been used. Net profit margin has been further decomposed into Operating profit margin, Interest expense rate and Tax retention rate.



PARTICULARS	2022-23	2021-22
Return on Equity (RoE)	13.50%	13.82%
Operating profit margin*	24.97%	28.29%
Average Asset turnover ratio	0.1006	0.0838
Interest expense rate**	0.85%	0.64%
Tax retention rate	69.37%	68.16%
Financial leverage	11.73	11.75

\*Operating profit margin of the Bank has been calculated as Profits before income tax expenses and interest expenses on external borrowings (except deposits) such as borrowings from NRB, interbank borrowings and external commercial borrowings.

\*\* The Bank has considered interest expenses on external borrowings (except deposits) such as borrowings from NRB, interbank borrowings and external commercial borrowings in calculation of interest expense rate.

From above table, we can understand the factors contributing to downward movement of RoE in FY 2022-23 in comparison with FY 2021-22. The Bank's RoE in FY 2021-22 was 13.82% which decreased to 13.50% in FY 2022-23.

### Downward drivers of RoE in FY 2022-23:

- a. Operating profit margin : decreased by 3.31%
- b. Interest expense rate : increased by 0.21%
- c. Financial leverage : decreased by 0.0151



### Upward drivers of RoE in FY 2022-23:

- a. Average asset turnover ratio : increased by 0.0167
- b. Tax retention rate : increased by 1.21%



# CREDIT RATING REPORT



## Siddhartha Bank Limited: Ratings placed on watch with negative implications

February 5, 2024

### Summary of rating action

INSTRUMENT/FACILITY	RATED AMOUNT	RATING ACTION
Issuer Rating	NA	[ICRANP-IR] BBB+@; placed on watch with negative implications
Subordinated Debenture	NPR 2,500 million	[ICRANP] LBBB+@; placed on watch with negative implications
Subordinated Debenture	NPR 2,163 million	[ICRANP] LBBB+@; placed on watch with negative implications

@ indicates rating [Watch with Negative Implications](#)

### Rating action

ICRA Nepal has placed the issuer rating assigned to Siddhartha Bank Limited (SBL) on 'Watch with Negative Implications' (denoted by @); revised rating is [ICRANP-IR] BBB+@ (pronounced ICRA NP issuer rating triple B plus). Issuers with this rating are considered to have moderate degree of safety regarding the timely servicing of financial obligations. Such issuers carry moderate credit risk. The sign of + (plus) or – (minus) appended to the rating symbol indicates the entity's relative position within the rating categories concerned. The issuer rating is only an opinion on the general creditworthiness of the rated entity and is not specific to any debt instrument.

ICRA Nepal has also placed the ratings assigned to the bank's subordinated debentures on 'Watch with Negative Implications' (denoted by @); revised rating is [ICRANP] LBBB+@ (pronounced ICRA NP L triple B plus). Instruments with this rating are considered to have moderate degree of safety regarding the timely servicing of financial obligations. Such instruments carry moderate credit risk. The sign of + (plus) or – (minus) appended to the rating symbol indicates the instrument's relative position within the rating categories concerned.

### Rationale

The rating watch with negative implications mainly factors the deterioration in SBL's asset quality profile in recent periods with increased non-performing loans (NPLs 2.56% as of mid-January 2024 i.e. H1FY2024 from 1.03% % as of mid-July 2022, when last rated) and higher delinquency (0+ days overdue ~16% as of mid-January 2024 compared to ~6% as of mid-July 2022, when last rated). Rising slippages has lowered the provision cover and weakened the solvency profile (net NPLs to net worth ~8.02% as of mid-January 2024), which is likely to suppress the bank's profitability and its ability to generate internal capital in the event of sustained rise in NPLs. The possibility of same remains elevated given the ongoing difficult operating environment and high leverage across the spectrum of borrowers. ICRA Nepal notes the decline in bank's NPLs at H1FY2024 over Q1FY2024 (mid-October 2023), partly aided by rescheduling/restructuring provisions introduced by central bank to manage stressed accounts (decline in NPLs to 2.56% as of mid-January 2024 from 3.44% as of mid-October 2023). However, 0+ days overdue remains at similar levels at both dates, hinting at a sustained asset quality pressure. Rating concerns also arise from the bank's low capital cushion (tier-I capital of 9.15% and overall CRAR of 11.68% as of mid-January 2024), despite marginal improvement since last rating, which limits the bank's ability to absorb near-term credit shocks.

Nonetheless, the ratings positively factor in the bank's long track record (operating since 2002), its stable management team and strong presence across the country (191 branches as of mid-October 2023). Further, the relatively low credit concentration (~14% of credit portfolio among top-20 borrowers/group) and moderate deposit concentration (~17% in top-20 customers) remain among the rating positives. Additionally, comfortable liquidity (net liquid assets of ~26% and credit to deposit ratio of ~82% as of mid-January 2023) and the relatively lower base rate among the similar-rated peers has also been positively factored in the rating action.

Going forward, SBL's ability to control incremental slippage, improve asset quality and maintain healthy profitability remain key rating sensitivities. Further, the bank's ability to maintain adequate capital position on a sustained basis will remain key monitorable.

## Key rating drivers

### Credit strengths

**Adequate track record, wide branch network and stable management team** – Operating since 2002, SBL has an adequate track record of operations and a wide branch network (191 branches across the country as of mid-October 2023) which has supported its growth as well as portfolio granularity. The stable and seasoned management team also remain a positive.

**Lower credit and deposit concentration** – Despite some increase since the last rating, SBL's portfolio granularity continues to remain among the best in the class A banking industry. The credit concentration among to 20 borrower groups stood at ~14% as of mid-October 2023 (~13% as of mid-July 2022), which remains a cushion against sudden rise in delinquency. Similarly, moderate deposit concentration of ~17% among the top-20 customers as of mid-October 2023 (~15% as of mid-July 2022) also remains a positive from the viewpoint of the stability of funding profile.

**Comfortable liquidity and improving base rate** – The liquidity position of the bank is comfortable with net liquid assets (NLA) of ~26% and credit to deposit (CD) ratio of ~82% as of mid-January 2024. Further, the base rate of the bank is on a declining trajectory and is relatively better among the similar rated peers which offers a competitive advantage in attracting good borrowers under base-rate-plus lending regime.

### Credit challenges

**Deterioration in asset quality** – SBL reported deterioration in asset quality with rise in gross NPLs to 3.44% as of mid-October 2023 compared to 2.01% as of mid-July 2023. Although, the relaxation from the central bank for rescheduling/restructuring and recovery efforts of the bank has helped lower NPLs by mid-January 2024 (2.56% as of mid-January 2024), the company's ability to sustainably regularise the overdue portfolio will remain essential to improve the financial profile over the near term. Asset quality concern also arises from the high delinquency (0+ days overdue ~16% as of mid-January 2024; increased from ~10% as of mid-July 2023) and weak solvency (net NPL to net worth of 8.02% as of mid-January 2024). Overall 0+ days delinquency of the bank as of mid-January 2024 remains at similar level as mid-October 2023, hinting at a lingering asset quality stress despite the decline in reported NPLs.

**Moderate capitalisation** – The tier-I capital for the bank marginally improved 9.15% while the overall CRAR has declined to 11.68% as of mid-January 2024. The moderate capitalisation offers limited cushion to absorb the stress on asset quality amid the rising delinquencies and industry-wide asset quality stress. Further, the cushion remains minimal in comparison the regulatory minimum tier-I of 9.0% and overall CRAR of 11.5% to be maintained by mid-July 2024 (including countercyclical buffer of 0.5%). Thin capital cushion over the regulatory minimum and weak internal capital generation amid rising credit cost, raises concern on the bank's ability to withstand the probable credit shocks without breaching the regulatory capital guidelines and remain a major rating concern.

**Stretched profitability indicators** – Although the bank's net interest margins (NIMs) stood adequate, driving operating profitability; the sustained stress on asset quality and rise in credit cost has stretched the net profitability indicators. The bank reported return on assets (RoA) of 0.79% and return on equity (RoE) of 8.91% in H1FY2024 compared to 1.15% and 13.50% respectively in FY2023. Further, the elevated accrued interest receivables have mandated for higher appropriation of profits in regulatory reserves and lowered the internal capital generation. The bank's ability to recover the principal/interest overdue and improve the asset quality will remain crucial for incremental profitability and capitalisation.

**Regulatory risk and difficult operating environment** – The banking industry as well as banking sector borrowers have been facing stress from H1FY2022, following the roll-back of Covid-relaxations and introduction of stringent regulations affecting fresh credit creation. The incremental regulatory changes have also remained stringent such as higher provisioning for group units in case of stress developed in any unit. The borrowing rates for stressed borrowers have remained sticky at higher level which has reduced their repayment capability, which along with the ineligibility of many borrowers for fresh loans after the implementation of working capital guidelines, could create asset quality stress and remains a rating concern across the industry.

**Link to previous rating rationale:**
[Issuer and Debenture rating surveillance – December 2022](#)

**Analytical approach:** For arriving at the ratings, ICRA Nepal has applied its rating methodology as indicated below.

**Links to applicable criteria:**
[Bank Rating Methodology](#)
[Issuer Rating Methodology](#)

## Company profile

Siddhartha Bank Limited (SBL) is a class-A commercial bank licensed by NRB and started its operation in December 2002. As of mid-October 2023, SBL has presence throughout the country through its 191 networks (186 branches and 5 extension counters). As of mid-October 2023, SBL has market share of about ~3.7% in terms of deposit base and ~3.9% in terms of total advances in Nepalese banking industry (~4.2% share in commercial bank industry deposits and ~4.4% share in commercial bank industry advances).

As of mid-July 2023, SBL's shareholding is divided among the promoter and the public shareholders in the ratio of 51:49. The bank is promoted by individuals and private institutions related to the different business houses of Nepal, mainly the Kedia Group.

SBL reported a profit after tax of NPR 3,167 million in FY2023 over an asset base of NPR 285,978 million as of mid-July 2023 (y-o-y growth of ~9%). For 6MFY2023, SBL reported profit after tax of NPR 1,137 million over an asset base of NPR 287,389 million. As of mid-January 2024, SBL's CRAR was 11.68% (tier I capital of 9.15%) and gross NPL was 2.56%.

## Key financial indicators

YEAR ENDED	Mid-July 2021 (Audited)	Mid-July 2022 (Audited)	Mid-July 2023 (Audited)	Mid-January 2024 (Provisional)
Net Interest Income – NPR million	14,949	20,678	27,671	13,533
Profit before tax – NPR million	4,167	4,258	4,565	1,642
Profit after tax – NPR million	2,855	2,902	3,167	1,137
Loan and advances – NPR million	165,646	186,051	190,741	198,723
Total assets – NPR million	228,942	264,327	285,978	287,389
<b>OPERATING RATIOS</b>				
Yield on average advances	9.26%	10.57%	12.72%	11.91%
Cost of deposits	5.20%	6.53%	8.22%	7.32%
Net Interest Margin/ATA	2.76%	2.67%	2.97%	2.86%
Non-interest Income/ATA	0.96%	0.90%	0.69%	0.66%
Operating Expenses/ATA	1.75%	1.60%	1.57%	1.55%
Credit Provisions / ATA	0.40%	0.25%	0.43%	0.83%
PAT / ATA	1.43%	1.18%	1.15%	0.79%
PAT / Net Worth	15.68%	13.82%	13.50%	8.91%
Gross NPAs	1.00%	1.07%	2.01%	2.56%
O+ days delinquencies	5.64%	5.82%	12.99%	16.16%
<b>CAPITALISATION RATIOS</b>				
Capital Adequacy Ratio	13.36%	13.00%	12.47%	11.68%
Tier I capital	8.52%	9.04%	9.37%	9.15%
Net NPAs/Net Worth	4.19%	4.10%	7.25%	8.02%
<b>COVERAGE &amp; LIQUIDITY RATIOS</b>				



YEAR ENDED	Mid-July 2021 (Audited)	Mid-July 2022 (Audited)	Mid-July 2023 (Audited)	Mid-January 2024 (Provisional)
Total Liquid Assets/Total Liability	25.71%	26.99%	30.79%	27.80%
Total Advances/Total Deposits	88.88%	94.15%	82.77%	87.72%

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#### About ICRA Nepal Limited

ICRA Nepal Limited, the first credit rating agency of Nepal, is a subsidiary of ICRA Limited (ICRA) of India. It was licensed by the Securities Board of Nepal (SEBON) on October 3, 2012. ICRA Nepal is supported by ICRA Limited through a technical support services agreement, which envisages ICRA helping ICRA Nepal in areas such as the rating process and methodologies, analytical software, research, training, and technical and analytical skill augmentation.

Our parent company, ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment information and credit rating agency. Today, ICRA and its subsidiaries together form the ICRA Group of Companies.

For more information, visit [www.icranepal.com](http://www.icranepal.com)

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## HUMAN CAPITAL

Siddhartha Bank believes that by engaging employees and creating a positive experience for them, the Bank can enhance the service delivery to the clients. Further, the Bank believes that for the effort the employees have put in, the Bank must reciprocate by creating a rewarding relationship for them as well. The Bank aims to create a working environment that supports resilience and creativity and aims to enhance the Employee Life Time Value.

The greatest strength of SBL lies in the team of proficient and enthusiastic staff members that it has nurtured over the years. Human Resource Department (HRD) is responsible for facilitating the overall goals of the organization through the effective administration of human capital – focusing on employees as the company's most important asset. Recruitment is the first step in building an organization's human capital. At a high level, the goals

are to locate and hire the best candidates, on time and within budget. To recruit the best human capital, Siddhartha Bank sets customized committees as required to identify the potential candidates for the Bank.

This team of visionary leaders has enabled the Bank to deliver excellent banking services to its customers and at the same time enhance the business portfolio, revenues, and profitability of the Bank year after year. SBL understands the caliber of its staff members and focuses on person-job fit in its various operations. The Bank encourages knowledge sharing among the employees at all levels and places utmost priority to performance-based growth and compensation.

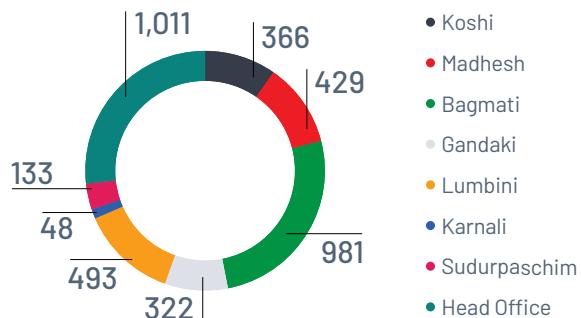
Over the years, SBL has also been able to position itself as one of the best places to work in the Nepali banking industry which can be attributed to the Bank's well defined human resources management policy, recognition for individual efforts, customized training and development programs, promising career development prospects and a culture that encourages and facilitates personal as well as professional development.



### New Staff Recruitment During Fiscal Year

CORPORATE LEVEL WISE RECRUITMENT DURING FY 2022-23	
CORPORATE LEVEL	NO. OF STAFFS RECRUITED
Junior Trainee Assistant	7
Junior Assistant I	1
Junior Assistant II	1
Trainee Junior Assistant	224
Assistant	2
Senior Assistant	3
Management Trainee	1
Junior Officer	3
Officer	5
<b>Total</b>	<b>247</b>

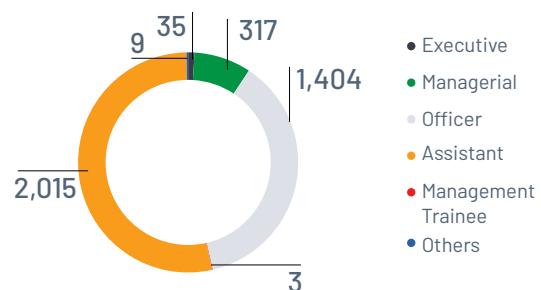
### Province Wise Training Conducted



### Employee Mix as per Gender (SDG 5, 10)

FY	MALE EMPLOYEES	FEMALE EMPLOYEES
2022-23	1235	735
2021-22	1191	705
2020-21	1161	701
2019-20	1163	724
2018-19	1041	604

### Corporate Level Wise Training Conducted



### Employee Mix as per Age Group

FY	18-30 YEARS	31-40 YEARS	41-50 YEARS	51-60 YEARS
2022-23	1097	729	120	24
2021-22	1136	660	80	18
2020-21	1233	547	68	14
2019-20	1364	460	50	13
2018-19	1179	417	39	10

### Employee Mix as per Province

PROVINCE	NUMBER OF STAFFS
Bagmati	1004
Gandaki	168
Karnali	28
Koshi	234
Lumbini	240
Madhesh	209
Sudur Paschim	87
<b>Grand Total</b>	<b>1970</b>

### Total Training Conducted during Fiscal Year

TRAINING CATEGORY	NO. OF PARTICIPANTS	NO. OF TRAININGS
AML	1019	19
Behavioral	537	59
Marketing and Sales	177	5
Credit	1152	31
Induction	102	1
Operational	653	58
Risk	79	14
Technical	64	17
<b>Total</b>	<b>3783</b>	<b>204</b>

### Employee Mix as per Position

CORPORATE LEVEL	NUMBER OF STAFFS
Assistant Level Staff	1521
Contract Staff	1
Managerial Level Staff	100
Officer Level Staff	338
Other	10
<b>Grand Total</b>	<b>1970</b>

### Mode of Training

MODE	NUMBER OF STAFF TRAINED
Physical	1772
Virtual	2011
<b>Total</b>	<b>3783</b>

**Total Staff Promoted During FY**

**215**

### **Employee Mix as per Education Qualification:**

EDUCATION LEVEL	NO. OF STAFFS
ACCA/ CA	22
Bachelor-others	453
Bachelors-IT	23
BBA	578
EMBA/MBA/MBM	304
Lawyer	4
M.Economics	10
M.PHIL	1
Masters	523
Masters-IT	6
Others	46
<b>Grand Total</b>	<b>1,970</b>

### **HUMAN RESOURCE DEVELOPMENT**

By the end of FY 2022-23, the Bank had a total HR portfolio of 1,970 employees out of which 63% were male and remaining 37% were female. This workforce were optimally mobilized by the Bank to achieve the organizational goal.

Intending to empower the existing pool of human resources, and fully utilize the current pool; the Bank had strategized to discourage lateral hiring and limit additional on-boarding of manpower to a minimum in FY 2022-23. As such, the Bank has announced the vacancy of Trainee Junior Assistant (TJA) for the supply of entry-level staff at highly needy branches/departments upon careful analysis.

A total of 247 new staff were appointed in the Bank this year out of which 173 headcounts were provided as replacements of resigned staff. 224 of these recruits were entry-level staffs in the corporate level of Trainee Junior Assistant and 7 of them were Junior Trainee Assistant deputed at rural municipality branches. With the supply of entry-level candidates to mitigate the headcount gap, the vacant functional positions were filled by upscaling the internal pool of employees thereby giving them an opportunity for job enrichment. Except for some cases, most

of the branches and departments of the Bank managed their operation this fiscal year with the same number of manpower as it was in fiscal year 2021-22.

Further, to recognize the sincere commitment exhibited by our HR capital, the Bank prioritized its initiative on promotion, job rotation, and on impartment of training for overall job enhancement of its Human Assets. The Bank promoted 215 staff in various corporate levels in the fiscal year. The Bank also transferred employees for job enlargement with focused placement to the proximity of their residence as far as practicable. The learning and development team organized 194 training programs in different categories with a total of 3,783 participants.

Considering the business size and number of branches in different provinces, the bank has deputed Province Head and Sub Province Head in nine locations since FY 2018/19. As per the manpower planning, HRD further provided a provincial team comprising different functions (namely, CCAC, Credit Risk) and corporate level in fiscal year 2021-22 and initiated the structural formalization. The staff for Deposit Marketing, General Administration, IT, Internal Audit, and HR functions at each province office will be subsequently supplied in the upcoming fiscal year.

Moving ahead, SBL's focus will be to materialize the transformation of existing HR processes and procedures to bring about reasonable transformation in the HR operating module of the Bank in the upcoming fiscal year 2022-23 through digital transformation and process re-engineering for efficiency. The recruitment activities will be kept minimal since every process for branch operation, transaction and loan processing are digitized. The training and development activities will be made more systematic and impactful with a focus on e-learning activities. Employee engagement and reward recognition will be a prime focus in the coming year. Also, the Department will focus on the turnaround time of every HR activity to increase work efficiency and endeavor to calendar some activities.



# **AUDITED FINANCIAL STATEMENTS OF SIDDHARTHA BANK LIMITED**

**Independent Auditor's Report**

**To the Shareholders of Siddhartha Bank Limited**

**Report on the Audit of the Consolidated Financial Statements**

**Opinion**

We have audited the consolidated financial statements of the Siddhartha Bank Limited (the "Bank") and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at Ashadh 31, 2080 (July 16, 2023), and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements presents fairly, in all material respects, the consolidated financial position of the Group as at Ashadh 31, 2080 (July 16, 2023), and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Nepal Financial Reporting Standards.

**Basis for opinion**

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

**Key Audit Matters**

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

S. N	Key Audit Matters	Auditor's Response
1.	<p><b>Interest Recognition</b></p> <p>The interest income of the bank has to be recognized on an accrual basis and following the Interest Income Recognition Guidelines 2019 issued by NRB. Though accrual basis of income recognition is prescribed in general, the guidelines require suspension of interest recognition on accrual basis for loans and advances with overdue of more than 12 months whereas for loans and advances with overdue interest/installment for 3 to 12 months, interest recognition on accrual basis is limited on the basis of result of collateral testing as specified. Given the lack of system capability to suspend recognition of income on the basis of overdue status of loan and fair value of collateral as well as review of fair valuation of collateral on regular basis, manual intervention will be required in interest recognition process and hence create risk of improper application of the guidelines and determination of the Fair Value of the collateral. This may, in turn, have an effect on recognition of interest income by the bank.</p> <p>Other liabilities include excess interest payable to loan customers reversing the interest income which may vary when the bank commences the refund. This may, in turn, have an effect on recognition of interest</p>	<p>Our audit approach regarding verification of process of interest recognition included:</p> <ul style="list-style-type: none"> <li>a. Obtaining clear understanding of the process of accrual of interest income on loans and advances in the Core Banking Software of the bank.</li> <li>b. For fair valuation of collateral, we relied on the latest available engineer's valuation of the collateral and have test checked the hair cut in fair value of collateral as per NRB Income Recognition guidelines 2019.</li> <li>c. Test check of the interest income booking with manual computation.</li> <li>d. Test-checked the premium charged on sampled borrowers from the report provided and basis taken by the management to arrive at the excess interest payable.</li> </ul>



	<p>income of the bank. thus, considered them as key audit matters.</p> <p>Thus, we have considered it as a Key Audit Matter.</p>	
2.	<p><b>Investment Valuation, Identification, and Impairment</b></p> <p>Investment of the bank comprises of investment in government bonds, T-bills, development bonds and investment in quoted and unquoted equity instruments. The valuation of the aforesaid securities has been done in compliance with NFRS 9 and NRB Directive no. 8. The investment in the government and NRB bonds and T-bills should be recognized on reporting date on Amortized cost basis whereas other investments in equity instruments, other than those held for trading, should be valued at Fair Value through Other Comprehensive Income.</p> <p>Given the varieties of treatments recommended for valuation of investment based on nature of cash flow, the business model adopted, complexity of calculations and the significance of amount involved in such investments, same has been considered as Key Audit Matter.</p>	<p>Our audit approach regarding verification of process of investment valuation, identification and impairment included:</p> <ol style="list-style-type: none"> <li>Review of the investment of the bank and its valuation having reference to NFRS issued by the Accounting Standard Board of Nepal and NRB Directive 4 read with 8.</li> <li>We assessed the nature of expected cash flow of the investments as well as the business model adopted by the management based on available evidence/circumstances and ensured that classification of investment is commensurate with nature of cash flow and management intention of holding the investment.</li> <li>For the investment valuation that are done at amortized cost, we checked the EIR and amortization schedule on test basis.</li> <li>For the investment valued through OCI for quoted investment, we ensured that fair valuation has been done at the closing transaction rate in NEPSE as on 16.07.2023 and for the unquoted investment the fair value has been taken on the basis of net worth as per latest available audited financial statements.</li> </ol>
3.	<p><b>Impairment of Loans and Advances</b></p> <p>As per NRB Directive 4, bank shall measure impairment loss on loans and advances at the higher of:</p> <ul style="list-style-type: none"> <li>▪ Amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provisioning; and</li> <li>▪ Amount determined as per para 5.5. of NFRS 9, read with carve out issued by Institute of Chartered Accountants of Nepal dated 18 July 2022, adopting Incurred Loss Model</li> </ul> <p>As per the norms prescribed by NRB, provision at prescribed rate should be created on loans and advances based on overdue status of loans and advances as well as utilization status of the facility, status of security, borrower's whereabouts etc.</p> <p>As per NFRS 9 read with carve out issued by Institute of Chartered Accountants of Nepal dated 18 July 2022, impairment of loans and advances should be made on individual impairment basis for loans and advances that are individually significant and collective impairment basis for homogeneous groups of loans that are not considered individually significant.</p> <p>On individual impairment, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows. Under collective impairment, loss is determined</p>	<p>Our audit approach regarding verification of impairment of loans and advances included:</p> <ol style="list-style-type: none"> <li>Review of the overdue status of loans and advances by obtaining data from the system and matched the same with the NRB 2.2 report.</li> <li>Sample credit files were reviewed, among other things, from the perspective of utilization of loans and advances for intended purpose by way of scrutiny of financial statements, account movement, account turnover etc.</li> <li>Expected future cash flows from the individually significant loans and advances with indication of impairment are assessed on the basis of realizable value of collateral securities based on management estimate.</li> <li>Grouping of homogeneous groups of loans was assessed on the basis of nature and purpose of loans and data of historical loss experience in portfolios are assessed on the basis of past due data from the system as well as data of loan loss provisions of the defined group in the past.</li> </ol>

	<p>after considering the Historical Loss Experience in portfolios of similar credit risk and Management's experienced judgment as to whether current economic and credit conditions are such that the actual level of inherent losses at the reporting date is like to be greater or less than that suggested by historical experience.</p> <p>Given the fact that impairment of loans and advances under incurred loss model require assessment of future cash flows as well as historical loss experiences of portfolios. Further, impairment of loans and advances under NRB norms for loan loss provisioning will require assessment of overdue status of loans and advances and proper utilization of loan for intended purpose. Hence, assessment of availability and accuracy of required data for impairment of loans and advances under incurred loss model as well as NRB provisioning norms is regarded as Key Audit Matter.</p>	
4.	<p><b>Information Technology General Controls</b></p> <p>IT controls with respect to recording of transactions, generating various reports in compliance with NRB guidelines and other compliances to regulators is an important part of the process. Such reporting is highly dependent on the effective working of Core Banking Software and other allied systems.</p> <p>We have considered this as Key Audit Matter as any control lapses, validation failures, incorrect input data and wrong extraction of data may result in wrong reporting of data to the management, shareholders and regulators</p>	<p>Our audit approach regarding Information technology of the bank is based upon the Information Technology Guidelines 2012 issued by NRB and it included:</p> <ul style="list-style-type: none"> <li>a. Understanding the coding system adopted by the bank for various categories of customers.</li> <li>b. Understanding the feeding of the data in the system and going through the extraction of the financial information and statements from the IT system existing in the bank</li> <li>c. Checking of the user requirements for any changes in the regulations/ policy of the bank</li> <li>d. Reviewed the reports generated by the system on sample basis. We verified the interest income and expense booking regarding loan and deposit on test basis with the CBS of the bank.</li> <li>e. We relied on the IT audit conducted by the bank.</li> <li>f. We verified the provisioning of the loan and advances based on ageing on the test check basis as on 16.07.2023</li> </ul>

#### ***Information Other than Consolidated Financial Statements and Auditor's Report Thereon***

Management is responsible for the other information. The other information comprises the information included in the Management Report, Report of the Director's Report and Chairman's Statement but does not include the consolidated financial statements and our auditor's report thereon. Such information is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read such other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## ***Responsibility of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Nepal Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

**Report on the requirements of Banks and Financial Institutions Act, 2073 and Company Act, 2063**

We have obtained satisfactory information and explanations asked for, which to the best of our knowledge and belief were necessary for the purpose of our audit; the returns received from the branch offices of the bank, though the statements are independently not audited, were adequate for the purpose of the audit; the consolidated financial statements including the consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows including a summary of significant accounting policies and other explanatory notes have been prepared in all material respect in accordance with the provisions of the Company Act, 2063, and they are in agreement with the books of accounts of the Bank; and the accounts and records of the bank are properly maintained in accordance with the prevailing laws.

To the best of our information and according to the explanations given to us, in the course of our audit, we observed that the loans have been written off as specified; the business of the Bank was conducted satisfactorily, and the Bank's transactions were found to be within the scope of its authority. We did not come across cases of accounting related fraud and the cases where the board of directors or any director or any office bearer of the Bank has acted contrary to the provisions of law or caused loss or damage to the Bank or committed any misappropriation of the funds of bank.



Sunir Kumar Dhungel  
Managing Partner

Place: Kathmandu, Nepal  
Date: October 11, 2023

UDIN No.: 231012CA00109x9Qly

# Consolidated Statement of Financial Position

As on 16 July, 2023

In NPR

	NOTE	GROUP		BANK	
		CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
<b>Assets</b>					
Cash and cash equivalent	4.1	11,571,313,935	7,936,444,278	11,554,080,479	7,928,989,024
Due from Nepal Rastra Bank	4.2	9,000,713,492	5,730,448,535	9,000,713,492	5,730,448,535
Placements with Bank and Financial Institutions	4.3	5,011,346,934	320,313,255	5,011,346,934	320,313,255
Derivative financial instruments	4.4	17,320,155	19,694,323	17,320,155	19,694,323
Other trading assets	4.5	109,407,897	158,762,749	-	-
Loan and advances to B/FIs	4.6	5,170,773,907	6,403,394,142	5,170,773,907	6,403,394,142
Loans and advances to customers	4.7	184,019,363,443	178,597,694,694	184,009,571,040	178,587,363,232
Investment securities	4.8	62,728,867,192	57,591,637,732	62,480,476,034	57,368,161,732
Current tax assets	4.9	267,328,784	357,997,989	263,764,947	364,410,286
Investment in subsidiaries	4.10	-	-	51,000,000	51,000,000
Investment in associates	4.11	-	-	-	-
Investment property	4.12	654,537,489	213,307,612	654,537,489	213,307,612
Property and equipment	4.13	3,579,515,879	3,111,858,718	3,548,089,446	3,077,068,355
Goodwill and Intangible assets	4.14	167,612,308	73,722,348	166,000,283	71,490,971
Deferred tax assets	4.15	-	-	-	-
Other assets	4.16	4,073,870,027	4,220,999,837	4,050,241,119	4,191,382,045
<b>Total Assets</b>		<b>286,371,971,442</b>	<b>264,736,276,211</b>	<b>285,977,915,326</b>	<b>264,327,023,511</b>
<b>Liabilities</b>					
Due to Bank and Financial Institutions	4.17	11,613,657,572	7,234,641,506	11,613,657,572	7,234,641,506
Due to Nepal Rastra Bank	4.18	288,453,474	24,965,102,753	288,453,474	24,965,102,753
Derivative financial instruments	4.19	23,887,253	19,359,606	23,887,253	19,359,606
Deposits from customers	4.20	223,307,001,273	191,156,475,501	223,654,669,691	191,550,643,583
Borrowing	4.21	7,312,480,160	1,022,800,000	7,312,480,160	1,022,800,000
Current Tax Liabilities	4.9	-	-	-	-
Provisions	4.22	-	-	-	-
Deferred tax liabilities	4.15	489,092,725	222,407,228	501,929,292	239,223,287
Other liabilities	4.23	5,968,405,789	6,468,899,300	5,613,687,917	6,034,819,684
Debt securities issued	4.24	11,662,559,000	11,662,559,000	11,662,559,000	11,662,559,000
Subordinated Liabilities	4.25	-	-	-	-
<b>Total Liabilities</b>		<b>260,665,537,246</b>	<b>242,752,244,893</b>	<b>260,671,324,359</b>	<b>242,729,149,419</b>
<b>Equity</b>					
Share capital	4.26	14,089,980,190	12,524,426,835	14,089,980,190	12,524,426,835
Share premium		-	-	-	-
Retained earnings		756,129,848	1,449,435,635	663,610,438	1,359,868,481
Reserves	4.27	10,639,410,976	7,795,961,806	10,553,000,339	7,713,578,776
<b>Total equity attributable to equity holders</b>		<b>25,485,521,014</b>	<b>21,769,824,276</b>	<b>25,306,590,967</b>	<b>21,597,874,092</b>
<b>Non-controlling interest</b>		<b>220,913,182</b>	<b>214,207,041</b>	-	-
<b>Total equity</b>		<b>25,706,434,196</b>	<b>21,984,031,317</b>	<b>25,306,590,967</b>	<b>21,597,874,092</b>
<b>Total Liabilities and Equity</b>		<b>286,371,971,442</b>	<b>264,736,276,211</b>	<b>285,977,915,326</b>	<b>264,327,023,511</b>
Contingent liabilities and commitment	4.28	47,603,411,987	41,754,325,228	47,603,411,987	41,154,325,228
Net assets value per share		180.88	173.82	179.61	172.45

**Pramesh Shrestha**  
HEAD STRATEGY AND FINANCE

**Manoj Kumar Kedia**  
CHAIRMAN

**Narendra Kumar Agrawal**  
**Rahul Agrawal**  
**Dinesh Shanker Palikhe**  
**Ankit Kedia**  
**Mina Kumari Sainju**  
DIRECTORS

As per our report of even date

**CA. Sunir Kumar Dhungel**  
PARTNER  
FOR S.A.R. ASSOCIATES  
CHARTERED ACCOUNTANTS

**Rameshwar Prasad Bashyal**  
OFFICIATING CHIEF EXECUTIVE OFFICER

# Consolidated Statement of Profit or Loss

For the year ended July 16, 2023

In NPR

	NOTE	GROUP		BANK	
		CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Interest income	4.29	27,709,848,736	20,715,578,288	27,670,966,196	20,677,563,975
Interest expense	4.30	19,478,276,795	14,078,362,586	19,486,423,098	14,080,716,460
<b>Net interest income</b>		<b>8,231,571,941</b>	<b>6,637,215,702</b>	<b>8,184,543,098</b>	<b>6,596,847,515</b>
Fee and commission income	4.31	1,816,905,447	1,704,680,993	1,693,079,336	1,505,592,323
Fee and commission expense	4.32	374,228,787	326,458,189	347,458,421	285,888,969
<b>Net fee and commission income</b>		<b>1,442,676,660</b>	<b>1,378,222,804</b>	<b>1,345,620,915</b>	<b>1,219,703,354</b>
<b>Net interest, fee and commission income</b>		<b>9,674,248,601</b>	<b>8,015,438,506</b>	<b>9,530,164,013</b>	<b>7,816,550,869</b>
Net trading income	4.33	188,745,057	374,739,285	191,735,761	442,926,681
Other operating income	4.34	355,030,167	550,365,770	336,328,302	532,489,900
<b>Total operating income</b>		<b>10,218,023,824</b>	<b>8,940,543,561</b>	<b>10,058,228,076</b>	<b>8,791,967,450</b>
Impairment charge/(reversal) for loans and other losses	4.35	1,187,561,177	607,471,211	1,187,561,177	607,471,211
<b>Net operating income</b>		<b>9,030,462,647</b>	<b>8,333,072,350</b>	<b>8,870,666,900</b>	<b>8,184,496,238</b>
<b>Operating expense</b>					
Personnel expenses	4.36	2,896,297,115	2,728,708,275	2,852,235,828	2,685,015,444
Other operating expenses	4.37	934,306,821	843,452,137	917,442,986	827,855,831
Depreciation & Amortisation	4.38	456,879,613	414,531,687	448,006,336	405,072,283
<b>Operating Profit</b>		<b>4,742,979,098</b>	<b>4,346,380,251</b>	<b>4,652,981,749</b>	<b>4,266,552,680</b>
Non operating income	4.39	13,471,787	9,143,224	13,471,787	8,609,620
Non operating expense	4.40	101,194,542	16,694,239	101,194,542	16,694,239
<b>Profit before income tax</b>		<b>4,655,256,344</b>	<b>4,338,829,236</b>	<b>4,565,258,995</b>	<b>4,258,468,061</b>
Income tax expense	4.41				
Current Tax		1,436,635,657	1,442,397,950	1,412,442,144	1,396,816,319
Deferred Tax		(10,533,501)	(62,252,228)	(13,954,496)	(40,812,300)
<b>Profit for the period</b>		<b>3,229,154,188</b>	<b>2,958,683,514</b>	<b>3,166,771,347</b>	<b>2,902,464,042</b>
<b>Profit attributable to:</b>					
Equity holders of the Bank		3,198,586,596	2,931,135,973	3,166,771,347	2,902,464,042
Non-controlling interest		30,567,592	27,547,541	-	-
<b>Profit for the period</b>		<b>3,229,154,188</b>	<b>2,958,683,514</b>	<b>3,166,771,347</b>	<b>2,902,464,042</b>
<b>Earnings per share</b>					
Basic earnings per share		22.70	20.80	22.48	20.60
Diluted earnings per share		22.70	20.80	22.48	20.60

**Pramesh Shrestha**  
HEAD STRATEGY AND FINANCE

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**Ankit Kedia**  
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As per our report of even date  
**CA. Sunir Kumar Dhungel**  
PARTNER  
FOR S.A.R. ASSOCIATES  
CHARTERED ACCOUNTANTS

**Rameshwar Prasad Bashyal**  
OFFICIATING CHIEF EXECUTIVE OFFICER

DATE: OCTOBER 11, 2023  
PLACE: KATHMANDU, NEPAL

# Consolidated Statement of Other Comprehensive Income

For the year ended July 16, 2023

In NPR

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
<b>Profit for the year</b>	<b>3,229,154,188</b>	<b>2,958,683,514</b>	<b>3,166,771,347</b>	<b>2,902,464,042</b>
<b>Other comprehensive income, net of income tax</b>				
<b>a) Items that will not be reclassified to profit or loss</b>				
Gains/(losses) from investments in equity instruments measured at fair value	797,272,994	(2,128,408,147)	795,411,336	(2,128,408,147)
Gains/(losses) on revaluation	-	-	-	-
Actuarial gains/(losses) on defined benefit plans	126,790,334	(165,352,051)	126,790,334	(165,352,051)
Income tax relating to above items	(277,218,998)	696,056,000	(276,660,501)	696,056,000
<b>Net other comprehensive income that will not be reclassified to profit or loss</b>	<b>646,844,330</b>	<b>(1,597,704,199)</b>	<b>645,541,169</b>	<b>(1,597,704,199)</b>
<b>b) Items that are or may be reclassified to profit or loss</b>				
Gains/(losses) on cash flow hedge	-	-	-	-
Exchange gains/(losses)(arising from translating financial assets of foreign operation)	-	-	-	-
Income tax relating to above items	-	-	-	-
Reclassify to profit or loss	-	-	-	-
<b>Net other comprehensive income that are or may be reclassified to profit or loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>c) Share of other comprehensive income of associate accounted as per equity method</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other comprehensive income for the year, net of income tax</b>	<b>646,844,330</b>	<b>(1,597,704,199)</b>	<b>645,541,169</b>	<b>(1,597,704,199)</b>
<b>Total comprehensive income for the year</b>	<b>3,875,998,518</b>	<b>1,360,979,315</b>	<b>3,812,312,516</b>	<b>1,304,759,844</b>
Total comprehensive income attributable to:				
Equity holders of the Bank	3,844,792,377	1,333,431,774	3,812,312,516	1,304,759,844
Non-controlling interest	31,206,141	27,547,541	-	-
<b>Total comprehensive income for the period</b>	<b>3,875,998,518</b>	<b>1,360,979,315</b>	<b>3,812,312,516</b>	<b>1,304,759,844</b>

**Pramesh Shrestha**  
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**Rameshwar Prasad Bashyal**  
OFFICIATING CHIEF EXECUTIVE OFFICER

DATE: OCTOBER 11, 2023  
PLACE: KATHMANDU, NEPAL

# Consolidated Statement of Cash Flows

For the year ended July 16, 2023

In NPR

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Interest received	24,011,447,835	13,815,904,111	24,015,818,342	13,816,278,117
Fees and other income received	1,821,241,417	1,717,688,903	1,693,079,336	1,505,592,323
Dividend received	-	-	-	-
Receipts from other operating activities	297,042,639	501,155,696	296,979,153	499,642,801
Interest paid	(18,307,250,295)	(13,572,192,042)	(18,318,104,403)	(13,467,768,526)
Commission and fees paid	(374,228,787)	(326,458,189)	(347,458,421)	(285,888,969)
Cash payment to employees	(2,178,465,601)	(2,874,233,941)	(2,134,404,314)	(2,830,541,110)
Other expense paid	(1,038,207,594)	(863,371,356)	(1,018,637,527)	(844,550,070)
<b>Operating cash flows before changes in operating assets and liabilities</b>	<b>4,231,579,613</b>	<b>(1,601,506,816)</b>	<b>4,187,272,166</b>	<b>(1,607,235,434)</b>
<b>(Increase)/Decrease in operating assets</b>				
Due from Nepal Rastra Bank	(3,270,264,958)	2,010,193,457	(3,270,264,958)	2,010,193,457
Placement with bank and financial institutions	(4,691,033,679)	2,988,395,110	(4,691,033,679)	2,988,395,110
Other trading assets	7,052,159	59,193,992	-	-
Loan and advances to bank and financial institutions	1,232,620,235	(375,532,139)	1,232,620,235	(375,532,139)
Loans and advances to customers	(7,050,459,803)	(20,537,447,279)	(7,050,998,862)	(20,537,864,943)
Other assets	290,599,104	4,251,809,497	291,661,293	4,251,087,119
	(13,481,486,941)	(11,603,387,362)	(13,488,015,970)	(11,663,721,396)
<b>Increase/(Decrease) in operating liabilities</b>				
Due to bank and financial institutions	4,379,016,066	(482,369,738)	4,379,016,066	(482,369,738)
Due to Nepal Rastra Bank	(24,676,649,279)	19,105,195,843	(24,676,649,279)	19,105,195,843
Deposit from customers	32,150,525,772	10,717,550,978	32,104,026,108	10,626,634,259
Borrowings	6,289,680,160	1,022,800,000	6,289,680,160	1,022,800,000
Other liabilities	(1,004,295,084)	749,490,347	(923,855,120)	1,029,887,225
<b>Net cash flow from operating activities before tax paid</b>	<b>7,888,370,308</b>	<b>17,907,773,251</b>	<b>7,871,474,132</b>	<b>18,031,190,758</b>
Income taxes paid	(1,486,372,740)	(1,675,050,853)	(1,455,141,889)	(1,634,007,759)
<b>Net cash flow from operating activities</b>	<b>6,401,997,568</b>	<b>16,232,722,399</b>	<b>6,416,332,242</b>	<b>16,397,183,000</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investment securities	(4,281,149,683)	(17,758,908,704)	(4,316,902,966)	(17,671,276,109)
Receipts from sale of investment securities	-	-	-	-
Purchase of property and equipment	(884,747,013)	(2,045,426,473)	(879,857,019)	(1,876,681,451)
Receipt from the sale of property and equipment	2,574,664	4,915,101	2,574,664	19,255,161
Purchase of intangible assets	(136,264,340)	(14,609,102)	(136,264,340)	(14,609,102)
Receipt from the sale of intangible assets	-	-	-	-
Purchase of investment properties	-	-	-	-
Receipt from the sale of investment properties	-	-	-	-
Interest received	3,608,718,975	2,012,606,585	3,566,556,553	1,975,109,359
Dividend received	148,892,796	430,310,175	147,805,630	428,905,175
<b>Net cash used in investing activities</b>	<b>(1,541,974,601)</b>	<b>(17,371,112,418)</b>	<b>(1,616,087,478)</b>	<b>(17,139,296,966)</b>

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Receipt from issue of debt securities	-	4,000,000,000	-	4,000,000,000
Repayment of debt securities	-	(500,000,000)	-	(500,000,000)
Receipt from issue of subordinated liabilities	-	-	-	-
Repayment of subordinated liabilities	-	-	-	-
Receipt from issue of shares	-	-	-	-
Dividends paid	(132,397,545)	(162,217,244)	(82,397,545)	(82,217,244)
Interest paid	(1,168,318,695)	(502,941,983)	(1,168,318,695)	(612,947,934)
Other receipt/payment	(21,198,093)	(17,102,477)	(21,198,093)	(168,078,149)
<b>Net cash from financing activities</b>	<b>(1,321,914,333)</b>	<b>2,817,738,297</b>	<b>(1,271,914,333)</b>	<b>2,636,756,672</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>3,538,108,634</b>	<b>1,679,348,278</b>	<b>3,528,330,432</b>	<b>1,894,642,706</b>
Cash and cash equivalents at July 17, 2022	7,936,444,278	6,198,805,271	7,928,989,024	5,976,055,588
Effect of exchange rate fluctuations on cash and cash equivalents held	96,761,024	58,290,729	96,761,024	58,290,729
<b>Cash and cash equivalents at July 16, 2023</b>	<b>11,571,313,935</b>	<b>7,936,444,278</b>	<b>11,554,080,479</b>	<b>7,928,989,024</b>

**Pramesh Shrestha**  
HEAD STRATEGY AND FINANCE

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OFFICIATING CHIEF EXECUTIVE OFFICER

DATE: OCTOBER 11, 2023  
PLACE: KATHMANDU, NEPAL

# Consolidated Statement of Changes in Equity

For the year ended July 16, 2023

	SHARE CAPITAL	SHARE PREMIUM	GENERAL RESERVE	EXCHANGE EQUALISATION RESERVE
<b>Balance at July 16, 2021</b>	<b>10,962,299,198</b>	-	<b>3,219,181,780</b>	<b>31,125,658</b>
Adjustment/Restatement	-	-	-	-
<b>Adjusted/Restated balance at July 16, 2021</b>	<b>10,962,299,198</b>	-	<b>3,219,181,780</b>	<b>31,125,658</b>
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	-	-
<b>Other comprehensive income, net of tax</b>				
Gains/(losses) from investments in equity instruments measured at fair value	-	-	-	-
Gains/(losses) on revaluation	-	-	-	-
Actuarial gains/(loss) on defined benefit plans	-	-	-	-
Gains/(losses) on cashflow hedge	-	-	-	-
Exchange gains/(losses) (arising from translating financial assets of foreign operation)	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	-	-	-
Transfer to reserve during the year	-	-	587,059,707	14,572,682
Transfer from reserve during the year	-	-	-	-
<b>Transactions with owners, directly recognised in equity</b>				
Share issued	-	-	-	-
Share based payments	-	-	-	-
Dividends to equity holders	-	-	-	-
Bonus shares issued	1,562,127,636	-	-	-
Cash dividend paid	-	-	-	-
Other	-	-	-	-
<b>Total contributions by and distributions</b>	<b>1,562,127,636</b>	-	-	-
<b>Balance at July 16, 2022</b>	<b>12,524,426,834</b>	-	<b>3,806,241,487</b>	<b>45,698,341</b>
<b>Balance at July 17, 2022</b>	<b>12,524,426,834</b>	-	<b>3,806,241,487</b>	<b>45,698,341</b>
<b>Adjustment/Restatement</b>				
<b>Adjusted/Restated balance at July 16, 2022</b>	<b>12,524,426,834</b>	-	<b>3,806,241,487</b>	<b>45,698,341</b>
Comprehensive income for the year	-	-	-	-
Profit for the year	-	-	-	-
<b>Other comprehensive income, net of tax</b>				
Gains/(losses) from investments in equity instruments measured at fair value	-	-	-	-
Gains/(losses) on revaluation	-	-	-	-
<b>Actuarial gains/(loss) on defined benefit plans</b>				
Gains/(losses) on cashflow hedge	-	-	-	-
Exchange gains/(losses) (arising from translating financial assets of foreign operation)	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	-	-	-
Transfer to reserve during the year	-	-	636,535,794	24,190,256
Transfer from reserve during the year	-	-	-	-
<b>Transactions with owners, directly recognised in equity</b>				
Share issued	-	-	-	-
Share based payments	-	-	-	-
Dividends to equity holders	-	-	-	-
Bonus shares issued	1,565,553,357	-	-	-
Cash dividend paid	-	-	-	-
Other	-	-	-	-
<b>Total contributions by and distributions</b>	<b>1,565,553,357</b>	-	-	-
<b>Balance at July 16, 2023</b>	<b>14,089,980,191</b>	-	<b>4,442,777,281</b>	<b>69,888,596</b>

GROUP ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK							
REGULATORY RESERVE	FAIR VALUE RESERVE	REVALUATION RESERVE	RETAINED EARNING	OTHER RESERVE	TOTAL	NON-CONTROLLING INTEREST	TOTAL EQUITY
<b>643,992,682</b>	<b>2,686,056,366</b>	-	<b>1,913,477,937</b>	<b>1,129,750,959</b>	<b>20,585,884,580</b>	<b>225,859,500</b>	<b>20,811,744,080</b>
-	-	-	(9,372,357)	-	(9,372,357)	-	(9,372,357)
<b>643,992,682</b>	<b>2,686,056,366</b>	-	<b>1,904,105,580</b>	<b>1,129,750,959</b>	<b>20,576,512,222</b>	<b>225,859,500</b>	<b>20,802,371,722</b>
-	-	-	2,931,135,974	-	2,931,135,974	27,547,540	2,958,683,513
-	(1,489,885,703)	-	-	-	(1,489,885,703)	-	(1,489,885,703)
-	-	-	-	-	-	-	-
-	-	-	-	(115,746,436)	(115,746,436)	-	(115,746,436)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	<b>(1,489,885,703)</b>	-	<b>2,931,135,974</b>	<b>(115,746,436)</b>	<b>1,325,503,835</b>	<b>27,547,540</b>	<b>1,353,051,375</b>
253,134,801	-	-	(1,776,060,230)	921,293,041	-	-	-
(48,972,726)	(18,498,527)	-	75,399,193	(17,102,477)	(9,174,537)	-	(9,174,537)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	(1,562,127,636)	-	-	-	-
-	-	-	(123,017,244)	-	(123,017,244)	(39,200,000)	(162,217,244)
-	-	-	-	-	-	-	-
-	-	-	<b>(1,685,144,880)</b>	-	<b>(123,017,244)</b>	<b>(39,200,000)</b>	<b>(162,217,244)</b>
<b>848,154,757</b>	<b>1,177,672,136</b>	-	<b>1,449,435,636</b>	<b>1,918,195,087</b>	<b>21,769,824,277</b>	<b>214,207,039</b>	<b>21,984,031,315</b>
<b>848,154,757</b>	<b>1,177,672,136</b>	-	<b>1,449,435,636</b>	<b>1,918,195,087</b>	<b>21,769,824,277</b>	<b>214,207,039</b>	<b>21,984,031,315</b>
<b>848,154,757</b>	<b>1,177,672,136</b>	-	<b>1,449,435,636</b>	<b>1,918,195,087</b>	<b>21,769,824,277</b>	<b>214,207,039</b>	<b>21,984,031,315</b>
-	-	-	3,198,586,596	-	3,198,586,596	30,567,592	3,229,154,188
-	557,452,547	-	-	-	557,452,547	638,549	558,091,096
-	-	-	-	-	-	-	-
-	-	-	-	<b>88,753,234</b>	<b>88,753,234</b>	-	<b>88,753,234</b>
-	-	-	-	-	-	-	-
-	<b>557,452,547</b>	-	<b>3,198,586,596</b>	<b>88,753,234</b>	<b>3,844,792,377</b>	<b>31,206,141</b>	<b>3,875,998,518</b>
626,716,716	-	-	(2,807,194,718)	1,519,751,951	-	-	-
(88,753,234)	-	-	88,753,234	(21,198,093)	(21,198,093)	-	(21,198,093)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	(1,065,553,357)	(500,000,000)	-	-	-
-	-	-	(107,897,545)	-	(107,897,545)	(24,500,000)	(132,397,545)
-	-	-	-	-	-	-	-
-	-	-	<b>(1,173,450,902)</b>	<b>(500,000,000)</b>	<b>(107,897,545)</b>	<b>(24,500,000)</b>	<b>(132,397,545)</b>
<b>1,386,118,241</b>	<b>1,735,124,683</b>	-	<b>756,129,847</b>	<b>3,005,502,179</b>	<b>25,485,521,016</b>	<b>220,913,179</b>	<b>25,706,434,195</b>

# Consolidated Statement of Changes in Equity

For the year ended July 16, 2023

	SHARE CAPITAL	SHARE PREMIUM	GENERAL RESERVE	EXCHANGE EQUALISATION RESERVE
<b>Balance at July 16, 2021</b>	<b>10,962,299,198</b>	-	<b>3,191,648,969</b>	<b>31,125,658</b>
Adjustment/Restatement	-	-	-	-
<b>Adjusted/Restated balance at July 16, 2021</b>	<b>10,962,299,198</b>	-	<b>3,191,648,969</b>	<b>31,125,658</b>
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	-	-
Other comprehensive income, net of tax				
Gains/(losses) from investments in equity instruments measured at fair value	-	-	-	-
Gains/(losses) on revaluation	-	-	-	-
Actuarial gains/(loss) on defined benefit plans	-	-	-	-
Gains/(losses) on cashflow hedge	-	-	-	-
Exchange gains/(losses) (arising from translating financial assets of foreign operation)	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Transfer to reserve during the year	-	-	584,192,514	14,572,682
Transfer from reserve during the year	-	-	-	-
<b>Transactions with owners, directly recognised in equity</b>				
Share issued	-	-	-	-
Share based payments	-	-	-	-
Dividends to equity holders	-	-	-	-
Bonus shares issued	1,562,127,636	-	-	-
Cash dividend paid	-	-	-	-
Other	-	-	-	-
<b>Total contributions by and distributions</b>	<b>1,562,127,636</b>	-	-	-
<b>Balance at July 16, 2022</b>	<b>12,524,426,833</b>	-	<b>3,775,841,483</b>	<b>45,698,341</b>
<b>Balance at July 17, 2022</b>	<b>12,524,426,833</b>	-	<b>3,775,841,483</b>	<b>45,698,341</b>
Adjustment/Restatement	-	-	-	-
<b>Adjusted/Restated balance at July 16, 2022</b>	<b>12,524,426,833</b>	-	<b>3,775,841,483</b>	<b>45,698,341</b>
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	-	-
<b>Other comprehensive income, net of tax</b>				
Gains/(losses) from investments in equity instruments measured at fair value	-	-	-	-
Gains/(losses) on revaluation	-	-	-	-
Actuarial gains/(loss) on defined benefit plans	-	-	-	-
Gains/(losses) on cashflow hedge	-	-	-	-
Exchange gains/(losses) (arising from translating financial assets of foreign operation)	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Transfer to reserve during the year	-	-	633,354,269	24,190,256
Transfer from reserve during the year	-	-	-	-
<b>Transactions with owners, directly recognised in equity</b>				
Share issued	-	-	-	-
Share based payments	-	-	-	-
Dividends to equity holders	-	-	-	-
Bonus shares issued	1,565,553,357	-	-	-
Cash dividend paid	-	-	-	-
Other	-	-	-	-
<b>Total contributions by and distributions</b>	<b>1,565,553,357</b>	-	-	-
<b>Balance at July 16, 2023</b>	<b>14,089,980,189</b>	-	<b>4,409,195,752</b>	<b>69,888,596</b>

BANK							
ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK							
REGULATORY RESERVE	FAIR VALUE RESERVE	REVALUATION RESERVE	RETAINED EARNING	OTHER RESERVE	TOTAL	NON-CONTROLLING INTEREST	TOTAL EQUITY
<b>643,992,682</b>	<b>2,686,056,366</b>	-	<b>1,808,628,800</b>	<b>1,078,054,653</b>	<b>20,401,806,326</b>	-	<b>20,401,806,326</b>
-	-	-	(9,372,357)	-	(9,372,357)	-	(9,372,357)
<b>643,992,682</b>	<b>2,686,056,366</b>	-	<b>1,799,256,443</b>	<b>1,078,054,653</b>	<b>20,392,433,969</b>	-	<b>20,392,433,969</b>
-	-	-	2,902,464,042	-	2,902,464,042	-	2,902,464,042
-	(1,489,885,703)	-	-	-	(1,489,885,703)	-	(1,489,885,703)
-	-	-	-	-	-	-	-
-	-	-	-	(115,746,436)	(115,746,436)	-	(115,746,436)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	<b>(1,489,885,703)</b>	-	<b>2,902,464,042</b>	<b>(115,746,436)</b>	<b>1,296,831,904</b>	-	<b>1,296,831,904</b>
253,134,801	-	-	(1,772,906,318)	921,006,321	-	-	-
(48,972,726)	(18,498,527)	-	75,399,193	(17,102,477)	(9,174,537)	-	(9,174,537)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	(1,562,127,636)	-	-	-	-
-	-	-	(82,217,244)	-	(82,217,244)	-	(82,217,244)
-	-	-	-	-	-	-	-
-	-	-	<b>(1,644,344,880)</b>	-	<b>(82,217,244)</b>	-	<b>(82,217,244)</b>
<b>848,154,757</b>	<b>1,177,672,136</b>	-	<b>1,359,868,481</b>	<b>1,866,212,062</b>	<b>21,597,874,092</b>	-	<b>21,597,874,091</b>
<b>848,154,757</b>	<b>1,177,672,136</b>	-	<b>1,359,868,481</b>	<b>1,866,212,062</b>	<b>21,597,874,092</b>	-	<b>21,597,874,092</b>
<b>848,154,757</b>	<b>1,177,672,136</b>	-	<b>1,359,868,481</b>	<b>1,866,212,062</b>	<b>21,597,874,092</b>	-	<b>21,597,874,092</b>
-	-	-	3,166,771,347	-	3,166,771,347	-	3,166,771,347
-	556,787,935	-	-	-	556,787,935	-	556,787,935
-	-	-	-	-	-	-	-
-	-	-	-	88,753,234	88,753,234	-	88,753,234
-	-	-	-	-	-	-	-
-	<b>556,787,935</b>	-	<b>3,166,771,347</b>	<b>88,753,234</b>	<b>3,812,312,516</b>	-	<b>3,812,312,516</b>
626,716,716	-	-	(2,803,831,723)	1,519,570,481	-	-	-
(88,753,234)	-	-	88,753,233.80	(21,198,093)	(21,198,093)	-	(21,198,093)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	(1,065,553,357)	(500,000,000)	-	-	-
-	-	-	(82,397,545)	-	(82,397,545)	-	(82,397,545)
-	-	-	-	-	-	-	-
-	-	-	<b>(1,147,950,902)</b>	<b>(500,000,000)</b>	<b>(82,397,545)</b>	-	<b>(82,397,545)</b>
<b>1,386,118,241</b>	<b>1,734,460,071</b>	-	<b>663,610,437</b>	<b>2,953,337,683</b>	<b>25,306,590,970</b>	-	<b>25,306,590,969</b>

# Notes to the Financial Statements

## 1. BANK

### 1.1 GENERAL

Siddhartha Bank Limited (hereinafter referred to as "the Bank") is a limited liability publically listed company domiciled in Nepal. The registered office of the Bank is situated at Naxal, Kathmandu, Nepal. The Bank carries out commercial banking activities and other financial services in Nepal under the license from Nepal Rastra Bank (NRB), the Central Bank of Nepal, as "Ka Class" (Class A) licensed financial institution. The Bank is listed on Nepal Stock Exchange.

### 1.2 FINANCIAL STATEMENTS

The Financial Statements of the Bank for the year ended on July 16, 2023 comprises Statement of Financial Position, Statement of Profit or Loss, Statement of Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements.

### 1.3 PRINCIPAL ACTIVITIES AND OPERATIONS

#### Bank

The principal activities of the Bank are to provide full-fledged commercial banking services including agency services, trade finance services, card services and e-commerce products and services to its customers through its strategic business units, branches, extension counters, ATMs and network of agents.

#### Ownership of Subsidiary as at July 16, 2023

SUBSIDIARY	PRINCIPAL ACTIVITIES	JULY 16, 2023	JULY 16, 2022
Siddhartha Capital Limited	Management of public offerings, portfolio management, underwriting of securities, management of mutual fund schemes	51% holding	51% holding

#### Subsidiary

The principal activities of the Subsidiary are to provide merchant/investment banking services that include management of public offerings, portfolio management, underwriting of securities, and fund management of mutual fund schemes, depository participant's service under Central Depository Service (CDS) and administration and record keeping of securities of its clients.

## 2. BASIS OF PREPARATION

### 2.1. STATEMENT OF COMPLIANCE

The Financial Statements of the Bank which comprises components mentioned above have been prepared in accordance with Nepal Financial Reporting Standards comprising of Nepal Financial Reporting Standards and Nepal Accounting Standards (hereafter referred as NFRS), laid down by the Institute of Chartered Accountants of Nepal and in compliance with the requirements of the Companies Act, 2006.

### 2.2. REPORTING PERIOD AND APPROVAL OF FINANCIAL STATEMENTS

#### A) Reporting Period

The Bank follows the Nepalese financial year based on the Nepalese calendar. The corresponding dates for the English calendar are as follows:

RELEVANT FINANCIAL STATEMENT	NEPALESE CALENDAR DATE/PERIOD	ENGLISH CALENDAR DATE/PERIOD
Statement of Financial Position	31 Ashad, 2080	16 <sup>th</sup> July, 2023
Statement of Profit or Loss	01 Shrawan, 2079 to 31 Ashad, 2080	17 <sup>th</sup> July, 2022 to 16 <sup>th</sup> July 2023
Statement of Other Comprehensive Income	01 Shrawan, 2079 to 31 Ashad, 2080	17 <sup>th</sup> July, 2022 to 16 <sup>th</sup> July 2023
Statement of Cash flows	31 Ashad, 2080	16 <sup>th</sup> July, 2023
Statement of changes in Equity	01 Shrawan, 2079 to 31 Ashad, 2080	17 <sup>th</sup> July, 2022 to 16 <sup>th</sup> July 2023

## B) Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of Financial Statements of Siddhartha Bank Limited as per the provisions of the Companies Act, 2006.

## C) Approval of Financial Statements by Directors

The accompanied Financial Statements have been authorized by the Board of Directors vide its resolution dated October 11, 2023 and recommended for its approval by the Annual General Meeting of the shareholders.

## 2.3. FUNCTIONAL AND PRESENTATION CURRENCY

The Financial Statements of the Bank are presented in Nepalese Rupees (NPR), which is the currency of the primary economic environment in which the Bank operates. Financial information are presented in Nepalese Rupees and has been shown in actual figure, unless otherwise stated.

## 2.4. USE OF ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The preparation of Financial Statements in conformity with Nepal Financial Reporting Standards (NFRS) requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The most significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have most significant effect in the Financial Statements are as follows:

### 2.4.1 Going Concern

The Directors have made an assessment of the Bank's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Board is not aware of any material uncertainties that may cast significant doubt upon Bank's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of it. Therefore, the Financial Statements continue to be prepared on the going concern basis.

### 2.4.2 Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position can be derived from active markets, they are derived from observable market data. However, if this is not available, judgment is required to establish fair values. The valuation of financial instruments is described in more detail in **Note 3.4**.

### 2.4.3 Impairment of Financial Assets – Loans and Advances

The Bank reviews its individually significant loans and advances at each statement of financial position date to assess whether an impairment loss should be recorded in the income statement. In particular, judgment of the management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss.

These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the impairment allowance.

Loans and advances that have been assessed individually and found to be not impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes in to account data from the loan portfolio such as levels of arrears, credit quality, portfolio size etc. and judgments based on current economic conditions.

### 2.4.4 Impairment of Financial Assets at Fair Value through OCI

The Bank reviews its debt securities classified as financial assets at fair value through OCI, at each reporting date to assess whether they are impaired. Objective evidence that a debt security that has been classified as financial assets at fair value through OCI is impaired includes among other things significant financial difficulty of the issuer, a breach of contract such as a default or delinquency in interest or principal payments etc. The Bank also records impairment charges on equity investments classified as financial assets at fair value through OCI where there is significant or prolonged decline in fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment.

#### **2.4.5 Taxation**

The Bank is subject to income tax and judgment is required to determine the total provision for current, deferred and other taxes due to the uncertainties that exist with respect to the interpretation of the applicable tax laws, at the time of preparation of these Financial Statements.

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

#### **2.4.6 Defined Benefit Plans**

The cost of the defined benefit obligations and the present value of their obligations are determined using actuarial valuations.

The actuarial valuation involves making assumptions about discount rates, future salary increments, mortality rates and possible future pension increments if any. Due to the long term nature of these plans, such estimates are subject to uncertainty. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of Nepal government bonds with maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increment and pension increment are based on expected future salary increment rates of the Bank.

#### **2.4.7 Fair Value of Property, Plant and Equipment**

The freehold land and buildings of the bank are presented at cost. Since the property, plant and equipment are not reflected at fair value, no revaluation has been carried at the reporting date.

#### **2.4.8 Useful Life-time of the Property, Plant and Equipment**

The Bank is following the cost model for recognition of Property, Plant and Equipment. The Bank reviews the residual values, useful lives and methods of depreciation of property, plant and equipment at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

#### **2.4.9 Commitments and Contingencies**

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognized in the Statement of Financial Position but are disclosed unless they are remote.

#### **2.4.10 Classification of Investment Properties**

Management requires using its judgment to determine whether a property qualifies as an investment property. The Bank has developed criteria so it can exercise its judgment consistently. A property that is held to earn rentals or for capital appreciation or both and which generates cash flows largely independently of the other assets held by the Bank is accounted for as investment properties. On the other hand, a property that is used for operations or in the process of providing services or for administrative purposes and which do not directly generate cash flows as a standalone assets are accounted for as property, plant and equipment. The Bank assesses on an annual basis the accounting classification of its properties taking into consideration the current use of such properties.

#### **2.5. CHANGES IN ACCOUNTING POLICIES**

There are no changes in accounting policies and methods of computation since the publication of annual financial statements for the year ended on July 16, 2023, unless otherwise indicated.

#### **2.6. NEW STANDARDS IN ISSUE BUT NOT YET EFFECTIVE**

There have been amendment to the Standards issued by IASB and applicability of the new Standards have been notified for IFRS. But, the amendments and new standards become applicable only when ASB-Nepal pronounces them. The new Standards issued but not yet effective up to the date of issuance of the financial statements are set out below. The Bank will adopt these standards when they become effective.

##### **a) IFRS 9- Financial Instruments**

IFRS 9 recommends the assessment of impairment based on more timely recognition of expected credit losses and entities are required to account for expected credit losses from the initial recognition of financial instruments and it lowers the threshold for recognition of full life time expected losses by aligning financial accounting treatment with risk management activities.

IFRS 9 has become effective from 1 January 2018. However, in NFRS-09, impairment calculation model similar to NAS-38 has been retained via carve-outs. If NFRS-09 is revised to replace existing incurred loss model with expected credit loss model, it will have an effect on impairment calculation of the Bank's financial assets.

##### **b) IFRS 15- Revenue from contracts with customers**

IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts. Financial instruments, leases and insurance contracts are out of scope and so this Standard is not expected to have a significant impact on the Bank.

#### **2.7. NEW STANDARDS AND INTERPRETATION NOT ADOPTED**

The financial statements of the Bank have been prepared in accordance with Nepal Financial Reporting Standards (NFRS) to the extent applicable and as issued by Accounting Standards Board-Nepal.

## **2.8. DISCOUNTING**

When the realization of assets and settlement of obligation is for more than one year, the Bank considers the discounting of such assets and liabilities where the impact is material. Various internal and external factors have been considered for determining the discount rate to be applied to the cash flows of company.

The Bank has a policy to treat share/debenture issue expenses up to 1% of share/debentures issue price as immaterial thus the same has not been considered in computation of fair value of share/debenture.

Discount rate for the valuation of employee benefits viz. gratuity and leave encashment is based on Yield to Maturity (YTM) available on government bonds having similar term to decrement-adjusted estimated term of liabilities.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements, unless otherwise indicated.

### **3.1 BASIS OF MEASUREMENT**

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

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

### **3.2 BASIS OF CONSOLIDATION**

#### **a. Business Combinations and Goodwill**

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

The Bank elects on a transaction-by transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date. The consideration transferred does not include amounts related to the settlement of pre-

existing relationships. Such amounts are generally recognized in profit or loss. Transaction costs, other than those associated with the issue of debt or equity securities, that the Bank incurs in connection with a business combination are expensed as incurred.

#### **b. Non-Controlling Interest (NCI)**

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

The group also attributes total comprehensive income to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

#### **c. Subsidiaries**

Subsidiaries are entities that are controlled by the Bank. The Bank is presumed to control an investee when it is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. At each reporting date the Bank reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more elements of control mentioned above.

The Financial Statements of Subsidiaries are fully consolidated from the date on which control is transferred to the Bank and continue to be consolidated until the date when such control ceases. The Financial Statements of the Bank's Subsidiaries are prepared for the same reporting year as per the Bank, using consistent accounting policies.

The acquired identifiable assets, liabilities are measured at their cost at the date of acquisition. After the initial measurement, the Bank continues to recognize the investments in subsidiaries at cost.

The subsidiary of the Bank viz. Siddhartha Capital Limited has been incorporated in Nepal.

#### **d. Loss of Control**

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

on initial recognition of an investment in an associate or joint venture. The Bank recognizes the gain or loss associated with the loss of control attributable to the former controlling interest.

#### **e. Special Purpose Entity (SPE)**

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

The Bank does not have any special purpose entity as of July 16, 2023.

#### **f. Transaction elimination on consolidation**

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

### **3.3 CASH AND CASH EQUIVALENTS**

Cash and Cash Equivalents include cash in hand, balances with banks and money at call and at short notice. These are subject to insignificant risk of changes in their fair value and are used by the Bank in the management of short term commitments.

Details of the Cash and Cash Equivalents are given in Note 4.1 to the Financial Statements.

### **3.4 FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

#### **Initial Recognition**

##### **a. Date of Recognition**

All financial assets and liabilities are initially recognized on the trade date, i.e. the date on which the Bank becomes a party to the contractual provisions of the instrument. This includes 'regular way trades'. Regular way trade means purchases or sales of financial assets that required delivery of assets within the time frame generally established by regulation or convention in the market place.

##### **b. Recognition and Initial Measurement of Financial Instruments**

The classification of financial instruments at the initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus

transaction costs that are directly attributable to acquisition or issue of such financial instruments except in the case of such financial assets and liabilities at fair value through profit or loss, as per NFRS-9. Transaction costs in relation to financial assets and financial liabilities at fair value through profit or loss are dealt with the Statement of Profit or Loss.

## **CLASSIFICATION AND SUBSEQUENT MEASUREMENT OF FINANCIAL INSTRUMENTS**

### **Classification and Subsequent Measurement of Financial Assets**

At the inception, a financial asset is classified into one of the following:

- (a) Financial assets at fair value through profit or loss
  - i. Financial assets held for trading
  - ii. Financial assets designated at fair value through profit or loss

- (b) Financial assets at amortized cost
- (c) Financial assets at fair value through OCI

The subsequent measurement of financial assets depends on their classification.

#### **(a) Financial Assets at Fair Value through Profit or Loss**

A financial asset is classified as fair value through profit or loss if it is held for trading or is designated at fair value through profit or loss.

##### **(a)(i) Financial Assets Held for Trading**

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term profit or position taking. This category also includes derivative financial instruments entered into by Bank that are not designated as hedging instruments in hedge relationships.

Financial assets held for trading are recorded in the Statement of Financial Position at fair value. Changes in fair value are recognized in 'Net trading income'. Dividend income is recorded in 'Net trading income' when the dividend is realized.

Bank evaluates its held for trading asset portfolio, other than derivatives, to determine whether the intention to sell them in the near future is still appropriate. When Bank is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Bank may elect to reclassify these financial assets. Financial assets held for trading include instruments such as government securities and equity instruments that have been acquired principally for the purpose of selling or repurchasing in the near term.

### **(a)(ii) Financial Assets Designated at Fair Value through Profit or Loss**

Bank designates financial assets at fair value through profit or loss in the following circumstances:

- Such designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring the assets.
- The assets are part of a group of Financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- The assets contain one or more embedded derivatives that significantly modify the cash flows that would otherwise have been required under the contract.

Financial assets designated at fair value through profit or loss are recorded in the Statement of Financial Position at fair value. Changes in fair value are recorded in 'Net gain or loss on financial instruments designated at fair value through profit or losses' in the Statement of Profit or Loss. Interest earned is accrued under 'Interest income', using the effective interest rate method, while dividend income is recorded under 'Net trading income' when the right to receive the payment has been established.

The Bank has not designated any financial assets upon initial recognition as designated at fair value through profit or loss.

### **(b) Financial Assets at amortized cost**

Financial assets at amortized cost are non-derivative financial assets with fixed or determinable payments and fixed maturities which the Bank has the intention and ability to hold to maturity. After the initial measurement, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest rate, less impairment. The amortization is included in 'Interest income' in the Statement of Profit or Loss. The losses arising from impairment of such investments are recognized in the Statement of Profit or Loss.

### **Loans and Advances from Customers**

Loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Bank intends to sell immediately or in the near term and those that the Bank, upon initial recognition, designates as fair value through profit or loss.
- Those that the Bank, upon initial recognition, designates as financial assets at fair value through OCI
- Those for which the Bank may not recover substantially all of its initial investment through contractual cash flows, other than because of credit deterioration.

Loans and Advances mainly represent loans and advances to customers, Banking and Financial Institutions. After initial measurement, loans and receivables are subsequently measured

at amortized cost using a rate that closely approximates effective interest rate, less allowance for impairment. Within this category, loans and advances to the customers have been recognized at amortized cost using the method that very closely approximates effective interest rate method. The amortization is included in 'Interest Income' in the Statement of Profit or Loss. The losses arising from impairment are recognized in 'Impairment charge / reversal for loans and other losses' in the Statement of Profit or Loss.

### **(c) Financial assets at fair value through OCI**

Financial assets at fair value through OCI include equity and debt securities. Equity Investments classified as 'Financial assets at fair value through OCI' are those which are neither classified as 'Held for Trading' nor 'Designated at fair value through profit or loss'. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to need for liquidity or in response to changes in the market conditions.

After initial measurement, financial assets at fair value through OCI are subsequently measured at fair value. Unrealized gains and losses are recognized directly in equity through 'Other comprehensive income / expense' in the 'Fair value reserve'. Where Bank holds more than one investment in the same security, they are deemed to be disposed of on a first-in-first-out basis. Interest earned whilst holding financial assets at fair value through OCI is reported as 'Interest income' using the effective interest rate. Dividend earned whilst holding financial assets at fair value through OCI are recognized in the Statement of Profit or Loss as 'other operating income' when the right to receive the payment has been established. The losses arising from impairment of such investments are recognized in the Statement of Profit or Loss under 'Impairment charge for loans and other losses' and removed from the 'Fair value reserve'.

Financial assets at fair value through OCI that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortized cost of the security and other changes in the carrying amount are recognized in other comprehensive income.

In the normal course of business, the fair value of a financial instrument on initial recognition is the transaction price (that is, the fair value of the consideration given or received). In certain circumstances, however, the fair value will be based on other observable current market transactions in the same instrument, without modification or repackaging, or on a valuation technique whose variables include only data from observable markets, such as interest rate yield, option volatilities and currency rates. When such evidence exists, the Bank recognizes a trading gain or loss on inception of the financial instrument, being the difference between the transaction price and fair value.

When unobservable market data have a significant impact on the valuation of financial instruments, the entire initial difference in fair value from the transaction price as indicated by the valuation model is not recognized immediately in the income statement.

Instead, it is recognized over the life of the transaction on an appropriate basis, when the inputs become observable, the transaction matures or is closed out, or when the Bank enters into an offsetting transaction.

### **Classification and Subsequent Measurement of Financial Liabilities**

At the inception, Bank determines the classification of its financial liabilities. Accordingly financial liabilities are classified as:

#### **(a) Financial liabilities at fair value through profit or loss**

- i. Financial liabilities held for trading
- ii. Financial liabilities designated at fair value through profit or loss

#### **(b) Financial liabilities at amortized cost**

#### **(a) Financial Liabilities at Fair Value through Profit or Loss**

Financial Liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value and changes therein are recognized in profit or loss.

##### **i. Financial Liabilities Held for Trading**

Financial liabilities are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term profit or position taking. This category includes derivative financial instrument entered into by Bank that are not designated as hedging instruments in hedge relationships.

##### **ii. Financial Liabilities Designated at Fair Value through Profit or Loss**

Bank designates financial liabilities at fair value through profit or loss at following circumstances:

- Such designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring the liabilities.
- The liabilities are part of a group of Financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy
- The liability contains one or more embedded derivatives that significantly modify the cash flows that would otherwise have been required under the contract.

#### **(b) Financial Liabilities At Amortized Cost**

Financial instruments issued by Bank that are not classified as fair value through profit or loss are classified as financial liabilities at amortized cost, where the substance of the contractual arrangement results in Bank having an obligation either to deliver cash or another financial asset to another Bank, or to exchange financial assets or financial liabilities with another Bank under conditions that are potentially unfavorable to the Bank or settling the obligation by delivering variable number of Bank's own equity instruments.

The share/debenture issue expenses up to 1% of total amount of share/debenture being issued shall be expensed off in the year of issue of such share/debenture. After initial recognition, such financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Within this category, deposits and debt instruments with fixed maturity period have been recognized at amortized cost using the method that very closely approximates effective interest rate method. The amortization is included in 'Interest Expenses' in the Statement of Profit or Loss. Gains and losses are recognized in the Statement of Profit or Loss when the liabilities are derecognized.

### **Reclassification of Financial Instruments**

#### **3.4.3. (a) Reclassification of Financial Instruments 'At fair value through profit or loss'**

Bank does not reclassify derivative financial instruments out of the fair value through profit or loss category when it is held or issued.

Non-derivative financial instruments designated at fair value through profit or loss upon initial recognition are not reclassified subsequently out of fair value through profit or loss category.

Bank may, in rare circumstances reclassify financial instruments out of fair value through profit or loss category if such instruments are no longer held for the purpose of selling or repurchasing in the near term notwithstanding that such financial instruments may have been acquired principally for the purpose of selling or repurchasing in the near term. Financial assets classified as fair value through profit or loss at the initial recognition which would have also met the definition of 'Loans and Receivables' as at that date is reclassified out of the fair value through profit or loss category only if Bank has the intention and ability to hold such asset for the foreseeable future or until maturity.

The fair value of financial instruments at the date of reclassification is treated as the new cost or amortized cost of the financial instrument after reclassification. Any gain or loss already recognized in respect of the reclassified financial instrument until the date of reclassification is not reversed to the Statement of Profit or Loss.

If a financial asset is reclassified, and if Bank subsequently increases its estimates of the future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognized as an adjustment to the effective interest rate from the date of the change in estimate rather than an adjustment to the carrying amount of the asset at the date of change in estimate.

### **3.4.3. (b) Reclassification of 'Financial assets at fair value through OCI'**

Bank may reclassify financial assets out of financial assets at fair value through OCI category as a result of change in intention or ability or in rare circumstances that a reliable measure of fair value is no longer available.

A financial asset classified as financial assets at fair value through OCI that would have met the definition of loans and receivables at the initial recognition may be reclassified out of financial assets at fair value through OCI category to the loans and receivables category if Bank has the intention and ability to hold such asset for the foreseeable future or until maturity.

The fair value of financial instruments at the date of reclassification is treated as the new cost or amortized cost of the financial instrument after reclassification. Difference between the new amortized cost and the maturity value is amortized over the remaining life of the asset using the effective interest rate. Any gain or loss already recognized in Other Comprehensive Income in respect of the reclassified financial instrument is accounted as follows:

#### **i) Financial assets with fixed maturity**

Gain or loss recognized up to the date of reclassification is amortized to profit or loss over the remaining life of the investment using the effective interest rate. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in other comprehensive income is reclassified from equity to profit or loss.

#### **ii) Financial assets without fixed maturity**

Gain or loss recognized up to the date of reclassification is recognized in profit or loss only when the financial asset is sold or otherwise disposed of. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in other comprehensive income is reclassified from equity to profit or loss.

If a financial asset is reclassified, and if Bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognized as an adjustment to the effective interest rate from the date of the change in estimate rather than an adjustment to the carrying amount of the asset at the date of change in estimate.

### **3.4.3. (c) Reclassification of Financial assets at amortized cost**

As a result of a change in intention or ability, if it is no longer appropriate to classify an investment as financial assets at amortized cost, Bank may reclassify such financial assets as financial assets at fair value through OCI and re-measure them at fair value. Any difference between the carrying value of the financial asset before reclassification and fair value is recognized in equity through other comprehensive income.

### **De-recognition of Financial Assets and Liabilities**

#### **3.4.4. (a) De-recognition of Financial Assets**

Bank derecognizes a financial asset (or where applicable a part of financial asset or part of a group of similar financial assets) when:

- The rights to receive cash flows from the asset have expired; or
- Bank has transferred its rights to receive cash flows from the asset or
- Bank has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either Bank has transferred substantially all the risks and rewards of the asset or it has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

When Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. In that case, Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Bank has retained.

When Bank's continuing involvement that takes the form of guaranteeing the transferred asset, the extent of the continuing involvement is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received by Bank that Bank could be required to repay.

#### **3.4.4. (b) De-recognition of Financial Liabilities**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability

are substantially modified, such an exchange or modification is treated as de-recognition of the original liability and the recognition of a new liability.

The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

### **3.4.4 (c) Repurchase and Reverse Repurchase Agreements**

Securities sold under agreement to repurchase at a specified future date are not de-recognized from the Statement of Financial Position as the Bank retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognized in the Statement of Financial Position as a liability with a corresponding obligation to return it, including accrued interest under 'Securities sold under repurchase agreements', reflecting the transaction's economic substance to the Bank. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest rate. When the bank has the right to sell or re-pledge the securities, the Bank reclassifies those securities in its Statement of Financial Position as 'Financial assets held for trading' pledged as collateral or 'Financial assets at fair value through OCI' pledged as collateral, as appropriate.

Conversely, securities purchased under agreements to resell at future date are not recognized in the Statement of Financial Position. The consideration paid, including accrued interest, is recorded in the Statement of Financial Position, under "Reverse repurchase agreements" reflecting the transaction's economic substance to the Bank. The difference between the purchase and resale prices is recorded as 'Interest income' and is accrued over the life of the agreement using the effective interest rate. If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within 'Financial liabilities held for trading' and measured at fair value with any gains or losses included in 'Net trading income'.

### **Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when and only when Bank has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under NFRSs or for gains and losses arising from a group of similar transaction such as in trading activity.

### **Amortized Cost Measurement**

The Amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

### **Fair Value Measurement**

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of liability reflects its non-performance risk. When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument (Level 01 valuation). A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis on an arm's length basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Bank calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data. Assets and long positions are measured at a bid price; liabilities and short positions are measured at an ask price. Where the Bank has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to net open position as appropriate.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability (Level 01 valuation) nor based on a valuation technique that uses only data from observable markets (Level 02 valuation), then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Bank entity and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Bank believes a third-party market participant would take them into account in pricing a transaction.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

### **Impairment of Financial Assets**

Bank assesses at each reporting date, whether there is any objective evidence that a financial asset or group of financial assets not carried at fair value through profit or loss is impaired. A financial asset or group of financial assets is deemed to be impaired if and only if there is objective evidence of impairment as a result of one or more events, that have occurred after the initial recognition of the asset (an 'incurred loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganization; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### **3.4.5. (a) Impairment of Financial Assets carried at Amortized Cost**

For financial assets carried at amortized cost, such as amounts due from banks, held to maturity investments etc., Bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant or collectively for financial assets that are not individually significant. In the event Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics such as collateral type, past due status and other relevant factors and collectively assesses them for impairment. However, assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit

losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current rate closely approximates effective interest rate. If the Bank has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new closely approximates effective interest rate determined at the reclassification date. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

#### **3.4.5. (a)(i) Individually Assessed Financial Assets**

The criteria used to determine whether there is objective evidence of impairment include and not limited to:

- Known Cash Flow difficulties experienced by the borrowers;
- Past due contractual payments of either principal or interest;
- Breach of loan covenants or conditions;
- The probability that the borrower will enter bankruptcy or other financial reorganization; and
- A significant downgrading in credit rating by an external credit rating agency.

If there is objective evidence that an impairment loss on financial assets measured at amortized cost has been incurred, the amount of the loss is measured by discounting the expected future cash flows of a financial asset at its original effective interest rate and comparing the resultant present value with the financial asset's current carrying amount. The impairment allowances on individually significant accounts are reviewed more regularly when circumstances require. This normally encompasses re-assessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment allowances are only released when there is reasonable and objective evidence of reduction in the established loss estimate. Interest on impaired assets continues to be recognized through the unwinding of the discount.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write off is later recovered, the recovery is credited to the impairment charges for loans and other losses.

When impairment losses are determined for those financial assets where objective evidence of impairment exists, the following common factors are considered:

- Bank's aggregate exposure to the customer;
- The viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flows to service debt obligations;
- The amount and timing of expected receipts and recoveries;
- The extent of other creditors' commitments ranking ahead of, or pari-pasu with the Bank and the likelihood of other creditors continuing to support the company;
- The realizable value of security and likelihood of successful repossession;

### **3.4.5. (a)(ii) Collectively Assessed Financial Assets**

Impairment is assessed on a collective basis in two circumstances:

- To cover losses which have been incurred but have not yet been identified on loans subject to individual assessment; and
- For homogeneous groups of loans that are not considered individually significant.

#### **Incurred but not yet identified impairment**

Individually assessed financial assets for which no evidence of loss has been specifically identified on an individual basis are grouped together according to their credit risk characteristics for the purpose of calculating an estimated collective loss. This reflects impairment losses that the bank has incurred as a result of events occurring before the reporting date, which the Bank is not able to identify on an individual loan basis and that can be reliably estimated.

These losses will only be individually identified in the future. As soon as information becomes available which identifies losses on individual financial assets within the group, those financial assets are removed from the group and assessed on an individual basis for impairment.

The collective impairment allowance is determined after taking into account:

- Historical Loss Experience in portfolios of similar credit risk; and
- Management's experienced judgment as to whether current economic and credit conditions are such that the actual level of inherent losses at the reporting date is likely to be greater or less than that suggested by historical experience.

#### **Homogeneous groups of Financial Assets**

Statistical methods are used to determine impairment losses on a collective basis for homogenous groups of financial assets. Losses in these groups of financial assets are recorded on an individual basis when individual financial assets are written off, at

which point they are removed from the group.

Bank uses the following method to calculate historical loss experience on collective basis:

After grouping of loans on the basis of homogeneous risks, the Bank uses net flow rate method. Under this methodology the movement in the outstanding balance of customers into default categories over the periods is used to estimate the amount of financial assets that will eventually be irrecoverable, as a result of the events occurring before the reporting date which the Bank is not able to identify on an individual loan basis.

Under this methodology, loans are grouped into ranges according to the number of days in arrears and statistical analysis is used to estimate the likelihood that loans in each range will progress through the various stages of delinquency and ultimately prove irrecoverable.

Current economic conditions and portfolio risk factors are also evaluated when calculating the appropriate level of allowance required to cover inherent loss. These additional macro and portfolio risk factors may include:

- Recent loan portfolio growth and product mix
- Unemployment rates
- Gross Domestic Product (GDP) Growth
- Inflation
- Interest rates
- Changes in government laws and regulations
- Property prices
- Payment status

But, the amount of provision to be created against Loans and Advances shall be higher of the following two amounts:

- i) Impairment calculated as per Impairment Assessment Methodology as described above or,
- ii) Loan Loss Provision calculated as per the provisions of Unified Directives issued by Nepal Rastra Bank.

### **3.4.5. (a)(iii) Reversal of Impairment**

If the amount of an impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognized, the excess is written back by reducing the financial asset Impairment allowance account accordingly. The write-back is recognized in the Statement of Profit or Loss.

### **3.4.5. (a)(iv) Write-off of Financial Assets Carried At Amortized Cost**

Financial assets (and the related impairment allowance accounts) are normally written off either partially or in full, when there is no realistic prospect of recovery. Where there is no realistic prospect of recovery. Where financial assets are secured, this is generally after receipt of any proceeds from the realization of security.

#### **3.4.5. (a)(v) Impairment of Rescheduled Loans and Advances**

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to a criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate (EIR).

#### **3.4.5. (a)(vi) Collateral Valuation**

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the guidelines issued by the Nepal Rastra Bank. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as independent valuator and audited financial statements.

#### **3.4.5. (a)(vii) Collateral Legally Repossessed or Where Properties have Devolved to the Bank**

Legally Repossessed Collateral represents Non-Financial Assets acquired by the Bank in settlement of the overdue loans. The assets are initially recognized at fair value when acquired. The Bank's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. The proceeds are used to reduce or repay the outstanding claim. The immovable property acquired by foreclosure of collateral from defaulting customers, or which has devolved on the Bank as part settlement of debt, has not been occupied for business use.

#### **3.4.5. (b) Impairment of Financial assets at fair value through OCI**

For financial assets at fair value through OCI, Bank assesses at each reporting date whether there is objective evidence that an investment is impaired.

In the case of debt instruments, Bank assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the Statement of Profit or Loss. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the

impairment loss. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognized, the impairment loss is reversed through the Statement of Profit or Loss.

In the case of equity investments classified as financial assets at fair value through OCI, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in Statement of Profit or Loss is removed from equity and recognized in the Statement of Profit or Loss. However, any subsequent increase in the fair value of an impaired equity security that is classified as financial assets at fair value through OCI is recognized in other comprehensive income.

Bank writes-off certain financial assets at fair value through OCI when they are determined to be uncollectible.

### **3.5 TRADING ASSETS**

One of the categories of financial assets at fair value through profit or loss is "held for trading" financial assets. All financial assets acquired or held for the purpose of selling in the short term or for which there is a recent pattern of short term profit taking are trading assets.

### **3.6 DERIVATIVES ASSETS AND DERIVATIVE LIABILITIES**

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

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

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

## **3.7 PROPERTY, PLANT AND EQUIPMENT**

### **Recognition**

Property, plant and equipment are tangible items that are held for use in the production or supply of services, for rental to others or for administrative purposes and are expected to be used during more than one period. The Bank applies the requirements of the Nepal Accounting Standard - NAS 16(Property, Plant and Equipment) in accounting for these assets. Property, plant and equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably measured.

### **Measurement**

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to, replace part of an item of property, plant & equipment. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of computer equipment. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

### **Cost Model**

Property and equipment is stated at cost excluding the costs of day-

to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met.

### **Revaluation Model**

The Bank has not applied the revaluation model to the any class of freehold land and buildings or other assets. Such properties are carried at a previously recognized GAAP Amount.

On revaluation of an asset, any increase in the carrying amount is recognized in 'Other comprehensive income' and accumulated in equity, under revaluation reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the Statement of Profit or Loss. In this circumstance, the increase is recognized as income to the extent of previous write down. Any decrease in the carrying amount is recognized as an expense in the Statement of Profit or Loss or debited to the Other Comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset.

The decrease recognized in other comprehensive income reduces the amount accumulated in equity under revaluation reserves. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

### **Subsequent Cost**

The subsequent cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item, if it is probable that the future economic benefits embodied within that part will flow to the Bank and it can be reliably measured. The cost of day to day servicing of property, plant and equipment are charged to the Statement of Profit or Loss as incurred.

### **Depreciation**

Depreciation is calculated by using the straight line method on cost or valuation of the Property & Equipment other than freehold land and leasehold properties. Depreciation on leasehold properties is calculated by using the straight line method on cost or valuation of the property. The rates of depreciations are given below:

ASSET CATEGORY	RATE OF DEPRECIATION PER ANNUM (%)	
	AS OF JULY 16, 2023	AS OF JULY 16, 2022
Buildings	50 years	50 years
Vehicles	10 years	10 years
Office Equipment	7 years	7 years
Furniture & Fixtures-Wooden	10 years	10 years
Furniture & Fixtures-Metal	7 years	7 years
Furniture & Fixtures-Plastic	5 years	5 years
Battery	3 years	3 years
Computer hardware	7 years	7 years
Leasehold Properties	Lease term	Lease term
Sign Board/Mats and Carpets	2 Years	2 Years

### **Changes in Estimates**

The methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

## **Capital Work in Progress**

These are expenses of capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalization. Capital work-in-progress would be transferred to the relevant asset when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Capital work-in-progress is stated at cost less any accumulated impairment losses.

## **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of an asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Bank incurs in connection with the borrowing of funds.

## **De-recognition**

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use. The gain or loss arising from de-recognition of an item of property, plant and equipment is included in the Statement of Profit or Loss when the item is derecognized. When replacement costs are recognized in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognized. Major inspection costs are capitalized. At each such capitalization, the remaining carrying amount of the previous cost of inspections is derecognized.

## **3.8 GOODWILL AND INTANGIBLE ASSETS**

### **Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance, held for use in the production or supply of goods or services, for rental to others or for administrative purposes. An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. An intangible asset is initially measured at cost. Expenditure incurred on an intangible item that was initially recognized as an expense by the Bank in previous annual Financial Statements or interim Financial Statements are not recognized as part of the cost of an intangible asset at a later date.

### **Computer Software & Licenses**

Cost of purchased licenses and all computer software costs incurred, licensed for use by the Bank, which are not integrally related to associated hardware, which can be clearly identified, reliably measured, and it's probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category 'Intangible assets' and carried at cost less accumulated amortization and any accumulated impairment losses.

### **Subsequent Expenditure**

Expenditure incurred on software is capitalized only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. All other expenditure is expensed as incurred.

### **Goodwill is measured at cost less accumulated impairment losses.**

### **Amortization of Intangible Assets**

Intangible Assets, except for goodwill, are amortized on a straight-line basis in the Statement of Profit or Loss from the date when the asset is available for use, over the best of its useful economic life based on a pattern in which the asset's economic benefits are consumed by the bank. Amortization methods, useful lives, residual values are reviewed at each financial year end and adjusted if appropriate. The Bank assumes that there is no residual value for its intangible assets.

ASSET CATEGORY	PERIOD OF AMORTIZATION	
	AS OF JULY 16, 2023	AS OF JULY 16, 2022
Software	Useful life or 7 years, whichever is lower	Useful life or 7 years, whichever is lower

### **De-recognition of Intangible Assets**

The carrying amount of an item of intangible asset is derecognized on disposal or when no future economic benefits are expected from its use. The gain or loss arising on de-recognition of an item of intangible assets is included in the Statement of Profit or Loss when the item is derecognized.

## **3.9 INVESTMENT PROPERTY**

Investment property is property (land or a building or part of a building or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both but not for sale in the ordinary course of business.

### **Measurement**

Investment property is accounted for under Cost Model in the Financial Statements. Accordingly, after recognition as an asset, the property is carried at its cost, less impairment losses. If any property is reclassified to investment property due to changes in its use, fair value of such property at the date of reclassification becomes its cost for subsequent accounting.

## **De-recognition**

Investment properties are derecognized when they are disposed of or permanently withdrawn from use since no future economic benefits are expected. Transfers are made to and from investment property only when there is a change in use. When the use of a property changes such that it is reclassified as Property, Plant and Equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

## **3.10 INCOME TAX**

As per Nepal Accounting Standard- NAS 12 (Income Taxes) tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation. Income Tax expense is recognized in the statement of Profit or Loss, except to the extent it relates to items recognized directly in equity or other comprehensive income in which case it is recognized in equity or in other comprehensive income. The Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to tax authorities.

### **Current Tax**

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to Inland Revenue Department in respect of the current year, using the tax rates and tax laws enacted or substantively enacted on the reporting date and any adjustment to tax payable in respect of prior years.

### **Deferred Tax**

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination, and at the time of transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carried forward unused tax credits and unused tax losses (if any), to the extent that it is probable that the taxable profit will be available against which the deductible temporary differences, carried forward unused tax credits and unused tax losses can be utilized except:

- Where the deferred tax asset relating to the deductible

temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with investments in Subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference will be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is probable that sufficient profit will be available to allow the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes imposed by the same taxation authority.

## **3.11 DEPOSITS, DEBT SECURITIES ISSUED AND SUBORDINATED LIABILITIES**

Deposits, debt securities issued and subordinated liabilities are the Bank's sources of funding. Deposits include non-interest bearing deposits, saving deposits, term deposits, call deposits and margin deposits. The estimated fair value of deposits with no stated maturity period is the amount repayable on demand. The fair value of fixed interest bearing deposits is considered as the interest receivable on these deposits plus carrying amount of these deposits. The fair value of debt securities issued is also considered as the carrying amount of these debt securities issued. Sub-ordinated liabilities are liabilities subordinated, at the event of winding up, to the claims of depositors, debt securities issued and other creditors.

## **3.12 PROVISIONS**

A provision is recognized if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at that date. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is determined based on the present value of those cash flows. A provision for onerous contracts is recognized when the expected

benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured as the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Provision is not recognized for future operating losses.

Before a provision is established, the Bank recognizes any impairment loss on the assets associated with that contract. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

### **3.13 REVENUErecognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

#### **Interest Income**

For all financial assets measured at amortized cost, interest bearing financial assets classified as financial assets at fair value through OCI and financial assets designated at fair value through profit or loss, interest income is recorded using the rate that closely approximates the EIR because the bank considers that the cost of exact calculation of effective interest rate method exceeds the benefit that would be derived from such compliance. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

When a receivable is impaired, the Bank reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognized using the original closely approximate EIR.

However, interest accrual is suspended and are not recognized as Interest income in the Statement of Profit or Loss in following circumstances:

- a. Loans where there is reasonable doubt about the ultimate collectability of principal or interest
- b. Loans against which individual impairment as per carve out of NFRS 9 has been made
- c. Loans where contractual payments of principal and/or interest are more than 3 months in arrears and where the "net realizable value" of security is insufficient to cover payment of principal and accrued interest
- d. Loans where contractual payments of principal and/or interest are more than 12 months in arrears, irrespective of the net realizable value of collateral
- e. Overdrafts and other short term facilities which have not been settled after the expiry of the loan and even not renewed within 3 months of the expiry, and where the net realizable

value of security is insufficient to cover payment of principal and accrued interest

- f. Overdrafts and other short term facilities which have not been settled after the expiry of the loan and even not renewed within 12 months of the expiry, irrespective of the net realizable value of collateral

Following above criterias, the Bank has created interest suspense of NPR 109,864,097 as of July 16, 2023.

The Bank has collected NPR 301,178,129/- up to July 31, 2023 which has been deducted while calculating the amount of interest accrual to be suspended.

#### **Fee and Commission Income**

Fees earned for the provision of services over a period of time are accrued over that period. These fees include Service fees, commission income. Loan syndication fees are recognized as revenue when the syndication has been completed and the Bank retained no part of the loan package for itself, or retained a part at the same effective interest rate as for the other participants. Portfolio and other management advisory fees and service distribution fees are recognized based on the applicable contracts, usually on a time apportionment basis. However, income from LC issuance is recognized at the time of issuance of letter of credit.

#### **Dividend Income**

Dividend income is on equity instruments are recognized in the statement of profit and loss within other income when the Bank's right to receive payment is established.

#### **Net Trading Income**

Net trading income comprises gains less losses relating to trading assets and liabilities, and includes all realized interest, dividend and foreign exchange differences as wells as unrealized changes in fair value of trading assets and liabilities.

#### **Net Income from other financial instrument at fair value through Profit or Loss**

Trading assets such as equity shares and mutual fund are recognized at fair value through profit or loss. No other financial instruments are designated at fair value through profit or loss. The bank has no income under the heading net income from other financial instrument at fair value through profit or loss.

### **3.14 INTEREST EXPENSE**

For financial liabilities measured at amortized cost using the rate that closely approximates effective interest rate, interest expense is recorded using such rate. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

### **3.15 EMPLOYEE BENEFITS**

Employee benefits include:

- Short-term employee benefits such as the following, if expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services:
  - i. Wages, salaries and social security contributions;
  - ii. Paid annual leave and paid sick leave;
  - iii. Profit sharing and bonuses, and
  - iv. Non-monetary benefits (such as medical care, housing, cars and free or subsidized goods or services) for current employees;

Short term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonus or profit sharing plans if the Bank has present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

- Post-employment benefits, such as the following:
  - i. Retirement benefits (e.g.: pensions, lump sum payments on retirement); and
  - ii. Other post-employment benefits such as post-employment life insurance and post-employment medical care;
  - iii. Other long term employee benefits and
  - iv. Termination benefits

#### **3.15.1. Post employments benefits**

##### **Defined Contribution Plans**

A defined contribution plan is a post-employment benefit plan under which an Bank pays fixed contribution into a separate Bank (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods, as defined in Nepal Accounting Standards – NAS 19 (Employee Benefits).

The contribution payable by the employer to a defined contribution plan in proportion to the services rendered to Bank by the employees and is recorded as an expense under 'Personnel expense' as and when they become due. Unpaid contribution is recorded as a liability under 'Other Liabilities'.

Bank contributed 10% on the salary of each employee to the Employees' Provident Fund. The above expenses are identified as contributions to 'Defined Contribution Plans' as defined in Nepal Accounting Standards – NAS 19 (Employee Benefits).

##### **Defined Benefit Plans**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Accordingly, staff gratuity

has been considered as defined benefit plans as per Nepal Accounting Standards – NAS 19 (Employee Benefits).

##### ■ Gratuity

In compliance with Labor Act, 2017, provision is made in the account year of service, for gratuity payable to employees who joined bank on a permanent basis.

An actuarial valuation is carried out every year to ascertain the full liability under gratuity.

Bank's obligation in respect of defined benefit obligation is calculated by estimating the amount of future benefit that employees have earned for their service in the current and prior periods and discounting that benefit to determine its present value, then deducting the fair value of any plan assets to determine the net amount to be shown in the Statement of Financial Position. The value of a defined benefit asset is restricted to the present value of any economic benefits available in the form of refunds from the plan or reduction on the future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirement that apply to any plan in Bank. An economic benefit is available to Bank if it is realizable during the life of the plan, or on settlement of the plan liabilities.

Bank determines the interest expense on the defined benefit liability by applying the discount rate used to measure the defined benefit liability at the beginning of the annual period to the defined benefit liability at the beginning of the annual period. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating to the terms of Bank's obligations.

The increase in gratuity liabilities attributable to the services provided by employees during the year ended 16th July, 2023 (current service cost) has been recognized in the Statement of Profit or Loss under 'Personnel Expenses' together with the net interest expense. Bank recognizes the total actuarial gain and loss that arises in calculating Bank's obligation in respect of gratuity in other comprehensive income during the period in which it occurs.

The demographic assumptions underlying the valuation are retirement age (60 years), early withdrawal from service and retirement on medical grounds.

#### **3.15.2. Other long term employee benefits**

Other long term employee benefits are all employee benefits other than short term employee benefits, post-employment benefits and terminal benefits. Accordingly, leave encashment plan of the Bank has been considered as Other Long Term Employee Benefits as per Nepal Accounting Standards – NAS 19 (Employee Benefits).

##### ■ Unutilized Accumulated Leave

Bank's liability towards the accumulated leave which is expected

to be utilized beyond one year from the end of the reporting period is treated as other long term employee benefits. Bank's net obligation towards unutilized accumulated leave is calculated by discounting the amount of future benefit that employees have earned in return for their service in the current and prior periods to determine the present value of such benefits. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating to the terms of Bank's obligation. The calculation is performed using the Projected Unit Credit method. Net change in liability for unutilized accumulated leave including any actuarial gain and loss are recognized in the Statement of Profit or Loss under 'Personnel Expenses' in the period in which they arise.

### **3.16 FINANCE AND OPERATING LEASES**

The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

#### **3.16.1 Finance Lease**

Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets, but not necessarily legal title, are classified as finance lease. When Bank is the lessor under finance lease, the amounts due under the leases, after deduction of unearned interest income, are included in 'Loans to & receivables from other customers', as appropriate. Interest income receivable is recognized in 'Net interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

When Bank is a lessee under finance leases, the leased assets are capitalized and included in 'Property, plant and equipment' and the corresponding liability to the lessor is included in 'Other liabilities'. A finance lease and its corresponding liability are recognized initially at the fair value of the asset or if lower, the present value of the minimum lease payments. Finance charges payable are recognized in 'Interest expenses' over the period of the lease based on the interest rate implicit in the lease so as to give a constant rate of interest on the remaining balance of the liability.

#### **3.16.2 Operating Lease**

All leases except for financial leases are classified as operating leases. When acting as lessor, Bank includes the assets subject to operating leases in 'Property, plant and equipment' and accounts for them accordingly. Impairment losses are recognized to the extent that residual values are not fully recoverable and the carrying value of the assets is thereby impaired.

When Bank is the lessee, leased assets are not recognized on the Statement of Financial Position.

From FY 2021-22, the Bank has transitioned from NAS-17 and has applied NFRS-16 for accounting of leases. All previously classified operating leases are now recognized as right-of-use assets with

corresponding lease liabilities. Each lease payment is allocated between a reduction of the liability and an interest expense. The interest expense is charged to the Statement of Profit or Loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the remaining lease term on a straight line basis.

The Bank transitioned into NFRS 16 in accordance with the modified retrospective approach, therefore previous year comparative figures are not restated. Additionally, the definition of a lease under NAS 17 and its related interpretation has been retained.

The Bank has applied incremental borrowing rate of 7.5%. Management has applied judgement and formed assumptions in relation to assessing the incremental borrowing rate. Management has formed its judgements and assumptions based on historical experience, internal and external data points.

### **3.17 FOREIGN CURRENCY TRANSACTIONS, TRANSLATION AND BALANCES**

All foreign currency transactions are translated into the functional currency, which is Nepalese Rupees, using the exchange rates prevailing at the dates when the transactions were affected.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Nepalese Rupees using the spot foreign exchange rate ruling at that date and all differences arising on non-trading activities are taken to 'Other Operating Income' in the Statement of Profit or Loss. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the rates of exchange prevailing at the end of the reporting period.

Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items in foreign currency measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange differences arising on the settlement or reporting of monetary items at rates different from those which were initially recorded are dealt with in the Statement of Profit or Loss. However, foreign currency differences arising on available-for-sale equity instruments are recognized in other comprehensive income. Forward exchange contracts are valued at the forward market rates ruling on the reporting date.

### **3.18 FINANCIAL GUARANTEE AND LOAN COMMITMENT**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment

when due. Financial guarantee contracts may have various legal forms, such as a guarantee, some types of letter of credit, etc. Where the bank has confirmed its intention to provide funds to a customer or on behalf of a customer in the form of loans, overdrafts, etc. whether cancellable or not and the bank had not made payments at the reporting date, those instruments are included in these financial statements as commitments.

### **3.19 SHARE CAPITAL AND RESERVES**

Share capital and reserves are different classes of equity claims. Equity claims are claims on the residual interest in the assets of the entity after deducting all its liabilities. Changes in equity during the reporting period comprise income and expenses recognized in the statement of financial performance; plus contributions from holders of equity claims, minus distributions to holders of equity claims.

### **3.20 EARNINGS PER SHARE**

Bank presents basic and diluted Earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit and loss attributable to ordinary equity holders of Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting both the profit and loss attributable to the ordinary equity holders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, if any.

Earnings per share is calculated and presented in consolidated statement of profit or loss.

### **3.21 SEGMENT REPORTING**

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and

■ for which discrete financial information is available. Not every part of an entity is necessarily an operating segment or part of an operating segment. For example, a corporate headquarters or some functional departments may not earn revenues or may earn revenues that are only incidental to the activities of the entity and would not be operating segments. For the purposes of this NFRS, an entity's post-employment benefit plans are not operating segments.

The bank has identified the key segments of business on the basis of nature of operations that assists the Executive Committee of the bank in decision making process and to allocate the resources. It will help the management to assess the performance of the business segments. The business segments identified are Banking (including loan, deposit and trade operations), Payment solutions (Cards), Remittance, Treasury and Micro Banking. All operations between the segments are conducted on pre-determined transfer price. Treasury department acts as the fund manager of the Bank.

### **3.22 EMPLOYEE BONUS**

Employee bonus shall be calculated at the rate of 10% of Profit before bonus and tax.

### **3.23 DIVIDEND ON ORDINARY SHARES**

Dividend on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim Dividend is deducted from equity when they are declared and no longer at the discretion of the Bank. Dividend for the year that is approved after the reporting date is disclosed as an event after the reporting date.

### **3.24 CASH FLOW STATEMENT**

The cash flow statement has been prepared whereby gross cash receipts and gross cash payments of operating activities, finance activities and investing activities have been recognized.

### **3.25 COMPARATIVE FIGURES**

The comparative figures and phrases have been rearranged wherever necessary to conform to the current year's presentation.

## Cash and Cash Equivalent

4.1

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Cash in hand	3,797,711,214	4,229,051,566	3,797,711,214	4,229,050,703
Balances with B/FIs	7,773,602,721	3,206,807,095	7,756,369,265	3,199,352,704
Money at call and short notice	-	500,585,616	-	500,585,616
Other	-	-	-	-
<b>Total</b>	<b>11,571,313,935</b>	<b>7,936,444,278</b>	<b>11,554,080,479</b>	<b>7,928,989,024</b>

## Due from Nepal Rastra Bank

4.2

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Statutory balances with NRB	8,879,504,444	5,648,028,535	8,879,504,444	5,648,028,535
Securities purchased under resale agreement	-	-	-	-
Other deposit and receivable from NRB	121,209,048	82,420,000	121,209,048	82,420,000
<b>Total</b>	<b>9,000,713,492</b>	<b>5,730,448,535</b>	<b>9,000,713,492</b>	<b>5,730,448,535</b>

*Other deposit and receivable from NRB includes investments made as money market maker including accrued interest receivable.*

## Placements with Bank and Financial Institutions

4.3

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Placement with domestic B/FIs	-	-	-	-
Placement with foreign B/FIs	5,011,346,934	320,313,255	5,011,346,934	320,313,255
Less: Allowances for impairment	-	-	-	-
<b>Total</b>	<b>5,011,346,934</b>	<b>320,313,255</b>	<b>5,011,346,934</b>	<b>320,313,255</b>

## Derivative Financial Instruments

4.4

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
<b>Held for trading</b>				
Interest rate swap	-	-	-	-
Currency swap	-	-	-	-
Forward exchange contract	17,320,155	19,694,323	17,320,155	19,694,323
Others	-	-	-	-
<b>Held for risk management</b>				
Interest rate swap	-	-	-	-
Currency swap	-	-	-	-
Forward exchange contract	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>17,320,155</b>	<b>19,694,323</b>	<b>17,320,155</b>	<b>19,694,323</b>

## Other Trading Assets

4.5

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Treasury bills	-	-	-	-
Government bonds	-	-	-	-
NRB Bonds	-	-	-	-
Domestic Corporate bonds	-	-	-	-
Equities	109,407,897	158,762,749	-	-
Other	-	-	-	-
<b>Total</b>	<b>109,407,897</b>	<b>158,762,749</b>	<b>-</b>	<b>-</b>
Pledged	-	-	-	-
Non-pledged	109,407,897	158,762,749	-	-

## Information relating to investment in quoted equity measured at fair value

### through Statement of Profit or Loss

4.5.1

	GROUP				BANK			
	CURRENT YEAR		PREVIOUS YEAR		CURRENT YEAR		PREVIOUS YEAR	
	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE
Asian Life Insurance Co. Limited 6000 Ordinary Share of NPR 100 paid up	4,645,950	4,470,600	6,010,259	3,695,412	-	-	-	-
Chhimek Laghubitta Bikas Bank Limited 7010 Ordinary Share of NPR 100 paid up	7,891,027	7,010,000	31,380,900	25,136,100	-	-	-	-
Century Commercial Bank Ltd. 0 Ordinary Share of NPR 100 paid up	-	-	255,648	193,431	-	-	-	-
Citizen Investment Trust 0 Ordinary Share of NPR 100 paid up	-	-	745,005	628,750	-	-	-	-
Global IME Bank Limited 1 Ordinary Share of NPR 100 paid up	-	186	-	251	-	-	-	-
Himalayan Everest Insurance Company Limited 0 Ordinary Share of NPR 100 paid up	-	-	1,744,195	1,109,160	-	-	-	-
Himalayan Life Insurance Company Limited 784 Ordinary Share of NPR 100 paid up	638,494	397,488	638,494	394,886	-	-	-	-
Janautthan Samudayic Laghubitta Bikas Bank 0 Ordinary Share of NPR 100 paid up	-	-	300	22,425	-	-	-	-
Kumari Equity Fund 0 units of NPR 10 paid up	-	-	1,000,000	1,007,000	-	-	-	-
Lumbini Bikas Bank Ltd. 5000 Ordinary Share of NPR 100 paid up	1,954,079	2,065,000	-	-	-	-	-	-
Life Insurance Co. Nepal 0 Ordinary Share of NPR 100 paid up	-	-	14,633,861	10,867,200	-	-	-	-
Nabil Bank Ltd. 1353 Ordinary Share of NPR 100 paid up	1,179,146	810,718	-	-	-	-	-	-
Nepal Bangladesh Bank Limited 5600 Ordinary Share of NPR 100 paid up	-	-	2,486,404	2,234,400	-	-	-	-
Ngadi Group Power Limited 1 Ordinary Share of NPR 100 paid up	-	-	-	297	-	-	-	-
Nepal Investment Bank Limited 73 Ordinary Share of NPR 100 paid up	-	-	-	19,345	-	-	-	-
Nepal Investment Bank Limited Promoter Share 73 Ordinary Share of NPR 100 paid up	-	-	740,775	618,375	-	-	-	-
NIC ASIA Laghubitta Bittiya Sanstha Limited 16 Ordinary Share of NPR 100 paid up	-	-	1,400	13,758	-	-	-	-
Neco Insurance Co. Ltd. 3054 Ordinary Share of NPR 100 paid up	-	-	2,943,262	2,119,476	-	-	-	-
Nerude Laghubita Bikas Bank Limited 6074 Ordinary Share of NPR 100 paid up	-	-	8,397,571	5,345,120	-	-	-	-

	GROUP				BANK			
	CURRENT YEAR		PREVIOUS YEAR		CURRENT YEAR		PREVIOUS YEAR	
	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE
Nepal Life Insurance Co. Ltd. 2167 Ordinary Share of NPR 100 paid up	-	-	2,513,964	1,618,749	-	-	-	-
National Life Insurance Co. Ltd. 2842 Ordinary Share of NPR 100 paid up	1,786,077	1,833,090	28,406,461	15,105,860	-	-	-	-
NMB Microfinance Bittiya Sanstha Ltd. 1 Ordinary Share of NPR 100 paid up	-	-	-	750	-	-	-	-
NMB50 Mutual Fund 297334 Ordinary Share of NPR 10 paid up	3,567,127	3,122,007	3,567,127	3,835,609	-	-	-	-
National Microfinance Bittiya Sanstha Ltd. 25 Ordinary Share of NPR 100 paid up	-	-	2,000	48,375	-	-	-	-
Nepal Reinsurance Company Limited 2330 Ordinary Share of NPR 100 paid up	-	-	3,195,750	1,712,550	-	-	-	-
Nirdhan Utthan Laghubitta Bittiya Sanstha Limited 8215 Ordinary Share of NPR 100 paid up	8,794,301	6,284,475	9,912,992	8,551,319	-	-	-	-
Premier Insurance Co. Ltd. 466 Ordinary Share of NPR 100 paid up	-	-	6,744,642	3,290,112	-	-	-	-
Rasuwagadhi Hydropower Company Ltd. 7000 Ordinary Share of NPR 100 paid up	2,304,515	2,100,000	-	-	-	-	-	-
RBB Mutual Fund 1 100000 Ordinary Share of NPR 10 paid up	1,000,000	808,000	1,000,000	927,000	-	-	-	-
RMDC Laghubitta Bittiya Sanstha Ltd. 3000 Ordinary Share of NPR 100 paid up	2,838,820	2,325,000	12,161,506	8,547,600	-	-	-	-
Sanima Equity Fund 100000 units of NPR 10 paid up	1,462,916	1,180,000	1,462,916	1,275,000	-	-	-	-
Sagarmatha Lumbini Insurance Co. Ltd. 4178 units of NPR 10 paid up	3,140,058	3,125,144	-	-	-	-	-	-
Standard Chartered Bank Limited 0 Ordinary Share of NPR 100 paid up	-	-	1,097,634	784,674	-	-	-	-
Sunrise Bank Limited 0 Ordinary Share of NPR 100 paid up	-	-	1,965,662	1,103,724	-	-	-	-
Sunrise First Mutual Fund 201000 units of NPR 10 paid up	2,369,841	2,227,080	2,369,841	2,311,500	-	-	-	-
Shine Resunga Development Bank Ltd. 5000 units of NPR 10 paid up	1,848,136	1,920,000	-	-	-	-	-	-
Siddhartha Investment Growth Scheme - 2 4335970 units of NPR 10 paid up	43,359,700	39,153,809	43,359,700	42,449,146	-	-	-	-
Sanjen Jalavidhyut Co. Ltd. 7000 Ordinary Share of NPR 100 paid up	2,303,120	2,078,300	-	-	-	-	-	-
Siddhartha Systematic Investment Scheme 2500000 units of NPR 10 paid up	22,722,530	22,500,000	11,985,025	10,012,500	-	-	-	-
Sanima Large Cap Fund 50000 units of NPR 10 paid up	500,000	446,000	500,000	466,000	-	-	-	-
Synergy Power Development Ltd. 5000 Ordinary Share of NPR 100 paid up	3,296,217	2,501,000	-	-	-	-	-	-
Surya Jyoti Life Insurance Company Limited 5000 Ordinary Share of NPR 100 paid up	3,440,561	3,050,000	4,972,283	2,616,894	-	-	-	-
United Insurance Company (Nepal) Limited 0 Ordinary Share of NPR 100 paid up	-	-	1,587,762	700,000	-	-	-	-
	<b>121,042,618</b>	<b>109,407,897</b>	<b>207,783,338</b>	<b>158,762,749</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Loan and Advances to B/FIs

4.6

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Loans to microfinance institutions	5,238,878,700	6,487,705,663	5,238,878,700	6,487,705,663
Other	-	-	-	-
Less: Allowances for impairment	(68,104,793)	(84,311,520)	(68,104,793)	(84,311,520)
<b>Total</b>	<b>5,170,773,907</b>	<b>6,403,394,142</b>	<b>5,170,773,907</b>	<b>6,403,394,142</b>

## Allowances for Impairment

4.6.1

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Balance at Shrawan 1	84,311,520	79,379,352	84,311,520	79,379,352
Impairment loss for the year:				-
Charge for the year	22,301,301	37,802,230	22,301,301	37,802,230
Recoveries/reversal	(38,508,029)	(32,870,061)	(38,508,029)	(32,870,061)
Amount written off	-	-	-	-
<b>Balance at Ashadh end</b>	<b>68,104,793</b>	<b>84,311,520</b>	<b>68,104,793</b>	<b>84,311,520</b>

## Loans and Advances to Customers

4.7

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Loan and advances measured at amortized cost	188,921,209,016	182,295,772,363	188,911,416,613	182,285,440,901
Less: Impairment allowances				
Collective impairment	(2,904,799,011)	(2,586,114,624)	(2,904,799,011)	(2,586,114,624)
Individual impairment	(1,997,046,561)	(1,111,963,045)	(1,997,046,561)	(1,111,963,045)
Net amount	184,019,363,443	178,597,694,694	184,009,571,040	178,587,363,232
Loan and advances measured at FVTPL	-	-	-	-
<b>Total</b>	<b>184,019,363,443</b>	<b>178,597,694,694</b>	<b>184,009,571,040</b>	<b>178,587,363,232</b>

## Analysis of loan and Advances - By Product

4.7.1

Product	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Long Term Loans	79,965,370,303	57,602,960,091	79,965,370,303	57,602,960,091
Personal	25,842,189,886	24,028,949,470	25,842,189,886	24,028,949,470
Business	14,421,589,435	4,213,872,402	14,421,589,435	4,213,872,402
Working Capital	39,701,590,981	29,360,138,219	39,701,590,981	29,360,138,219
Overdraft (Personal)	3,282,391,436	4,980,917,765	3,282,391,436	4,980,917,765
Cash Credit Loan	23,860,881,669	27,361,567,911	23,860,881,669	27,361,567,911
Trust Receipt/Import Loan	3,977,400,980	3,790,353,429	3,977,400,980	3,790,353,429
Short Term Working Capital/Demand Loan	38,214,851,709	49,215,925,576	38,214,851,709	49,215,925,576
Personal Residential Loans	8,816,061,316	9,083,646,837	8,816,061,316	9,083,646,837
Real Estate Loans	5,955,601,918	5,641,787,596	5,955,601,918	5,641,787,596
Margin Lending Loans	4,088,177,663	4,059,573,627	4,088,177,663	4,059,573,627
Hire Purchase Loans	4,911,316,636	6,966,822,678	4,911,316,636	6,966,822,678
Deprived Sector Loans	5,223,252,424	5,785,889,408	5,223,252,424	5,785,889,408
Bills Purchased	133,224,840	40,000,000	133,224,840	40,000,000
Staff loans	1,945,795,623	1,883,322,354	1,936,003,220	1,872,990,892
Other	8,546,882,499	5,883,005,089	8,546,882,499	5,883,005,089
<b>Total</b>	<b>188,921,209,015</b>	<b>182,295,772,363</b>	<b>188,911,416,613</b>	<b>182,285,440,901</b>

### Analysis of Loan and Advances - By Currency

**4.7.2**

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Nepalese rupee	187,669,524,196	180,826,369,736	187,659,731,794	180,816,038,274
Indian rupee	-	-	-	-
United State dollar	1,251,684,819	1,469,402,627	1,251,684,819	1,469,402,627
Great Britain pound	-	-	-	-
Euro	-	-	-	-
Japenese yen	-	-	-	-
Chinese yuan	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>188,921,209,015</b>	<b>182,295,772,363</b>	<b>188,911,416,613</b>	<b>182,285,440,901</b>

### Analysis of Loan and Advances - By Collateral

**4.7.3**

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
<b>Secured</b>				
Movable/immovable assets	176,210,916,024	169,241,549,239	176,210,916,024	169,241,549,239
Gold and silver	-	-	-	-
Guarantee of domestic B/FIs	-	-	-	-
Government guarantee	150,581,118	145,032,474	150,581,118	145,032,474
Guarantee of international rated bank	-	-	-	-
Collateral of export document	4,476,185,056	4,179,611,449	4,476,185,056	4,179,611,449
Collateral of fixed deposit receipt	2,207,222,384	2,463,565,415	2,207,222,384	2,463,565,415
Collateral of Governement securities	4,050,000	14,495,911	4,050,000	14,495,911
Counter guarantee	-	-	-	-
Personal guarantee	1,226,020,353	1,011,255,938	1,216,227,951	1,000,924,476
Other collateral	4,646,234,080	5,240,261,936	4,646,234,080	5,240,261,936
<b>Subtotal</b>	<b>188,921,209,014</b>	<b>182,295,772,363</b>	<b>188,911,416,613</b>	<b>182,285,440,901</b>
Unsecured	-	-	-	-
<b>Grand Total</b>	<b>188,921,209,014</b>	<b>182,295,772,363</b>	<b>188,911,416,613</b>	<b>182,285,440,901</b>

### Allowances for Impairment

**4.7.4**

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
<b>Specific allowances for impairment</b>				
Balance at Shrawan 1	1,111,963,045	794,818,642	1,111,963,045	794,818,642
Impairment loss for the year:				
Charge for the year	885,083,516	317,144,403	885,083,516	317,144,403
Recoveries/reversal during the year	-	-	-	-
Write-offs	-	-	-	-
Exchange rate variance on foreign currency impairment	-	-	-	-
Other movement	-	-	-	-
<b>Balance at Ashadh end</b>	<b>1,997,046,561</b>	<b>1,111,963,045</b>	<b>1,997,046,561</b>	<b>1,111,963,045</b>
<b>Collective allowances for impairment</b>				
Balance at Shrawan 1	2,586,114,624	2,300,719,984	2,586,114,624	2,300,719,984
Impairment loss for the year:				
Charge/(reversal) for the year	318,684,388	285,394,640	318,684,388	285,394,640
Exchange rate variance on foreign currency impairment	-	-	-	-
Other movement	-	-	-	-
<b>Balance at Ashadh end</b>	<b>2,904,799,011</b>	<b>2,586,114,624</b>	<b>2,904,799,011</b>	<b>2,586,114,624</b>
<b>Total allowances for impairment</b>	<b>4,901,845,573</b>	<b>3,698,077,669</b>	<b>4,901,845,573</b>	<b>3,698,077,669</b>

## Investment Securities

4.8

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Investment securities measured at amortized cost	56,443,791,516	53,431,175,151	56,307,315,516	53,207,699,151
Investment in equity measured at FVTOCI	6,285,075,676	4,160,462,581	6,173,160,518	4,160,462,581
<b>Total</b>	<b>62,728,867,192</b>	<b>57,591,637,732</b>	<b>62,480,476,034</b>	<b>57,368,161,732</b>

### Investment Securities Measured at Amortized Cost

4.8.1

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Debt securities	1,459,077,598	431,166,639	1,451,101,598	424,690,639
Government bonds	37,211,061,584	31,844,092,737	37,211,061,584	31,844,092,737
Government treasury bills	17,645,152,334	20,938,915,775	17,645,152,334	20,938,915,775
Nepal Rastra Bank bonds	-	-	-	-
Nepal Rastra Bank deposits instruments	-	-	-	-
Other	128,500,000	217,000,000	-	-
Less: specific allowances for impairment	-	-	-	-
<b>Total</b>	<b>56,443,791,516</b>	<b>53,431,175,151</b>	<b>56,307,315,516</b>	<b>53,207,699,151</b>

### Investment in Equity Measured at Fair Value through Other Comprehensive Income

4.8.2

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
<b>Equity instruments</b>				
Quoted equity securities	4,642,181,363	3,866,045,671	4,642,181,363	3,866,045,671
Unquoted equity securities	1,642,894,313	294,416,910	1,530,979,155	294,416,910
<b>Total</b>	<b>6,285,075,676</b>	<b>4,160,462,581</b>	<b>6,173,160,518</b>	<b>4,160,462,581</b>

## Information Relating to Investment in Equities

**4.8.3**

	GROUP				BANK			
	CURRENT YEAR		PREVIOUS YEAR		CURRENT YEAR		PREVIOUS YEAR	
	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE
<b>Investment in quoted equity measured at fair value through Other Comprehensive Income</b>								
Siddhartha Premier Insurance Limited 2115019 Ordinary Share of NPR 100 paid up	87,095,304	1,646,542,292	87,095,304	1,055,035,216	87,095,304	1,646,542,292	87,095,304	1,055,035,216
National Life Insurance Company Limited 11,806 Ordinary Share of NPR 100 paid up	8,080,526	7,614,870	8,080,526	5,484,962	8,080,526	7,614,870	8,080,526	5,484,962
NLG Insurance Company Limited 2,762 Promoter Share of NPR 100 paid up	253,177	1,183,283	253,177	726,717	253,177	1,183,283	253,177	726,717
Life Insurance Co. Nepal Limited 42,562 Ordinary Share of NPR 100 paid up	55,758,404	66,183,910	55,758,404	60,223,815	55,758,404	66,183,910	55,758,404	60,223,815
Butwal Power Company Limited 147,927 Ordinary Share of NPR 100 paid up	68,539,904	48,889,874	68,539,904	45,364,326	68,539,904	48,889,874	68,539,904	45,364,326
Nepal Lube oil Limited 2,069 Ordinary Share of NPR 100 paid up	1,080	540,009	1,080	417,966	1,080	540,009	1,080	417,966
Nepal Film Dev. Company Limited 539 Ordinary Share of NPR 100 paid up	569	18,326	569	18,515	569	18,326	569	18,515
Ridi Hydropower Development Company Limited 234 Ordinary Share of NPR 100 paid up	22,394	56,862	22,394	139,946	22,394	56,862	22,394	139,946
Chilime Hydro Power Limited 246,576 Ordinary Share of NPR 100 paid up	148,219,339	132,337,339	148,219,339	93,584,184	148,219,339	132,337,339	148,219,339	93,584,184
Sanima Mai Hydropower Limited 181,197 Ordinary Share of NPR 100 paid up	88,468,255	64,324,935	88,468,255	55,446,282	88,468,255	64,324,935	88,468,255	55,446,282
IGI Prudential Insurance Limited 43,800 Ordinary Shares of NPR 100 Paid up	27,830,453	24,528,000	27,830,453	14,777,532	27,830,453	24,528,000	27,830,453	14,777,532
Sagarmatha Lumbini Insurance Company Limited 32,379 Ordinary Share of NPR 100 paid up	25,288,245	24,219,492	25,288,245	14,449,914	25,288,245	24,219,492	25,288,245	14,449,914
Mero Microfinance Bittiya Sanstha Limited 858,000 Promoter Share of NPR 100 paid up	34,378,500	193,908,000	34,378,500	347,519,250	34,378,500	193,908,000	34,378,500	347,519,250
RMDC Laghubitta Bittiya Sanstha Limited 421,006 Promoter Share of NPR 100 paid up & 1 Ordinary Share of NPR 100 paid up	39,480,000	168,540,618	39,480,000	159,742,146	39,480,000	168,540,618	39,480,000	159,742,146
National Microfinance Limited 86,799 Promoter Share of NPR 100 paid up	14,249,834	61,192,754	14,249,834	80,147,947	14,249,834	61,192,754	14,249,834	80,147,947
Upper Tamakoshi Hydropower Limited 37,718 Ordinary Share of NPR 100 paid up	27,455,516	16,098,042	27,455,516	20,443,156	27,455,516	16,098,042	27,455,516	20,443,156
Global IME Samunat Scheme 4,579,360 units of NPR 10 each	48,358,815	44,099,237	48,358,815	45,793,600	48,358,815	44,099,237	48,358,815	45,793,600
Laxmi Equity Fund 2,717,418 units of NPR 10 each	30,795,127	26,060,039	30,795,127	26,902,438	30,795,127	26,060,039	30,795,127	26,902,438
Nabil Equity Fund 4,623,667 units of NPR 10 each	55,322,892	44,433,440	55,322,892	46,236,670	55,322,892	44,433,440	55,322,892	46,236,670
NIBL Pragati Fund 1,207,902 units of NPR 10 each	12,028,734	11,728,728	12,028,734	12,103,178	12,028,734	11,728,728	12,028,734	12,103,178
NMB Hybrid Fund -1 3,189,174 units of Rs 10 each	33,309,116	34,411,187	33,309,116	35,718,749	33,309,116	34,411,187	33,309,116	35,718,749
Sanima Equity Fund 8,546,415 units of NPR 10 each	118,981,977	100,847,697	118,981,977	108,966,791	118,981,977	100,847,697	118,981,977	108,966,791
Siddhartha Equity Fund 22,500,000 units of NPR 10 each	225,000,000	212,175,000	225,000,000	222,300,000	225,000,000	212,175,000	225,000,000	222,300,000
NIC Asia Growth Fund 3,506,280 units of NPR 10 each	47,546,212	36,079,621	47,546,212	39,095,022	47,546,212	36,079,621	47,546,212	39,095,022
Citizen Mutual Fund 786,470 units of NPR 10 each	7,817,576	7,377,089	7,817,576	6,920,936	7,817,576	7,377,089	7,817,576	6,920,936
Siddhartha Investment & Growth Scheme-2 21,000,000 units of NPR 10 each	210,000,000	189,630,000	210,000,000	205,590,000	210,000,000	189,630,000	210,000,000	205,590,000
Siddhartha Systematic Investment Scheme 5,000,000 units of NPR 10 each	45,445,000	45,000,000	23,970,000	20,025,000	45,445,000	45,000,000	23,970,000	20,025,000
Rasuwegadhi Hydropower Company Limited 52,967 Ordinary Share of NPR 100 paid up	25,717,825	15,890,100	25,717,825	14,459,991	25,717,825	15,890,100	25,717,825	14,459,991

	GROUP				BANK			
	CURRENT YEAR		PREVIOUS YEAR		CURRENT YEAR		PREVIOUS YEAR	
	COST	FAIR VALUE						
Nabil Balanced Fund-2 4,230,790 units of NPR 10 each	52,470,478	37,230,952	52,470,478	45,607,916	52,470,478	37,230,952	52,470,478	45,607,916
NIBL Sahabragita Fund 250,000 units of NPR 10 each	2,500,000	2,670,000	2,500,000	2,677,500	2,500,000	2,670,000	2,500,000	2,677,500
Citizen Mutual Fund-2 5,000,000 units of NPR 10 each	50,000,000	51,950,000	50,000,000	50,600,000	50,000,000	51,950,000	50,000,000	50,600,000
NIC Asia Balanced Fund 3,564,700 units of NPR 10 each	37,422,966	33,258,651	37,422,966	38,177,937	37,422,966	33,258,651	37,422,966	38,177,937
NMB 50 7,770,635 units of NPR 10 each	86,839,223	81,591,668	86,839,223	100,241,192	86,839,223	81,591,668	86,839,223	100,241,192
Sunrise First Mutual Fund 2,806,113 units of NPR 10 each	37,258,447	31,091,732	37,258,447	32,270,300	37,258,447	31,091,732	37,258,447	32,270,300
Himalayan Life Insurance Limited 36,810 Ordinary Share of NPR 100 paid up	21,826,082	18,662,670	21,826,082	18,535,175	21,826,082	18,662,670	21,826,082	18,535,175
Surya Jyoti Life Insurance Company Limited 48,699 Ordinary Share of NPR 100 paid up	31,904,462	29,706,390	31,904,462	18,846,513	31,904,462	29,706,390	31,904,462	18,846,513
Laxmi Unnati Kosh 2,000,700 units of NPR 10 each	20,007,058	18,786,573	20,007,058	19,126,692	20,007,058	18,786,573	20,007,058	19,126,692
NIBL Samriddhi Fund-II 1,000,000 units of NPR 10 each	10,000,000	9,110,000	10,000,000	8,670,000	10,000,000	9,110,000	10,000,000	8,670,000
Kumari Equity Fund 1,000,000 units of NPR 10 each	10,000,000	10,170,000	10,000,000	10,070,000	10,000,000	10,170,000	10,000,000	10,070,000
Sanima Large Cap Fund 1,000,000 units of NPR 10 each	10,000,000	8,920,000	10,000,000	9,320,000	10,000,000	8,920,000	10,000,000	9,320,000
NIC Asia Dynamic Debt Fund 100,000 units of NPR 10 each	1,000,000	1,110,000	1,000,000	1,071,000	1,000,000	1,110,000	1,000,000	1,071,000
RBB Mutual Fund-1 1,000,000 units of NPR 10 each	10,000,000	8,080,000	10,000,000	9,270,000	10,000,000	8,080,000	10,000,000	9,270,000
Kumari Dhanabridhhi Yojana 1,001,000 units of NPR 10 each	10,010,000	10,050,040	10,000,000	9,970,000	10,010,000	10,050,040	10,000,000	9,970,000
NABIL Balanced Fund-3 16,670 units of NPR 10 each	166,700	126,192	166,700	157,198	166,700	126,192	166,700	157,198
Sanima Reliance Life Insurance Limited 26,40,000 Promoter Shares of NPR 100 paid up	264,000,000	805,728,000	264,000,000	574,200,000	264,000,000	805,728,000	264,000,000	574,200,000
Nepal Infrastructure Development Bank Limited 10,80,000 Promoter Share of NPR 100 paid up	100,000,000	163,864,000	100,000,000	179,600,000	100,000,000	163,864,000	100,000,000	179,600,000
Hydroelectricity Investment and Development Company Limited* 10 Ordinary Share of NPR 100 paid up	-	184	-	-	-	184	-	-
Sana Kishan Bikas Laghubitta Bittiya Sanstha Limited* 2 Ordinary Share of NPR 100 paid up	-	1,798	-	-	-	1,798	-	-
Global IME Laghubitta Bittiya Sanstha Limited* 1 Ordinary Share of NPR 100 paid up	-	1,061	-	-	-	1,061	-	-
Mirmire Laghubitta Bittiya Sanstha Limited* 1 Ordinary Share of NPR 100 paid up	-	709	-	-	-	709	-	-
Global IME Balanced Fund 1 500,000 units of NPR 10 each	5,000,000	4,670,000	-	-	5,000,000	4,670,000	-	-
NIBL Growth Fund 1,000,000 units of NPR 10 each	10,000,000	10,640,000	-	-	10,000,000	10,640,000	-	-
NMB Sulav Investment Fund 2 2,500,000 units of NPR 10 each	25,000,000	24,975,000	-	-	25,000,000	24,975,000	-	-
NIC Asia Flexi Cap Fund** 2,000,000 units of NPR 10.17 each	20,000,000	20,340,000	-	-	20,000,000	20,340,000	-	-
Kumari Sunaulo Lagani Yojana 1,000,000 units of NPR 10 each	10,000,000	10,650,000	-	-	10,000,000	10,650,000	-	-
Nabil Flexi Cap Fund 1,000,000 units of NPR 10 each	10,000,000	9,900,000	-	-	10,000,000	9,900,000	-	-
Sanima Growth Fund 1,500,000 units of NPR 10 each	15,000,000	14,985,000	-	-	15,000,000	14,985,000	-	-
	<b>2,335,850,189</b>	<b>4,642,181,363</b>	<b>2,219,365,189</b>	<b>3,866,045,671</b>	<b>2,335,850,189</b>	<b>4,642,181,363</b>	<b>2,219,365,189</b>	<b>3,866,045,671</b>

	GROUP				BANK			
	CURRENT YEAR		PREVIOUS YEAR		CURRENT YEAR		PREVIOUS YEAR	
	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE
<b>Investment in unquoted equity measured at fair value through Other Comprehensive Income</b>								
Credit Information Center Limited 211,064 Promotor Shares of NPR 100 paid up	1,907,600	83,201,429	1,907,600	62,907,625	1,907,600	83,201,429	1,907,600	62,907,625
Nepal Clearing House Limited 962,253 Promotor Shares of NPR 100 paid up	179,402,600	245,374,515	179,402,600	144,895,823	179,402,600	245,374,515	179,402,600	144,895,823
National Banking Training Institute 18,349 Promotor Shares of NPR 100 paid up	1,834,860	7,272,835	1,834,860	6,484,395	1,834,860	7,272,835	1,834,860	6,484,395
ICRA Nepal Limited 27,360 Promotor Shares of NPR 100 paid up	760,000	6,986,650	760,000	4,771,850	760,000	6,986,650	760,000	4,771,850
Nepal Electronic Payment System Limited 150,000 Promotor Shares of NPR 100 paid up	15,000,000	23,412,000	15,000,000	15,433,500	15,000,000	23,412,000	15,000,000	15,433,500
Prabhu Capital Limited 45,000 Promotor Shares of NPR 100 paid up	4,500,000	4,906,560	4,500,000	4,620,150	4,500,000	4,906,560	4,500,000	4,620,150
SWIFT SC***	6,105,167	6,105,167	5,303,566	5,303,566	6,105,167	6,105,167	5,303,566	5,303,566
7Shares								
NIC Asia Flexi Cap Fund** 2,000,000 units of NPR 10 each	-	-	20,000,000	20,000,000	-	-	20,000,000	20,000,000
Avasar Equity Diversified Fund 1,000,000 units of NPR 1000 each	1,000,000,000	1,000,000,000	-	-	1,000,000,000	1,000,000,000	-	-
Avasar Equity Diversified Fund 50,000 shares of NPR 1000 each	50,000,000	50,000,000	-	-	-	-	-	-
Siddhartha Investment & Growth Scheme-3 12,000,000 units of NPR 10 each	120,000,000	123,720,000	-	-	120,000,000	123,720,000	-	-
Siddhartha Investment & Growth Scheme-3 6,005,350 units of NPR 10 each	60,053,500	61,915,159	-	-	-	-	-	-
Avasar Equity Limited 300,000 units of NPR 100 each	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
	<b>1,469,563,727</b>	<b>1,642,894,313</b>	<b>258,708,626</b>	<b>294,416,910</b>	<b>1,359,510,227</b>	<b>1,530,979,155</b>	<b>258,708,626</b>	<b>294,416,910</b>

\* Bonus shares have been received in FY 2022-23 on shares which were already sold by the Bank before FY 2021-22.

\*\* Investment in NIC Asia Flexi Cap Fund have been reclassified from "Investment in unquoted equity measured at fair value through Other Comprehensive Income" to "Investment in quoted equity measured at fair value through Other Comprehensive Income" as the scrip has been listed in NEPSE during FY 2022-23.

\*\*\* The investment value of SWIFT SC has increased due to foreign exchange revaluation gain of NPR 801,601.

## Current Tax Assets

**4.9**

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
<b>Current tax assets</b>				
Current year income tax assets	9,317,011,041	8,153,876,925	9,289,073,298	8,112,941,715
Tax assets of prior periods	253,345,083	143,345,083	253,345,083	143,345,083
<b>Current tax liabilities</b>				
Current year income tax liabilities	(1,424,265,088)	(1,418,498,604)	(1,399,891,181)	(1,371,151,096)
Tax liabilities of prior periods	(7,878,762,253)	(6,520,725,416)	(7,878,762,253)	(6,520,725,416)
<b>Total</b>	<b>267,328,784</b>	<b>357,997,989</b>	<b>263,764,947</b>	<b>364,410,286</b>

## Investment in Subsidiaries

**4.10**

	BANK	
	CURRENT YEAR	PREVIOUS YEAR
Investment in quoted subsidiaries	-	-
Investment in unquoted subsidiaries	51,000,000	51,000,000
<b>Total investment</b>	<b>51,000,000</b>	<b>51,000,000</b>
Less: Impairment allowances	-	-
<b>Net carrying amount</b>	<b>51,000,000</b>	<b>51,000,000</b>

**Investment in Quoted Subsidiaries**

4.10.1

*The Bank has not made investment in quoted subsidiaries.***Investment in Unquoted Subsidiaries**

4.10.2

	BANK			
	CURRENT YEAR		PREVIOUS YEAR	
	COST	FAIR VALUE	COST	FAIR VALUE
Siddhartha Capital Limited 10,20,000 Promotor Shares of NPR 100 each	51,000,000	Not Listed	51,000,000	Not Listed
<b>Total</b>	<b>51,000,000</b>	-	<b>51,000,000</b>	-

**Information Relating to Subsidiaries of the Bank**

4.10.3

	BANK	
	PERCENTAGE OF OWNERSHIP HELD BY THE BANK	
	CURRENT YEAR	PREVIOUS YEAR
Siddhartha Capital Limited	51%	51%

**Non Controlling Interest of the subsidiaries**

4.10.4

	GROUP		Siddhartha Capital Limited	Siddhartha Capital Limited
	CURRENT YEAR	PREVIOUS YEAR		
Equity interest held by NCI (%)			49%	49%
Profit/(loss) allocated during the year			31,206,141	27,547,541
Accumulated balances of NCI as on July 16, 2023			220,913,182	
Accumulated balances of NCI as on July 16, 2022				214,207,041
Dividend paid to NCI			24,500,000	39,200,000

**Investment in Associates**

4.11

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Investment in quoted associates	-	-	-	-
Investment in unquoted associates	-	-	-	-
Total Investment	-	-	-	-
Less: Impairment allowances	-	-	-	-
Net Carrying amount	-	-	-	-

*The Bank has not made investment in associates.***Investment in Quoted Associates**

4.11.1

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
	COST	FAIR VALUE	COST	FAIR VALUE
".....Ltd. .....shares of NPR .....each"	-	-	-	-
".....Ltd. .....shares of NPR .....each"	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Investment in Unquoted Associates

4.11.2

	GROUP				BANK			
	CURRENT YEAR		PREVIOUS YEAR		CURRENT YEAR		PREVIOUS YEAR	
	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE	COST	FAIR VALUE
" .....Ltd. .....shares of NPR .....each"	-	-	-	-	-	-	-	-
" .....Ltd. .....shares of NPR .....each"	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Information Relating to Associates of the Bank

4.11.3

	GROUP		BANK	
	PERCENTAGE OF OWNERSHIP HELD BY THE BANK		PERCENTAGE OF OWNERSHIP HELD BY THE BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
.....Ltd.	-	-	-	-
.....Ltd.	-	-	-	-
.....Ltd.	-	-	-	-
.....Ltd.	-	-	-	-

## Equity Value of Associates

4.11.4

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
.....Ltd.	-	-	-	-
.....Ltd.	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Investment Properties

4.12

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
<b>Investment properties measured at fair value</b>				
<b>Balance as on July 17, 2022</b>	-	-	-	-
Addition/disposal during the year	-	-	-	-
Net changes in fair value during the year	-	-	-	-
Adjustment/transfer	-	-	-	-
<b>Net amount</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Investment properties measured at cost</b>				
<b>Balance as on July 17, 2022</b>	<b>213,307,612</b>	<b>291,042,098</b>	<b>213,307,612</b>	<b>291,042,098</b>
Addition/disposal during the year	441,229,877	(77,734,486)	441,229,877	(77,734,486)
Adjustment/transfer	-	-	-	-
Accumulated depreciation	-	-	-	-
Accumulated impairment loss	-	-	-	-
<b>Net amount</b>	<b>654,537,489</b>	<b>213,307,612</b>	<b>654,537,489</b>	<b>213,307,612</b>
<b>Total</b>	<b>654,537,489</b>	<b>213,307,612</b>	<b>654,537,489</b>	<b>213,307,612</b>

## Property and Equipments

**4.13**

PARTICULARS	GROUP						TOTAL JULY 16, 2022			
	LAND	BUILDING	LEASEHOLD PROPERTIES	COMPUTER & ACCESSORIES	VEHICLES	FURNITURE & FIXTURE	MACHINERY	EQUIPMENT & OTHERS	JULY 16, 2023	
<b>Cost</b>										
As on July 16, 2021	244,811,658	72,708,832	693,417,276	332,756,479	158,397,330	168,307,153	-	506,235,618		1,841,490,847
<b>Addition during the Year</b>										
Acquisition	117,952,906	190,924,628	73,397,809	47,123,187	15,989,903	22,414,207	-	43,504,052		267,524,034
Capitalization	-	-	-	-	-	-	-	-		-
Disposal during the year	-	(10,371,461)	(14,190,072)	(7,110,949)	(22,703,975)	(2,806,912)	-	(12,055,018)		(34,561,473)
Adjustment/Revaluation	-	-	2,002,624,281	-	-	-	-	-		-
<b>Balance as on July 16, 2022</b>	<b>362,784,564</b>	<b>253,261,998</b>	<b>2,755,249,293</b>	<b>372,768,717</b>	<b>151,683,259</b>	<b>187,914,448</b>	-	<b>537,684,651</b>		<b>4,621,326,931</b>
<b>Addition during the Year</b>										
Acquisition	-	-	499,576,651	33,035,945	3,500,000	30,825,904	-	108,936,037		675,874,537
Capitalization	-	367,677,309	-	-	-	-	-	-		367,677,309
Disposal during the year	-	(59,020)	(8,973,242)	(8,864,936)	(1,984,600)	(3,172,436)	-	(13,869,550)		(36,923,782)
Adjustment/Revaluation	-	-	26,265,221	-	-	-	-	-		26,265,221
<b>Balance as on July 16, 2023</b>	<b>362,784,564</b>	<b>620,880,287</b>	<b>3,272,17,924</b>	<b>398,939,726</b>	<b>153,198,659</b>	<b>215,567,917</b>	-	<b>632,751,139</b>		<b>5,654,220,216</b>
<b>Depreciation and Impairment</b>										
<b>As on July 16, 2021</b>	<b>24,366,789</b>	<b>336,152,552</b>	<b>202,658,952</b>	<b>75,811,673</b>	<b>95,280,017</b>	<b>314,118,892</b>	-	<b>733,140,703</b>		
Depreciation charge for the Year	-	1,007,749	280,481,021	32,974,294	11,757,827	15,333,795	-	47,924,972		188,064,127
Impairment for the year	-	-	-	-	-	-	-	-		-
Disposals	-	(2,107,897)	(6,552,510)	(6,960,566)	(13,058,492)	(2,103,014)	-	(11,473,144)		(23,983,659)
Adjustment	-	-	490,470,786	-	-	-	-	-		-
<b>As on July 16, 2022</b>	<b>23,266,641</b>	<b>1,100,551,848</b>	<b>228,672,680</b>	<b>74,511,008</b>	<b>108,510,799</b>	<b>350,570,720</b>	-	<b>1,886,083,696</b>		
Impairment for the year	-	-	-	-	-	-	-	-		-
Depreciation charge for the Year	-	4,786,084	288,885,415	37,137,341	12,065,866	17,367,690	-	54,242,836		414,485,233
Disposals	-	(23,917)	(8,917,350)	(8,699,768)	(1,959,147)	(2,873,459)	-	(13,700,257)		(36,173,898)
Adjustment	-	-	7,216,531	-	-	-	-	-		7,216,531
<b>As on July 16, 2023</b>	<b>-</b>	<b>28,028,808</b>	<b>1,387,736,445</b>	<b>257,110,253</b>	<b>84,617,728</b>	<b>123,005,029</b>	-	<b>391,113,299</b>		<b>2,271,611,562</b>
<b>Capital Work in Progress</b>										
	-	<b>187,484,551</b>	<b>9,422,674</b>	-	-	-	-	-		<b>196,907,224</b>
<b>Net Book Value</b>										
<b>As on July 16, 2022</b>	<b>362,784,564</b>	<b>606,610,838</b>	<b>1,654,697,445</b>	<b>144,096,037</b>	<b>77,172,250</b>	<b>79,403,649</b>	-	<b>187,113,931</b>		<b>3,111,858,718</b>
<b>As on July 16, 2023</b>	<b>362,784,564</b>	<b>780,336,029</b>	<b>1,893,804,154</b>	<b>139,829,473</b>	<b>68,580,931</b>	<b>92,562,887</b>	-	<b>241,637,840</b>		<b>3,579,515,879</b>

PARTICULARS	BANK						TOTAL JULY 16, 2022
	LAND	BUILDING	LEASEHOLD PROPERTIES	COMPUTER & ACCESSORIES	VEHICLES	FURNITURE & FIXTURE	
Cost							
<b>As on July 16, 2021</b>							
<b>Addition during the Year</b>							
Acquisition	244,811,658	72,708,832	677,902,625	321,840,665	148,304,734	166,537,634	- 498,688,882
Capitalization	117,952,906	190,924,628	39,334,521	46,560,073	15,989,903	22,414,207	- 43,504,052
Disposal during the year	-	-	-	-	-	-	-
Adjustment/Revaluation	-	(10,371,461)	(14,190,072)	(7,110,949)	(16,292,975)	(2,806,912)	- (12,055,018)
<b>Balance as on July 16, 2022</b>	<b>362,764,564</b>	<b>253,261,998</b>	<b>2,705,671,355</b>	<b>361,239,789</b>	<b>148,001,663</b>	<b>186,144,929</b>	<b>- 530,137,915</b>
							<b>4,547,272,213</b>
<b>Addition during the Year</b>							
Acquisition	-	-	499,576,651	31,785,295	-	30,740,476	108,902,121
Capitalization	-	367,677,309	-	-	-	-	- 367,677,309
Disposal during the year	-	(59,020)	(8,973,242)	(8,864,936)	(1,984,600)	(3,172,436)	- (13,869,550)
Adjustment/Revaluation	-	-	<b>26,265,221</b>	-	-	-	<b>- 26,265,221</b>
<b>Balance as on July 16, 2023</b>	<b>362,764,564</b>	<b>620,880,287</b>	<b>3,222,539,986</b>	<b>384,210,148</b>	<b>146,017,063</b>	<b>213,712,970</b>	<b>- 625,170,487</b>
							<b>5,575,295,504</b>
<b>Depreciation and Impairment</b>							
<b>As on July 16, 2021</b>	<b>- 24,366,789</b>	<b>328,257,350</b>	<b>192,453,815</b>	<b>71,185,731</b>	<b>93,530,240</b>	<b>-</b>	<b>306,861,465</b>
Depreciation charge for the Year	- 1,007,749	272,679,775	32,406,331	11,206,277	15,314,224	-	-
Impairment for the year	-	-	-	-	-	-	47,838,551
Disposals	-	(2,107,897)	(6,552,510)	(6,960,566)	(11,562,592)	(2,103,014)	-
Adjustment	-	-	490,470,786	-	-	-	(11,473,144)
<b>As on July 16, 2022</b>	<b>- 23,266,641</b>	<b>1,084,855,381</b>	<b>217,899,580</b>	<b>70,829,416</b>	<b>106,741,450</b>	<b>-</b>	<b>343,226,872</b>
Impairment for the year	-	-	-	-	-	-	-
Depreciation charge for the Year	- 4,786,084	281,082,910	36,848,914	12,007,533	17,365,910	-	54,159,957
Disposals	- (23,917)	(8,917,350)	(8,699,768)	(1,959,147)	(2,873,459)	(13,700,257)	(36,173,898)
Adjustment	-	- 7,216,531	-	-	-	-	7,216,531
<b>As on July 16, 2023</b>	<b>- 28,028,808</b>	<b>1,364,237,472</b>	<b>246,048,726</b>	<b>80,877,803</b>	<b>121,233,901</b>	<b>-</b>	<b>383,686,572</b>
							<b>2,224,113,282</b>
<b>Capital Work in Progress</b>							
	- 187,484,551	9,422,674	-	-	-	-	- 196,907,224
<b>Net Book Value</b>							<b>376,615,482</b>
<b>As on July 16, 2022</b>	<b>362,764,564</b>	<b>555,277,196</b>	<b>1,653,326,278</b>	<b>143,390,209</b>	<b>77,172,246</b>	<b>79,403,479</b>	<b>- 186,911,044</b>
<b>As on July 16, 2023</b>	<b>362,764,564</b>	<b>780,336,029</b>	<b>1,867,725,187</b>	<b>138,161,422</b>	<b>65,159,260</b>	<b>92,479,069</b>	<b>- 241,483,914</b>
							<b>3,548,089,446</b>
							<b>3,077,068,355</b>

\* The Bank has transitioned from NAS 17 to NFRS 16 for accounting of leases from FY 2021-22. The adjustment of Right of Use lease assets have been disclosed under the heading of Leasehold Properties. As of 16 July 2023, the gross value of Right of Use lease assets is NPR 2,448,310,557 and corresponding accumulated depreciation is NPR 901,821,259. The written down value of RoU lease assets as of July 16, 2023 is NPR 1,546,489,278. The depreciation expense for current year includes depreciation expense of RoU lease assets amounting to NPR 225,441,755.

## Goodwill and Intangible Assets

4.14

PARTICULARS	GOODWILL	GROUP			TOTAL JULY 16, 2023	TOTAL JULY 16, 2022
		PURCHASED	DEVELOPED	OTHER		
<b>Cost</b>						
<b>As on July 16, 2021</b>	-	<b>181,267,241</b>	-	-		<b>181,267,241</b>
Addition during the Year						
Acquisition	-	17,007,211	-	-		17,007,211
Capitalization	-	-	-	-		-
Disposal during the year	-	-	-	-		-
Adjustment/Revaluation	-	-	-	-		-
<b>Balance as on July 16, 2022</b>	-	<b>198,274,452</b>	-	-		<b>198,274,452</b>
Addition during the Year						
Acquisition	-	136,284,340	-	-	136,284,340	
Capitalization	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-	-
<b>Balance as on July 16, 2023</b>	-	<b>334,558,792</b>	-	-	<b>334,558,792</b>	
Amortization and Impairment						
<b>As on July 16, 2021</b>	-	<b>99,500,073</b>	-	-		<b>99,500,073</b>
Amortization charge for the Year	-	25,052,031	-	-		25,052,031
Impairment for the year	-	-	-	-		-
Disposals	-	-	-	-		-
Adjustment	-	-	-	-		-
<b>As on July 16, 2022</b>	-	<b>124,552,104</b>	-	-		<b>124,552,104</b>
Amortization charge for the Year	-	42,394,380	-	-	42,394,380	
Impairment for the year	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-
<b>As on July 16, 2023</b>	-	<b>166,946,484</b>	-	-	<b>166,946,484</b>	
<b>Capital Work in Progress</b>						
<b>Net Book Value</b>						
<b>As on July 16, 2022</b>	-	<b>73,722,348</b>	-	-		<b>73,722,348</b>
<b>As on July 16, 2023</b>	-	<b>167,612,308</b>	-	-	<b>167,612,308</b>	

PARTICULARS	GOODWILL	BANK			TOTAL JULY 16, 2023	TOTAL JULY 16, 2022
		PURCHASED	DEVELOPED	OTHER		
<b>Cost</b>						
<b>As on July 16, 2021</b>	-	<b>178,361,161</b>	-	-		<b>178,361,161</b>
Addition during the Year						
Acquisition	-	14,609,102	-	-		14,609,102
Capitalization	-	-	-	-		-
Disposal during the year	-	-	-	-		-
Adjustment/Revaluation	-	-	-	-		-
<b>Balance as on July 16, 2022</b>	-	<b>192,970,262</b>	-	-		<b>192,970,262</b>
Addition during the Year						
Acquisition	-	136,264,340	-	-		136,264,340
Capitalization	-	-	-	-		-
Disposal during the year	-	-	-	-		-
Adjustment/Revaluation	-	-	-	-		-
<b>Balance as on July 16, 2023</b>	-	<b>329,234,603</b>	-	-		<b>329,234,603</b>
Amortization and Impairment						
<b>As on July 16, 2021</b>	-	<b>96,859,915</b>	-	-		<b>96,859,915</b>
Amortization charge for the Year	-	24,619,376	-	-		24,619,376
Impairment for the year	-	-	-	-		-
Disposals	-	-	-	-		-
Adjustment	-	-	-	-		-
<b>As on July 16, 2022</b>	-	<b>121,479,292</b>	-	-		<b>121,479,292</b>
Amortization charge for the Year	-	41,755,028	-	-		41,755,028
Impairment for the year	-	-	-	-		-
Disposals	-	-	-	-		-
Adjustment	-	-	-	-		-
<b>As on July 16, 2023</b>	-	<b>163,234,320</b>	-	-		<b>163,234,320</b>
<b>Capital Work in Progress</b>						
<b>Net Book Value</b>						
<b>As on July 16, 2022</b>	-	<b>71,490,971</b>	-	-		<b>71,490,971</b>
<b>As on July 16, 2023</b>	-	<b>166,000,283</b>	-	-		<b>166,000,283</b>

	GROUP			BANK		
	CURRENT YEAR			CURRENT YEAR		
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET DEFERRED TAX ASSETS/(LIABILITIES)	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET DEFERRED TAX ASSETS/(LIABILITIES)
<b>Deferred tax on temporary differences on following items</b>						
Loan and Advance to B/FIs	-	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-
Investment securities	-	(732,586,429)	(732,586,429)	-	(743,340,030)	(743,340,030)
Property & equipment	-	(27,495,015.13)	(27,495,015)	-	(21,603,155)	(21,603,155)
Employees' defined benefit plan	228,086,069	-	228,086,069	227,103,580	-	227,103,580
Lease liabilities	42,902,651	-	42,902,651	35,910,314	-	35,910,314
Provisions	-	-	-	-	-	-
Other temporary differences	-	-	-	-	-	-
<b>Deferred tax on temporary differences</b>	<b>270,988,719</b>	<b>(760,081,444)</b>	<b>(489,092,725)</b>	<b>263,013,894</b>	<b>(764,943,186)</b>	<b>(501,929,292)</b>
Deferred tax on carry forward of unused tax losses	-	-	-	-	-	-
Deferred tax due to changes in tax rate	-	-	-	-	-	-
<b>Net Deferred tax asset/(liabilities) as on year end of FY 2022-23</b>			<b>(489,092,725)</b>			<b>(501,929,292)</b>
Deferred tax (asset)/liabilities as on July 17, 2022			222,407,228			239,223,287
<b>Origination/(Reversal) during the year</b>			<b>266,685,497</b>			<b>262,706,005</b>
Deferred tax expense/(income) recognised in profit or loss			(10,533,501)			(13,954,496)
Deferred tax expense/(income) recognised in other comprehensive income			277,218,998			276,660,501
Deferred tax expense/(income) recognised in directly in equity			-			-

	GROUP			BANK		
	PREVIOUS YEAR			PREVIOUS YEAR		
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET DEFERRED TAX ASSETS/(LIABILITIES)	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET DEFERRED TAX ASSETS/(LIABILITIES)
<b>Deferred tax on temporary differences on following items</b>						
Loan and Advance to B/FIs	-	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-
Investment securities	-	(504,716,630)	(504,716,630)	-	(504,716,630)	(504,716,630)
Property & equipment	1,742,746	-	1,742,746	-	(15,073,313)	(15,073,313)
Employees' defined benefit plan	260,355,190	-	260,355,190	260,355,190	-	260,355,190
Lease liabilities	20,211,466	-	20,211,466	20,211,466	-	20,211,466
Provisions	-	-	-	-	-	-
Other temporary differences	-	-	-	-	-	-
<b>Deferred tax on temporary differences</b>	<b>282,309,402</b>	<b>(504,716,630)</b>	<b>(222,407,228)</b>	<b>280,566,656</b>	<b>(519,789,943)</b>	<b>(239,223,287)</b>
Deferred tax on carry forward of unused tax losses	-	-	-	-	-	-
Deferred tax due to changes in tax rate	-	-	-	-	-	-
<b>Net Deferred tax asset/(liabilities) as on year end of FY 2021-22</b>			<b>(222,407,228)</b>			<b>(239,223,287)</b>
Deferred tax (asset)/liabilities as on July 16, 2021			971,343,097			966,719,229
<b>Origination/(Reversal) during the year</b>			<b>(748,935,870)</b>			<b>(727,495,942)</b>
Deferred tax expense/(income) recognised in profit or loss			(62,252,228)			(40,812,300)
Deferred tax expense/(income) recognised in other comprehensive income			(696,056,000)			(696,056,000)
Deferred tax expense/(income) recognised in directly in equity			<b>9,372,357</b>			<b>9,372,357</b>

## Other Assets 4.16

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Assets held for sale	-	-	-	-
Other non banking assets	-	-	-	-
Bills receivable	-	-	-	-
Accounts receivable	634,967,969	461,795,177	634,962,740	440,603,870
Accrued income	-	-	-	-
Prepayments and deposit	125,636,281	751,413,086	105,566,018	733,658,314
Income tax deposit	-	-	-	-
Deferred employee expenditure	2,944,018,317	2,344,985,376	2,944,018,317	2,344,985,376
Other				
1. Government Settlement Account	241,099,690	283,354,928	241,099,690	283,354,928
2. Others	128,147,770	379,451,270	124,594,354	388,779,557
<b>Total</b>	<b>4,073,870,027</b>	<b>4,220,999,837</b>	<b>4,050,241,119</b>	<b>4,191,382,045</b>

## Due to Bank and Financial Institutions 4.17

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Money market deposits	-	-	-	-
Interbank borrowing	6,700,000,000	2,301,300,000	6,700,000,000	2,301,300,000
Other deposits from BFIs	4,913,657,572	4,933,341,506	4,913,657,572	4,933,341,506
Settlement and clearing accounts	-	-	-	-
<b>Total</b>	<b>11,613,657,572</b>	<b>7,234,641,506</b>	<b>11,613,657,572</b>	<b>7,234,641,506</b>

## Due to Nepal Rastra Bank 4.18

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Refinance from NRB	288,453,474	5,265,102,753	288,453,474	5,265,102,753
Standing Liquidity Facility	-	19,700,000,000	-	19,700,000,000
Lender of last report facility from NRB	-	-	-	-
Securities sold under repurchase agreements	-	-	-	-
Other payable to NRB	-	-	-	-
<b>Total</b>	<b>288,453,474</b>	<b>24,965,102,753</b>	<b>288,453,474</b>	<b>24,965,102,753</b>

## Derivative Financial Instruments 4.19

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Held for trading	-	-	-	-
Interest rate swap	-	-	-	-
Currency swap	-	-	-	-
Forward exchange contract	23,887,253	19,359,606	23,887,253	19,359,606
Others	-	-	-	-
Held for risk management	-	-	-	-
Interest rate swap	-	-	-	-
Currency swap	-	-	-	-
Forward exchange contract	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>23,887,253</b>	<b>19,359,606</b>	<b>23,887,253</b>	<b>19,359,606</b>

## Deposits from Customers

4.20

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
<b>Institutions customers:</b>				
Term deposits	51,625,836,445	46,253,285,919	51,625,836,445	46,253,285,919
Call deposits	16,862,118,245	14,609,396,130	17,209,786,663	15,003,564,212
Current deposits	10,537,036,340	9,792,734,916	10,537,036,340	9,792,734,916
Other	979,802,001	4,163,142,664	979,802,001	1,744,261,972
<b>Individual customers:</b>				
Term deposits	79,013,150,949	61,407,575,625	79,013,150,949	61,407,575,625
Saving deposits	59,144,364,609	53,335,284,310	59,144,364,609	53,335,284,310
Current deposits	3,126,446,889	1,521,083,022	3,126,446,889	1,521,083,022
Other	2,018,245,795	73,972,914	2,018,245,795	2,492,853,606
<b>Total</b>	<b>223,307,001,273</b>	<b>191,156,475,501</b>	<b>223,654,669,691</b>	<b>191,550,643,583</b>

## Currency Wise Analysis of Deposit from Customers

4.20.1

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
<b>Nepalese rupee</b>				
Nepalese rupee	218,205,479,042	189,844,893,611	218,553,147,460	190,239,061,693
Indian rupee	-	-	-	-
United State dollar	4,734,322,343	1,062,256,872	4,734,322,343	1,062,256,872
Great Britain pound	1,041,674	5,179,806	1,041,674	5,179,806
Euro	15,115,813	30,835,753	15,115,813	30,835,753
Japenese yen	6,614,442	9,405,660	6,614,442	9,405,660
Chinese yuan	-	-	-	-
Australian dollar	2,683,951	13,931,214	2,683,951	13,931,214
United Arab Emirated Dirham	-	-	-	-
Swiss franc	341,726,894	189,961,529.13	341,726,894	189,961,529
Canadian dollar	17,114	11,056.66	17,114	11,057
<b>Total</b>	<b>223,307,001,273</b>	<b>191,156,475,501</b>	<b>223,654,669,691</b>	<b>191,550,643,583</b>

## Borrowing

4.21

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
<b>Domestic Borrowing</b>				
Nepal Government	-	-	-	-
Other Institutions	-	-	-	-
Other	-	-	-	-
<b>Sub total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Foreign Borrowing</b>				
Foreign Bank and Financial Institutions	7,312,480,160	1,022,800,000	7,312,480,160	1,022,800,000
Multilateral Development Banks	-	-	-	-
Other Institutions	-	-	-	-
<b>Sub total</b>	<b>7,312,480,160</b>	<b>1,022,800,000</b>	<b>7,312,480,160</b>	<b>1,022,800,000</b>
<b>Total</b>	<b>7,312,480,160</b>	<b>1,022,800,000</b>	<b>7,312,480,160</b>	<b>1,022,800,000</b>

## Provisions

4.22

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Provisions for redundancy	-	-	-	-
Provision for restructuring	-	-	-	-
Pending legal issues and tax litigation	-	-	-	-
Onerous contracts	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Movement in provision

4.22.1

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
<b>Balance at Shrawan 1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Provisions made during the year	-	-	-	-
Provisions used during the year	-	-	-	-
Provisions reversed during the year	-	-	-	-
Unwind of discount	-	-	-	-
<b>Balance at Asar end</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Other liabilities

4.23

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Liability for employees defined benefit obligations	293,508,627	392,571,650	293,508,627	392,571,650
Liability for long-service leave	466,778,269	478,577,108	463,503,306	475,278,984
Short-term employee benefits	6,290,018	6,507,762	4,725,589	4,901,287
Bills payable	48,674,480	45,008,070	48,674,480	45,008,070
Creditors and accruals	976,828,536	1,126,953,875	971,378,638	1,117,020,395
Interest payable on deposit	16,457,598	41,134,122	16,457,598	41,134,122
Interest payable on borrowing/debenture	529,161,798	470,236,976	529,161,798	470,236,976
Liabilities on deferred grant income	-	-	-	-
Unpaid Dividend	90,034,441	100,781,262	90,034,441	100,781,262
Liabilities under Finance Lease	-	-	-	-
Employee bonus payable	517,250,705	482,084,856	507,250,999	473,163,118
Other				
1. Lease liability as per NFRS 16	1,772,564,478	1,450,203,050	1,725,948,902	1,420,936,400
2. Others	1,250,856,839	1,874,840,567	963,043,538	1,493,787,418
<b>Total</b>	<b>5,968,405,789</b>	<b>6,468,899,300</b>	<b>5,613,687,917</b>	<b>6,034,819,684</b>

## Defined Benefit Obligations

4.23.1

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

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Present value of unfunded obligations	-	-	-	-
Present value of funded obligations	1,108,760,356	1,062,145,009	1,108,760,356	1,062,145,009
Total present value of obligations	1,108,760,356	1,062,145,009	1,108,760,356	1,062,145,009
Fair value of plan assets	815,251,729	669,573,359	815,251,729	669,573,359
Present value of net obligations	293,508,627	392,571,650	293,508,627	392,571,650
Recognised liability for defined benefit obligations	293,508,627	392,571,650	293,508,627	392,571,650

**Plan Assets**

4.23.2

Plan assets comprise:

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Equity securities	-	-	-	-
Government bonds	-	-	-	-
Bank deposit	-	-	-	-
Other	815,251,729	669,573,359	815,251,729	669,573,359
<b>Total</b>	<b>815,251,729</b>	<b>669,573,359</b>	<b>815,251,729</b>	<b>669,573,359</b>
Actual return on plan assets	-	-	-	-

**Movement in the present value of defined benefit obligations**

4.23.3

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Defined benefit obligations at Shrawan 1	1,062,145,009	770,212,381	1,062,145,009	770,212,381
Actuarial losses/(gains)	(193,607,463)	112,953,244	(193,607,463)	112,953,244
Benefits paid by the plan	(20,921,367)	(23,694,710)	(20,921,367)	(23,694,710)
Current service costs and interest	261,144,177	202,674,094	261,144,177	202,674,094
<b>Defined benefit obligations at Asar end</b>	<b>1,108,760,356</b>	<b>1,062,145,009</b>	<b>1,108,760,356</b>	<b>1,062,145,009</b>

**Movement in the fair value of plan assets**

4.23.4

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Fair value of plan assets at Shrawan 1	669,573,358	494,844,567	669,573,358	494,844,567
Contributions paid into the plan	166,599,738	198,423,500	166,599,738	198,423,500
Benefits paid during the year	(20,921,367)	(23,694,708)	(20,921,367)	(23,694,708)
Actuarial losses/(gains)	66,817,129	52,398,807	66,817,129	52,398,807
Expected return on plan assets	(66,817,129)	(52,398,807)	(66,817,129)	(52,398,807)
<b>Fair value of plan assets at Asar end</b>	<b>815,251,729</b>	<b>669,573,358</b>	<b>815,251,729</b>	<b>669,573,358</b>

**Amount recognised in profit or loss**

4.23.5

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Current service costs	166,492,588	134,421,242	166,492,588	134,421,242
Interest on obligation	27,834,460	15,854,045	27,834,460	15,854,045
Expected return on plan assets	-	-	-	-
<b>Total</b>	<b>194,327,048</b>	<b>150,275,287</b>	<b>194,327,048</b>	<b>150,275,287</b>

**Amount recognised in other comprehensive income**

4.23.6

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Actuarial (gain)/loss	(126,790,334)	165,352,051	(126,790,334)	165,352,051
<b>Total</b>	<b>(126,790,334)</b>	<b>165,352,051</b>	<b>(126,790,334)</b>	<b>165,352,051</b>

**Actuarial assumptions**

4.23.7

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Discount rate	10%	9%	10%	9%
Expected return on plan asset	0%	0%	0%	0%
Future salary increase	10%	10%	10%	10%
Withdrawal rate	5%	5%	5%	5%

### Debt securities issued

**4.24**

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Debt securities issued designated as at fair value through profit or loss	-	-	-	-
Debt securities issued at amortised cost	11,662,559,000	11,662,559,000	11,662,559,000	11,662,559,000
<b>Total</b>	<b>11,662,559,000</b>	<b>11,662,559,000</b>	<b>11,662,559,000</b>	<b>11,662,559,000</b>

### Subordinated Liabilities

**4.25**

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Redeemable preference shares	-	-	-	-
Irredeemable cumulative preference shares (liabilities component)	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Share capital

**4.26**

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Ordinary shares	14,089,980,190	12,524,426,835	14,089,980,190	12,524,426,835
Convertible preference shares (equity component only)	-	-	-	-
Irredeemable preference shares (equity component only)	-	-	-	-
Perpetual debt (equity component only)	-	-	-	-
<b>Total</b>	<b>14,089,980,190</b>	<b>12,524,426,835</b>	<b>14,089,980,190</b>	<b>12,524,426,835</b>

### Ordinary shares

**4.26.1**

	BANK	
	CURRENT YEAR	PREVIOUS YEAR
<b>Authorized Capital</b>		
160,000,000 Ordinary shares of NPR 100 each	16,000,000,000	16,000,000,000
<b>Issued capital</b>		
140,899,801 Ordinary shares of NPR 100 each	14,089,980,190	12,524,426,835
<b>Subscribed and paid up capital</b>		
140,899,801 Ordinary shares of NPR 100 each	14,089,980,190	12,524,426,835
<b>Calls in Advance</b>		
<b>Total</b>	<b>14,089,980,190</b>	<b>12,524,426,835</b>

### Ordinary share ownership

**4.26.2**

	BANK			
	CURRENT YEAR PERCENT	CURRENT YEAR AMOUNT	PREVIOUS YEAR PERCENT	PREVIOUS YEAR AMOUNT
<b>Domestic ownership</b>				
Nepal Government	-	-	-	-
"A" class licensed institutions	-	-	-	-
Other licensed intitutions	-	-	-	-
<b>Other Institutions</b>				
Public	49	6,904,090,293	49	6,136,969,149
Other	51	7,185,889,897	51	6,387,457,686
<b>Foreign ownership</b>				
<b>Total</b>	<b>100</b>	<b>14,089,980,190</b>	<b>100</b>	<b>12,524,426,835</b>

**Shareholders holding 0.5% or more share**
**4.26.3**

NAME OF SHAREHOLDERS	BANK			
	CURRENT YEAR	AMOUNT	PREVIOUS YEAR	AMOUNT
PERCENT		PERCENT		
Prudential Investment Company Pvt Ltd	3.23%	455,323,800	3.23%	404,732,200
Narendra Kumar Agrawal	2.95%	415,732,600	2.95%	369,540,100
Ratan Lal Kedia	2.48%	349,770,300	2.48%	310,907,000
Savita Kedia	1.92%	271,209,200	1.92%	241,074,800
Chiranjit Lal Agrawal	1.81%	255,130,800	1.81%	226,783,000
Pawan Kumar Agrawal	1.76%	248,409,400	1.76%	220,808,300
Subodh Todi	1.55%	218,369,900	1.53%	191,674,000
Ashok Kumar Bahety	1.49%	209,468,600	1.52%	190,969,000
Narpat Singh Jain	1.45%	205,006,400	1.45%	182,227,900
Deena Nath Kedia	1.41%	198,159,700	1.43%	178,961,000
Aditya Kedia	1.39%	196,024,200	1.38%	172,579,900
Mahabir Investment Pvt Ltd	1.37%	192,799,700	1.37%	171,377,500
Tushar Todi	1.28%	180,171,500	1.28%	160,152,400
Suresh Kumar Rungta	1.21%	170,392,800	1.21%	151,460,300
Madan Lal Kedia	1.08%	152,387,300	1.17%	146,100,500
Birendra Kumar Shah	0.99%	139,155,500	0.72%	90,460,000
Poonam Chand Agrawal	0.97%	136,455,700	0.97%	121,293,900
Binod Kumar Agrawal	0.94%	131,753,800	0.94%	117,114,500
Rajesh Kumar Kedia	0.88%	123,764,100	0.00%	-
Bharat Kumar Todi	0.87%	123,016,000	0.87%	109,347,500
Raj Kumar Tibrewala	0.81%	113,664,400	0.81%	101,035,000
Binay Kumar Shah	0.77%	108,153,900	0.77%	96,136,900
Rajendra Kumar Agrawal	0.76%	107,113,100	0.75%	94,499,700
Shyam Sunder Agrawal	0.75%	105,316,700	0.75%	93,614,900
Suresh Kumar Kedia	0.72%	101,230,000	0.00%	-
Keshari Chand Kucherla	0.67%	95,012,500	0.67%	84,455,500
Bimal Kumar Kedia	0.66%	92,635,000	0.00%	-
Shashi Kala Agrawal	0.63%	89,298,800	0.63%	79,376,700
Manish Jain	0.63%	88,997,700	0.63%	79,109,100
Jagdish Kumar Agrawal	0.61%	86,451,100	0.61%	76,845,400
Shambhu Kumar Kandoi	0.59%	83,288,100	0.59%	74,033,900
Kavindra Bahadur Shrestha	0.59%	82,963,100	0.59%	73,745,000
Saroj Sharma	0.51%	72,548,300	0.52%	65,213,400

## Reserves

4.27

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Statutory general reserve	4,442,777,281	3,806,241,487	4,409,195,752	3,775,841,482
Exchange equilisation reserve	69,888,596	45,698,341	69,888,596	45,698,341
Corporate social responsibility reserve	52,114,726	41,463,635	50,950,230	40,480,610
Capital redemption reserve	3,041,706,000	1,581,279,500	3,041,706,000	1,581,279,500
Regulatory reserve	1,386,118,237	848,154,756	1,386,118,237	848,154,756
Investment adjustment reserve	11,365,167	5,260,000	11,365,167	5,260,000
Capital reserve	51,000,000	51,000,000	-	-
Assets revaluation reserve	-	-	-	-
Fair value reserve	1,735,124,683	1,177,672,136	1,734,460,071	1,177,672,136
Dividend equalisation reserve	-	-	-	-
Actuarial gain	(223,677,703)	(312,430,936)	(223,677,703)	(312,430,936)
Special reserve	-	-	-	-
Other reserve				
1. Capital adjustment fund	19,427,832	519,427,832	19,427,832	519,427,832
2. Employee related reserve fund	53,566,155	32,195,055	53,566,155	32,195,055
<b>Total</b>	<b>10,639,410,976</b>	<b>7,795,961,806</b>	<b>10,553,000,339</b>	<b>7,713,578,776</b>

## Contingent liabilities and commitments

4.28

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Contingent liabilities	27,844,594,032	31,654,992,004	27,844,594,032	31,054,992,004
Undrawn and undisbursed facilities	19,217,064,405	9,795,924,949	19,217,064,405	9,795,924,949
Capital commitment	178,550,699	121,162,349	178,550,699	121,162,349
Lease Commitment	-	-	-	-
Litigation	363,202,850	182,245,926	363,202,850	182,245,926
<b>Total</b>	<b>47,603,411,987</b>	<b>41,754,325,228</b>	<b>47,603,411,987</b>	<b>41,154,325,228</b>

## Contingent liabilities

4.28.1

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Acceptance and documentary credit	14,148,717,123	15,714,720,035	14,148,717,123	15,714,720,035
Bills for collection	672,609,716	495,284,358	672,609,716	495,284,358
Forward exchange contracts	-	-	-	-
Guarantees	13,023,267,193	14,494,987,612	13,023,267,193	14,494,987,612
Underwriting commitment	-	600,000,000	-	-
Other commitments	-	350,000,000	-	350,000,000
<b>Total</b>	<b>27,844,594,032</b>	<b>31,654,992,004</b>	<b>27,844,594,032</b>	<b>31,054,992,004</b>

## Undrawn and undisbursed facilities

4.28.2

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Undisbursed amount of loans	13,195,439,041	4,018,111,470	13,195,439,041	4,018,111,470
Undrawn limits of overdrafts	4,217,953,784	4,982,898,226	4,217,953,784	4,982,898,226
Undrawn limits of credit cards	1,803,671,581	794,915,253	1,803,671,581	794,915,253
Undrawn limits of letter of credit	-	-	-	-
Undrawn limits of guarantee	-	-	-	-
<b>Total</b>	<b>19,217,064,405</b>	<b>9,795,924,949</b>	<b>19,217,064,405</b>	<b>9,795,924,949</b>

## Capital Commitments

4.28.3

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

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
<b>Capital commitments in relation to Property and Equipment</b>				
Approved and contracted for	176,520,466	97,419,549	176,520,466	97,419,549
Approved but not contracted for	2,030,233	23,742,800	2,030,233	23,742,800
<b>Sub total</b>	<b>178,550,699</b>	<b>121,162,349</b>	<b>178,550,699</b>	<b>121,162,349</b>
<b>Capital commitments in relation to Intangible assets</b>				
Approved and contracted for	-	-	-	-
Approved but not contracted for	-	-	-	-
<b>Sub total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>178,550,699</b>	<b>121,162,349</b>	<b>178,550,699</b>	<b>121,162,349</b>

## Lease commitments

4.28.4

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
<b>Operating lease commitments</b>				
Future minimum lease payments under non cancellable operating lease, where the bank is lessee				
Not later than 1 year	-	-	-	-
Later than 1 year but not later than 5 years	-	-	-	-
Later than 5 years	-	-	-	-
<b>Sub total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Finance lease commitments</b>				
Future minimum lease payments under non cancellable operating lease, where the bank is lessee				
Not later than 1 year	-	-	-	-
Later than 1 year but not later than 5 years	-	-	-	-
Later than 5 years	-	-	-	-
<b>Sub total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Litigation

4.28.5

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Income Tax Litigation pertaining to Siddhartha Bank Limited:				
FY 2010-11	7,822,518	7,822,518	7,822,518	7,822,518
FY 2011-12	2,870,498	2,870,498	2,870,498	2,870,498
FY 2012-13	3,751,963	3,751,963	3,751,963	3,751,963
FY 2013-14	5,567,747	5,567,747	5,567,747	5,567,747
FY 2014-15	9,420,571	9,420,571	9,420,571	9,420,571
FY 2015-16	8,753,627	8,753,627	8,753,627	8,753,627
FY 2016-17	10,159,224	10,159,224	10,159,224	10,159,224
FY 2017-18	22,188,194	22,188,194	22,188,194	22,188,194
FY 2018-19	180,956,925	-	180,956,925	-
<b>Sub total</b>	<b>251,491,266</b>	<b>70,534,342</b>	<b>251,491,266</b>	<b>70,534,342</b>
Income Tax Litigation pertaining to erstwhile Business Universal Development Bank Ltd. (merged with the Bank):				
FY 2013-14	91,909,268	91,909,268	91,909,268	91,909,268
FY 2014-15	19,351,677	19,351,677	19,351,677	19,351,677
FY 2015-16	450,639	450,639	450,639	450,639
<b>Sub total</b>	<b>111,711,584</b>	<b>111,711,584</b>	<b>111,711,584</b>	<b>111,711,584</b>
<b>Total</b>	<b>363,202,850</b>	<b>182,245,926</b>	<b>363,202,850</b>	<b>182,245,926</b>

**STATUS OF THE INCOME TAX LITIGATION CASES AS ON THE REPORTING DATE**

<b>Income Tax Litigation pertaining to Siddhartha Bank Limited:</b>	<b>Status</b>
FY 2010-11	Appeal filed in Supreme Court is withdrawn and petition filed in Large Tax Payer's Office for settlement
FY 2011-12	Appeal filed in Supreme Court is withdrawn and petition filed in Large Tax Payer's Office for settlement
FY 2012-13	Appeal filed in Supreme Court
FY 2013-14	Appeal filed in Supreme Court is withdrawn and petition filed in Large Tax Payer's Office for settlement
FY 2014-15	Appeal filed in Revenue Tribunal
FY 2015-16	Appeal filed for Administrative Review in Inland Revenue Department
FY 2016-17	Appeal filed for Administrative Review in Inland Revenue Department
FY 2017-18	Appeal filed for Administrative Review in Inland Revenue Department
FY 2018-19	Appeal filed for Administrative Review in Inland Revenue Department
<b>Income Tax Litigation pertaining to erstwhile Business Universal Development Bank Ltd. (merged with the Bank):</b>	<b>Status</b>
FY 2013-14	Appeal filed in Revenue Tribunal
FY 2014-15	Appeal filed in Revenue Tribunal
FY 2015-16	Appeal filed in Revenue Tribunal is withdrawn and petition filed in Large Tax Payer's Office for settlement

**Interest income**

**4.29**

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Cash and cash equivalent	75,337,582	89,526,788	75,337,582	89,526,788
Due from Nepal Rastra Bank	-	-	-	-
Placement with bank and financial institutions	63,286,800	36,959,144	26,292,159	481,697
Loan and advances to bank and financial institutions	-	-	-	-
Loans and advances to customers	23,789,567,514	18,468,171,578	23,789,567,514	18,468,171,578
Investment securities	3,615,148,813	1,995,452,134	3,614,351,539	1,994,806,361
Loan and advances to staff	166,508,028	125,468,644	165,417,403	124,577,551
Other	-	-	-	-
<b>Total</b>	<b>27,709,848,736</b>	<b>20,715,578,288</b>	<b>27,670,966,196</b>	<b>20,677,563,975</b>

**Interest expense**

**4.30**

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Due to bank and financial institutions	-	-	-	-
Due to Nepal Rastra Bank	725,028,919	738,885,290	725,028,919	738,885,290
Deposits from customers	17,016,000,913	12,374,708,849	17,026,855,021	12,380,291,284
Borrowing	451,515,097	89,708,932	451,515,097	89,708,932
Debt securities issued	1,168,318,695	761,825,002	1,168,318,695	761,825,002
Subordinated liabilities	-	-	-	-
Other	117,413,171	113,234,513	114,705,366	110,005,952
<b>Total</b>	<b>19,478,276,795</b>	<b>14,078,362,586</b>	<b>19,486,423,098</b>	<b>14,080,716,460</b>

Finance cost as per NFRS-16(Leases) has been disclosed under "Other" heading of Interest expense.

**Fees and Commission Income**
**4.31**

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Loan administration fees	374,815,589	444,036,765	374,815,589	444,036,765
Service fees	132,539,094	145,567,521	79,636,863	64,568,149
Consortium fees	-	-	-	-
Commitment fees	6,950,532	5,116,507	6,950,532	5,116,507
DD/TT/Swift fees	29,441,395	30,908,776	29,441,395	30,908,776
Credit card/ATM issuance and renewal fees	373,059,083	326,634,891	373,059,083	326,634,891
Prepayment and swap fees	6,454,228	8,274,298	6,454,228	8,274,298
Investment banking fees	16,618,378	44,631,191	-	-
Asset management fees	47,607,172	65,268,946	-	-
Brokerage fees	6,279,703	7,762,811	-	-
Remittance fees	93,893,687	71,524,119	93,893,687	71,524,119
Commission on letter of credit	196,499,334	162,566,310	196,499,334	162,566,310
Commission on guarantee contracts issued	189,439,461	142,483,581	189,439,461	142,483,581
Commission on share underwriting/issue	-	-	-	-
Locker rental	13,955,990	10,063,712	13,955,990	10,063,712
Other fees and commission income				
1. ATM access fee	14,263,997	8,887,500	14,263,997	8,887,500
2. Agency Commission	51,229,061	33,575,555	51,229,061	33,575,555
3. Bills Purchased & Discounted commission	79,343,402	33,557,775	79,343,402	33,557,775
4. BankSmart Annual Fee	134,994,294	106,719,202	134,994,294	106,719,202
5. Annual Fees-Prepaid Cards	3,322,450	3,819,158	3,322,450	3,819,158
6. E-com related income	2,713,375	907,250	2,713,375	907,250
7. Late payment fees	29,539,686	39,933,825	29,539,686	39,933,825
8. Other miscellaneous fees and commission income	13,945,536	12,441,300	13,526,909	12,014,950
<b>Total</b>	<b>1,816,905,447</b>	<b>1,704,680,993</b>	<b>1,693,079,336</b>	<b>1,505,592,323</b>

**Fees and commission expense**
**4.32**

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
ATM management fees	43,189,904	34,463,936	43,189,904	34,463,936
VISA/Master card fees	178,739,988	148,037,388	178,739,988	148,037,388
Guarantee commission	-	-	-	-
Brokerage	-	-	-	-
DD/TT/Swift fees	11,495,233	12,038,507	11,495,233	12,038,507
Remittance fees and commission	15,849,695	11,275,213	15,849,695	11,275,213
Other fees and commission expense				
1. ECC transaction fee	19,316,337	20,241,048	19,316,337	20,241,048
2. Card related expenses	30,762,284	9,252,656	30,762,284	9,252,656
3. Subscriptions & membership fees	6,589,107	5,545,412	6,589,107	5,545,412
4. Branchless Banking related expenses	9,190,331	9,048,116	9,190,331	9,048,116
5. Bank charges	9,990,817	3,415,627	9,990,817	3,415,627
6. ASBA fees & charges	5,914,437	16,152,350	5,914,437	16,152,350
7. IPS transaction fees & charges	14,679,901	14,532,863	14,679,901	14,532,863
8. Other miscellaneous fees and commission expenses	28,510,753	42,455,072	1,740,387	1,885,852
<b>Total</b>	<b>374,228,787</b>	<b>326,458,189</b>	<b>347,458,421</b>	<b>285,888,969</b>

**Net trading income**
**4.33**

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Changes in fair value of trading assets	(2,992,278)	(68,190,977)	-	-
Gain/loss on disposal of trading assets	-	-	-	-
Interest income on trading assets	-	-	-	-
Dividend income on trading assets	-	-	-	-
Gain/loss foreign exchange transaction	191,737,335	442,930,262	191,735,761	442,926,681
Other	-	-	-	-
<b>Total</b>	<b>188,745,057</b>	<b>374,739,285</b>	<b>191,735,761</b>	<b>442,926,681</b>

**Other operating income**
**4.34**

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Foreign exchange revaluation gain	96,761,024	58,290,729	96,761,024	58,290,729
Gain/loss on sale of investment securities	-	(10,458,530)	-	(10,458,530)
Fair value gain/loss on investment properties	-	-	-	-
Dividend on equity instruments	152,141,600	441,913,085	147,805,630	428,905,175
Gain/loss on sale of property and equipment	1,824,780	(2,812,504)	1,824,780	(2,812,504)
Gain/loss on sale of investment property	14,950,055	-	14,950,055	-
Operating lease income	-	-	-	-
Gain/loss on sale of gold and silver	13,911,115	10,873,789	13,911,115	10,873,789
Locker rent	-	-	-	-
Other				
1. Rebate from Nostro Banks	15,864,074	15,458,221	15,864,074	15,458,221
2. Other miscellaneous operating income	59,577,520	37,100,979	45,211,625	32,233,020
<b>Total</b>	<b>355,030,167</b>	<b>550,365,770</b>	<b>336,328,302</b>	<b>532,489,900</b>

**Impairment charge/(reversal) for loan and other losses**
**4.35**

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Impairment charge/(reversal) on loan and advances to B/FIs	(16,206,727)	4,932,169	(16,206,727)	4,932,169
Impairment charge/(reversal) on loan and advances to customer	1,203,767,904	602,539,042	1,203,767,904	602,539,042
Impairment charge/(reversal) on financial Investment	-	-	-	-
Impairment charge/(reversal) on placement with banks and financial institutions	-	-	-	-
Impairment charge/(reversal) on property and equipment	-	-	-	-
Impairment charge/(reversal) on goodwill and intangible assets	-	-	-	-
Impairment charge/(reversal) on investment properties	-	-	-	-
<b>Total</b>	<b>1,187,561,177</b>	<b>607,471,211</b>	<b>1,187,561,177</b>	<b>607,471,211</b>

**Personnel Expense**
**4.36**

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Salary	1,011,878,062	960,791,596	986,140,225	933,374,822
Allowances	785,856,276	744,291,352	783,167,714	741,960,639
Gratuity expense	226,423,351	152,991,277	224,223,822	150,275,287
Provident fund	99,169,144	93,920,646	97,701,087	92,631,104
Uniform	29,654,800	-	29,035,600	-
Training & development expense	28,888,964	10,687,033	28,888,964	10,687,033
Leave encashment	72,334,451	189,295,895	72,334,451	189,295,895
Medical	15,904,610	15,701,932	15,578,623	15,418,068
Insurance	19,667,052	16,508,623	19,285,068	16,235,613
Employees incentive	-	-	-	-
Cash-settled share-based payments	-	-	-	-
Pension expense	-	-	-	-
Finance expense under NFRS	84,076,843	57,972,522	83,790,181	57,740,731
Other expenses related to staff				
1. Overtime expense	310,311	100,799	290,104	83,365
2. Staff recruitment expense	717,890	339,677	717,890	339,677
3. Others	4,164,657	4,022,067	3,831,101	3,810,092
<b>Subtotal</b>	<b>2,379,046,410</b>	<b>2,246,623,419</b>	<b>2,344,984,829</b>	<b>2,211,852,326</b>
Employees bonus	517,250,705	482,084,856	507,250,999	473,163,118
<b>Total</b>	<b>2,896,297,115</b>	<b>2,728,708,275</b>	<b>2,852,235,828</b>	<b>2,685,015,444</b>

**Other operating expense**
**4.37**

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Directors' fee	1,688,000	1,577,000	1,688,000	1,577,000
Directors' expense	2,598,724	2,601,907	2,598,724	2,601,907
Auditors' remuneration	1,751,500	1,717,600	1,356,000	1,356,000
Other audit related expense	254,769	261,096	226,000	226,000
Professional and legal expense	4,160,541	7,188,272	3,728,041	6,996,172
Office administration expense	703,198,396	640,269,421	690,061,199	630,382,777
Operating lease expense*	-	-	-	-
Operating expense of investment properties	-	-	-	-
Corporate social responsibility expense	-	-	-	-
Onerous lease provisions	-	-	-	-
Other				
1. Outsourcing expenses (driver, messenger & Others)	47,599,065	40,846,537	45,712,952	38,398,222
2. Fuel expenses	33,456,608	24,537,610	32,475,448	23,737,143
3. Share related expenses	5,934,068	5,752,195	5,934,068	5,752,195
4. Debenture related expenses	1,441,851	7,833,000	1,441,851	7,833,000
5. Rates & taxes	12,180,537	10,263,350	12,142,122	10,202,650
6. Software support expenses	49,051,813	13,740,054	49,051,813	13,740,054
7. Inaguration expenses	4,021,825	1,426,944	4,021,825	1,426,944
8. Non capitalized items	6,119,642	4,913,177	6,119,642	4,913,177
9. BankSmart expenses	30,350,436	26,051,453	30,350,436	26,051,453
10. Rental expenses	28,842,125	50,879,214	28,842,125	50,879,214
11. Other miscellaneous operating expenses	1,656,921	3,593,307	1,692,740	1,781,924
<b>Total</b>	<b>934,306,821</b>	<b>843,452,137</b>	<b>917,442,986</b>	<b>827,855,831</b>

\* Operting lease expense is NIL as the total lease expense as per NFRS 16 is bifurcated into finance cost and depreciation. The finance cost is included in Note 4.30 : Interest expense and depreciation expense is included in Note 4.38: Depreciation and amortisation.

**Office administration expense**
**4.37.1**

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Water and electricity	52,653,437	46,712,530	51,776,670	45,857,074
Repair and maintenance				
(a) Building	3,725,498	2,262,322	3,725,498	2,262,322
(b) Vehicle	7,375,649	6,975,381	7,375,649	6,975,381
(c) Computer and accessories	5,264,800	30,224,693	4,555,231	30,224,693
(d) Office equipment and furniture	7,233,908	6,720,250	7,233,908	6,720,250
(e) Other	16,163,554	12,474,201	15,608,725	12,220,542
Insurance	25,285,199	18,782,585	24,929,218	18,628,535
Postage, telex, telephone, fax	49,997,157	53,585,804	49,111,519	52,845,524
Printing and stationery	72,356,553	55,038,983	71,645,103	53,577,118
Newspaper, books and journals	1,148,707	1,083,741	1,102,382	1,040,324
Advertisement	37,147,710	32,289,368	32,619,995	32,820,856
Donations	-	-	-	-
Security expense	163,828,174	159,910,472	162,940,990	159,000,849
Deposit and loan guarantee premium	79,847,071	59,417,519	79,847,071	59,417,519
Travel allowance and expense	15,633,828	11,520,517	15,333,828	11,220,517
Entertainment	-	-	-	-
Annual/special general meeting expense	2,945,036	1,898,281	2,746,070	1,822,425
Other				
1. Legal & Statutory Publication / Notice	1,860,294	1,612,914	1,860,294	1,612,914
2. Janitorial expenses	61,050,992	55,542,824	59,959,074	54,450,906
3. Business promotion and development expense	84,901,362	69,424,917	84,859,702	69,392,856
4. Other office expenses	14,779,467	14,792,120	12,830,273	10,292,173
<b>Total</b>	<b>703,198,396</b>	<b>640,269,421</b>	<b>690,061,199</b>	<b>630,382,777</b>

**Depreciation & Amortisation**
**4.38**

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Depreciation on property and equipment	414,485,233	389,479,656	406,251,308	380,452,906
Depreciation on investment property	-	-	-	-
Amortisation of intangible assets	42,394,380	25,052,031	41,755,028	24,619,376
<b>Total</b>	<b>456,879,613</b>	<b>414,531,687</b>	<b>448,006,336</b>	<b>405,072,283</b>

The "Depreciation on property and equipment" expense for current year includes depreciation expense on RoU lease assets amounting to NPR 221,440,582 calculated as per NFRS-16 (Leases).

**Non operating income**
**4.39**

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Recovery of loan written off	13,471,787	8,609,620	13,471,787	8,609,620
Other income	-	533,604	-	-
<b>Total</b>	<b>13,471,787</b>	<b>9,143,224</b>	<b>13,471,787</b>	<b>8,609,620</b>

## 4.40

**Non operating expense**

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Loan written off	1,174,376	1,200,005	1,174,376	1,200,005
Redundancy provision	-	-	-	-
Expense of restructuring	-	-	-	-
Other expense*	100,020,165	15,494,234	100,020,165	15,494,234
<b>Total</b>	<b>101,194,542</b>	<b>16,694,239</b>	<b>101,194,542</b>	<b>16,694,239</b>

\* Loss at the time of booking investment properties(Non-Banking Assets) have been shown under other expense heading.

## 4.41

**Income tax expense**

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
<b>Current tax expense</b>				
Current year	1,424,084,694	1,416,732,727	1,399,891,181	1,371,151,096
Adjustments for prior years	12,550,963	25,665,222	12,550,963	25,665,222
	<b>1,436,635,657</b>	<b>1,442,397,950</b>	<b>1,412,442,144</b>	<b>1,396,816,319</b>
<b>Deferred tax expense</b>				
Origination and reversal of temporary differences	(10,533,501)	(62,252,228)	(13,954,496)	(40,812,300)
Changes in tax rate	-	-	-	-
Recognition of previously unrecognised tax losses	-	-	-	-
	<b>1,426,102,156</b>	<b>1,380,145,722</b>	<b>1,398,487,648</b>	<b>1,356,004,019</b>

## 4.41.1

**Reconciliation of tax expense and accounting profit**

	GROUP		BANK	
	CURRENT YEAR	PREVIOUS YEAR	CURRENT YEAR	PREVIOUS YEAR
Profit before tax	4,655,256,344	4,338,829,236	4,565,258,995	4,258,468,061
Tax amount at tax rate of 30%	1,396,576,903	1,301,648,771	1,369,577,699	1,277,540,418
Add: Tax effect of expenses that are not deductible for tax purpose	45,283,409	99,152,461	43,435,741	99,152,461
Less: Tax effect on exempt income	(13,170,260)	(5,541,783)	(13,122,258)	(5,541,783)
Add/less: Tax effect on other items	(2,587,897)	(15,113,726)	(1,403,533)	(15,147,077)
<b>Total</b>	<b>1,426,102,156</b>	<b>1,380,145,722</b>	<b>1,398,487,648</b>	<b>1,356,004,019</b>
Effective tax rate	30.63%	31.81%	30.63%	31.84%

## Statement of distributable profit or loss

For the year ended July 16, 2023 (As per NRB Regulation)

	BANK	
	CURRENT YEAR	PREVIOUS YEAR
<b>Net profit or (loss) as per statement of profit or loss</b>	<b>3,166,771,347</b>	<b>2,902,464,042</b>
<b>Appropriations:</b>		
a. General reserve	(633,354,269)	(584,192,514)
b. Foreign exchange fluctuation fund	(24,190,256)	(14,572,682)
c. Capital redemption reserve	(1,460,426,500)	(860,426,500)
d. Corporate social responsibility fund	(31,667,713)	(29,024,640)
e. Employees' training fund	(21,371,100)	(31,555,180)
<b>f. Other</b>		
i) Investment Adjustment Reserve	(6,105,167)	-
ii) Transfer of realised gain/(loss) up to previous year on equities measured at fair value through OCI sold/matured during the year from fair value reserve (Net of tax)	-	26,426,467
<b>Profit or (loss) before regulatory adjustment</b>	<b>989,656,341</b>	<b>1,409,118,992</b>
<b>Regulatory adjustments:</b>		
a. Interest receivable (-)/previous accrued interest received (+)	(252,880,021)	(137,388,365)
b. Short loan loss provision in accounts (-)/reversal (+)	-	-
c. Short provision for possible losses on investment (-)/reversal (+)	-	-
d. Short loan loss provision on Non-Banking Assets (-)/reversal (+)	(277,974,823)	48,972,726
e. Deferred tax assets recognised (-)/ reversal (+)	(95,861,873)	-
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognised (-)/reversal (+)	-	-
h. Actuarial loss recognised (-)/reversal (+)	88,753,234	(115,746,436)
i. Other	-	-
<b>Net Profit for the year ended on July 16, 2023 available for distribution</b>	<b>451,692,858</b>	<b>1,204,956,918</b>
Opening Retained Earning as on July 17, 2022	1,359,868,480	1,799,256,443
Adjustment (+/-)	-	-
<b>Distribution:</b>		
Bonus shares issued	(1,065,553,356)	(1,562,127,636)
Cash Dividend Paid	(82,397,545)	(82,217,244)
<b>Total Distributable profit or (loss) as on July 16, 2023</b>	<b>663,610,438</b>	<b>1,359,868,481</b>
Annualised Distributable Profit/Loss per share	4.71	10.86

## **5. DISCLOSURES AND ADDITIONAL INFORMATION**

### **5.1. RISK MANAGEMENT**

#### **5.1.1.a. Risk Management Framework**

All of the Bank's activities involve, to varying degrees, the analysis, evaluation, acceptance and management of risks or combinations of risks. The Bank has placed high importance to identification, assessment and well thought out handling of all the prominent risk that it faces or likely to face in execution of its activities. An established risk governance framework ensures oversight of and accountability for the effective management of risk. It also provides for the compliance with Directive No. 5 of Unified Directives issued by Nepal Rastra Bank.

Board and Board level committees ensures the strategies, policies and process are in line with the risk appetite and tolerance limits for effective management of the risk. Risk Management Committee of the Bank periodically reviews risk reports and then reports to the Board accordingly. Audit Committee reviews the internal and external inspection reports, provides recommendations and feedback to the management regarding internal controls and compliance issues as appropriate. Likewise, management level committees such as Executive Committee (EXCOM) and Asset Liability Management Committee (ALCO) are in place for ensuring the risk within the bank's risk blanket.

Over the past years, the Bank has focused to strengthen the risk management policies, procedure and systems. In order to address the internal and external developments and challenges effectively, an independent Integrated Risk Management Department has been formed for overall risk management, with sufficient stature, independence, resources and direct access to the Board level Committee. Integrated Risk Management Department serves as the "Second Line" of defense in risk management/governance framework of the Bank. It ensures the implementation of the Bank's risk management systems maintaining overall functioning and supervision of credit, operations and market risk departments and assesses the position of Compliance & Legal Risk, Reputation Risk & Strategic Risk. It also monitors the execution of risk management policies and procedures of the Bank. Good Corporate Governance is an integral part of the Bank to safeguard the interest of its stakeholders.

#### **5.1.1.b. Risk Appetite and Tolerance Limits**

Risk appetite in the context of the Bank is defined as the level and nature of risk that the bank is willing to take for pursuing its mission on behalf of its shareholders, subject to constraints imposed by other stakeholders, such as debt holders, regulators, and customers. It provides a framework for strategic decision making for the Bank. The Bank sets out the aggregated level and risk types it accepts in order to achieve its business objectives in the Risk Management Policy of the Bank. The Bank's actual performance is reported against approved risk profile and risk

appetite, enabling senior management to monitor the risk profile and guide business activity to balance risk and return. This reporting allows risks to be promptly identified and mitigated, and drives a strong risk culture. The risk appetite is proposed by the management and reviewed by the board level risk management committee. Responsibility for the approval of risk appetite rests with the board of directors.

#### **5.1.1.c. Stress Testing**

Stress Testing is a valuable risk management tool which tries to quantify the size of potential losses under certain stress events. A stress event is an exceptional but credible event to which a bank's portfolio is exposed. As a part of its risk measurement mechanism, the Bank puts an emphasis on evaluating where the Bank stands under stressful market conditions. It helps to provide information on the kinds of conditions under which strategies or position, the Bank would be most vulnerable and thus, strategies are devised such that such circumstance doesn't arise and/or to ensure least impact upon the Bank from such scenarios even if they do occur.

In conducting stress tests, the Bank gives special consideration to instruments or markets where concentrations exist as such positions may be more difficult to liquidate or offset in stressful situations. The Bank considers both historical market events as well as forward-looking scenarios and also considers worst case scenarios in addition to more probable events. Ad hoc scenarios are also prepared reflecting specific market conditions and for particular concentrations of risk that arise within the businesses. For example, interest rate sensitivity is measured in terms of exposure to a one basis point increase in yields, whereas foreign exchange, commodity and equity sensitivities are measured in terms of the underlying values or amounts involved.

The stress testing methodology assumes that scope for management action would be limited during a stress event, reflecting the decrease in market liquidity that often occurs. Stress scenarios are regularly updated to reflect changes in risk profile and economic events. The ALCO has responsibility for reviewing stress exposures and, where necessary, enforcing reductions in overall market risk exposure. Regular stress test scenarios are applied to interest rates, credit spreads, exchange rates, commodity prices and equity prices. This covers all asset classes in the financial markets, banking and trading books. Besides, the design and results of such stress tests are discussed in ALCO meeting and ensure that appropriate contingency plans are in place.

The stress testing mechanism at SBL aims to address:

- a) Concentration risk;
- b) Illiquidity of markets in stressed market conditions;
- c) One way markets;
- d) Event and jump to default risks;
- e) Deep out of the money positions;
- f) Positions subject to the gapping of prices; and
- g) Other Risks

The Bank's stress tests are both of a quantitative and qualitative nature, incorporating both market risk and liquidity risk aspects of market disturbances. Quantitative criteria identify plausible stress scenarios to which bank could be exposed. Qualitative criteria emphasizes that two major goals of stress testing are to evaluate the capacity of the bank's capital to absorb potential large losses and to identify steps the Bank can take to reduce its risk and conserve capital. This assessment is integral to setting and evaluating the Bank's strategy and the results of stress testing are routinely communicated to senior management and, periodically, to the Risk Management Committee and the Board.

The Bank carries out stress testing in two broad areas based on general scenarios and specific scenarios which are discussed below:

#### **A. General Scenarios:**

The Bank subjects its portfolios to a series of simulated stress scenarios. The Bank stresses its portfolios with the shocks of the magnitude experienced elsewhere, even when the Bank has never been exposed to those in the past.

The Bank has formulated stress testing framework where various historical scenarios have been analyzed. The Bank carries out stress testing in line with the stress testing framework on a regular basis as prescribed by ALCO or NRB guidelines issued from time to time.

#### **B. Specific Scenarios to capture the specific characteristics of portfolio:**

In addition to the above general scenarios, the Bank has also developed its own stress tests which it identifies as most adverse based on the characteristics of its portfolio. The results are reviewed periodically by Senior Management and are reflected in the policies and limits set by management and the Board of Directors.

Stress test scenarios are continually reviewed and updated to respond to changes in positions and economic events. The Finance Department assess the likely impact of interest rate movement and duration on existing portfolio as well as on fresh investment and the same is discussed in the ALCO meeting along with each fresh investment proposal.

#### **Results of Stress Testing**

The result of stress testing is communicated to Assets Liability Committee (ALCO) as well as Risk Management Committee (RMC) on regular basis. The same is also discussed in detail with the Board of Directors. The report of stress testing is also shared with Nepal Rastra Bank as per the requirement of Unified Directives issued by Nepal Rastra Bank.

#### **Scenario Analysis and Sensitivity Analysis**

Scenario analysis and sensitivity analysis is conducted through the model developed by Bank Supervision Department, Nepal Rastra Bank. However, on need basis, the Bank also adopts other

advanced techniques and develops other scenarios. The Bank uses both scenario analysis and sensitivity analysis to conduct various stress simulations and its probable impact on risks and capital adequacy ratio. Sensitivity analysis is carried out to assess the impact of a move in one particular risk driver, the source of the shock not being identified, on the Bank's financial condition. Likewise, scenario tests consider the impact of simultaneous moves in a number of risk drivers, the stress event being well defined.

#### **5.1.2.a. Credit Risk**

Credit risks are the risk associated with the probability of default of loan provided by the bank. Bank is exposed to credit risk to a much larger extent as the bank's business is mainly concentrated on booking of risk assets. Hence, the credit risks comprises of the highest risk exposure of the bank. Management of the credit risks largely signifies the risk management of the bank as whole.

- It is measured as the amount which could be lost if a customer or counterparty fails to make repayments. In the case of derivatives, the measurement of exposure takes into account the current mark to market value to the Bank of the contract and the expected potential change in that value over time caused by movements in market rates;
- It is monitored within limits, approved by individuals within a framework of delegated authorities. These limits represent the peak exposure or loss to which the Bank could be subjected should the customer or counterparty fail to perform its contractual obligations;
- It is managed through a robust risk control framework which outlines clear and consistent policies, principles and guidance for credit risk management.

#### **5.1.2.b. Credit Risk Management**

Credit Risk is most prominent risk amongst the other associated risk for any Bank which is a probability of loss due to a borrower's failure to make payments. Credit Risk Management is a practice of loss mitigating procedure by understanding the adequacy of bank's capital and loan loss reserves at a given point of time. In order to prudently manage the credit risk of the bank during day to day functioning, the Bank adapts various risk mitigation measures.

The bank's objective in credit risk management is to minimize the risk and maximize the risk adjusted rate of return by onboarding and maintaining risk assets within the acceptable parameters. The Bank has its own credit policy and credit related policies to manage the Credit Risk Management philosophy that involves a continual measurement of probability of default/ loss; identification of possible risks and mitigations. In order to manage and eliminate the credit risk, the Bank has a practice of maintaining the best quality assets in its book. The Bank's credit policy elaborates detailed procedures for proper risk management. The Bank has delegated credit approval limits to various officials to approve and sanction various amount of credit request based on their individual expertise and risk judgment capability. The Bank makes credit extension decision

by assessing each business proposal thoroughly. The credit application exceeding certain limit requires to be reviewed by Credit Risk Department (CRD) which act as an independent control center in credit approval process performing independent review of credit proposals. It also ensures that the inherent credit risks that associated with the business are addressed appropriately through coverage of better safety margin, additional collateral back up and lower exposure to keep the business at low leverage.

Bank has standardized Product Papers, guidelines, procedure in place for proper governance for all credit relationship. The provisions of Capital Adequacy Framework - 2015 have been complied in line to line basis to overcome the Credit Risk.

As a check and balance mechanism, each credit case requires at least dual approval. Regular monitoring of the credit portfolio based on Sector, Product, NPA etc., ensures that the Bank does not run the risk of concentration of portfolio in a particular business sector a single borrower, or products. Similarly the Bank also exercises controlled investment policy with adequately equipped resource looking after the investment decisions.

The Bank has separate Central Credit Administration and Control Department (CCAC), which prepares security documents and retains custody of same. This is a four eyes concept in verifying the security aspects in line with the approved conditions. CCAC is also independent to business division and it ensures, on an ongoing basis, on the safety and going concern of the borrowers, through post relationship assessment. Periodic review of all accounts under credit exposure is one of the prudent practices that the Bank follows in order to take necessary steps to mitigate the risk.

### **5.1.2.c. Impairment Assessment and Credit Risk Mitigation**

The Bank creates impairment allowances for impaired loans promptly and appropriately.

#### **Impairment Assessment Methodology**

##### **a. Impairment of Financial Assets carried at Amortized Cost**

The Bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant. When an account is classified as default or when the Bank no longer expect to recover the principle or interest due on a loan in full or in accordance with the original terms and conditions, it is assessed for impairment. If exposures are secured, the current net realizable value of the collateral will be taken into account when assessing the need for an impairment allowance. When the net present value of the collateral is sufficiently adequate to cover the outstanding facilities, impairment is not calculated for such cases.

In the event Bank determines that no objective evidence of

impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics such as collateral type, past due status and other relevant factors and collectively assesses them for impairment. However, assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

Impairment is assessed on a collective basis in two circumstances:

- To cover losses which have been incurred but have not yet been identified on loans subject to individual assessment; and
- For homogeneous groups of loans those are not considered individually significant.

#### **Incurred but not yet identified impairment**

Individually assessed financial assets for which no evidence of loss has been specifically identified on an individual basis are grouped together according to their credit risk characteristics for the purpose of calculating an estimated collective loss. This reflects impairment losses that the bank has incurred as a result of events occurring before the reporting date, which the Bank is not able to identify on an individual loan basis and that can be reliably estimated.

These losses will only be individually identified in the future. As soon as information becomes available which identifies losses on individual financial assets within the group, those financial assets are removed from the group and assessed on an individual basis for impairment.

The collective impairment allowance is determined after taking into account:

- Historical Loss Experience in portfolios of similar credit risk; and
- Management's experienced judgment as to whether current economic and credit conditions are such that the actual level of inherent losses at the reporting date is like to be greater or less than that suggested by historical experience.

#### **Homogeneous groups of Financial Assets**

Statistical methods are used to determine impairment losses on a collective basis for homogenous groups of financial assets. Losses in these groups of financial assets are recorded on an individual basis when individual financial assets are written off, at which point they are removed from the group.

Bank uses the following method to calculate historical loss experience on collective basis:

After grouping of loans on the basis of homogeneous risks, the Bank uses net flow rate method. Under this methodology,

the movement in the outstanding balance of customers into default categories over the periods is used to estimate the amount of financial assets that will eventually be irrecoverable, as a result of the events occurring before the reporting date which the Bank is not able to identify on an individual loan basis.

Under this methodology, loans are grouped into ranges according to the number of days in arrears and statistical analysis is used to estimate the likelihood that loans in each range will progress through the various stages of delinquency and ultimately prove irrecoverable.

Current economic conditions and portfolio risk factors are also evaluated when calculating the appropriate level of allowance required to cover inherent loss. These additional macro and portfolio risk factors may include:

- Recent loan portfolio growth and product mix
- Unemployment rates
- Gross Domestic Production (GDP) Growth
- Inflation
- Interest rates
- Changes in government laws and regulations
- Property prices
- Payment status

But, the amount of provision to be created against Loans and Advances shall be higher of the following two amounts:

- i) Impairment calculated as per Impairment Assessment Methodology as described in Point 5.1.2.c above or,
- ii) Loan Loss Provision calculated as per the provisions of Directive No. 2, Unified Directives, 2079.

### **Impairment calculation by following the methodology described in Pt. 5.1.2.c above**

i) Firstly, top borrowers constituting 25% (approximately) of total funded exposure of the Bank is subjected to Individual Impairment Testing in each financial year i.e. FY 2021-22 and FY 2022-23.

ii) Loans and advances as filtered out following point-(i) were tested for individual impairment including following criteria but not limited to:

- Known Cash Flow difficulties experienced by the borrowers;
- Past due contractual payments of either principal or interest;
- Breach of loan covenants or conditions;
- The probability that the borrower will enter bankruptcy or other financial reorganization; and
- A significant downgrading in credit rating by an external credit rating agency;
- Bank's aggregate exposure to the customer;
- The viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flows to service debt obligations;
- The amount and timing of expected receipts and recoveries;
- The extent of other creditors' commitments ranking ahead of, or pari-pasu with the Bank and the likelihood of other creditors continuing to support the company;
- The realizable value of security and likelihood of successful repossession;

As per the impairment testing conducted as per Pt. (ii), no loans and advances were identified as individually impaired in FY 2021-22 as well as FY 2022-23.

iv) All loans and advances were then grouped into homogenous types such as home loans, working capital loans, term loans, etc. to calculate collective impairment.

v) Collective impairment was calculated following net flow rate method. Under this methodology, the movements in the outstanding balance of customers into default categories over the periods are used to estimate the amount of financial assets that will eventually be irrecoverable, as a result of the events occurring before the reporting date which the Bank is not able to identify on an individual loan basis.

vi) Collective impairment as per the method mentioned in Point (v) in FY 2021-22 and FY 2022-23 is shown below:

PARTICULARS	<i>Amount (NPR)</i>	
	2021-22	2022-23
Total Collective Impairment	611,947,928	747,390,433

### **Write off of Loans and Receivables**

Loans (and the related impairment allowance) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realization of security. In circumstances where the realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write off may be earlier. During FY 2022-23, the Bank has written off credit card loans amounting to NPR 1,174,376 related to 27 parties. The list of such parties along with written off amount is mentioned below:

SN	NAME OF THE BORROWER	WRITTEN OFF AMOUNT (NPR)	SN	NAME OF THE BORROWER	WRITTEN OFF AMOUNT (NPR)
1	Pradeep K.S Kanu	6,931	15	Dipendra Shamsher Kunwar	60,258
2	Niroj Shrestha	7,965	16	Namrata Shrestha	33,961
3	Durga Kumari Chaulagain	17,461	17	Pramod Kumar Khawas	59,105
4	Rupak Karki	22,681	18	Rahul Rai	86,336
5	Punam Thapa	25,082	19	Rajiv Pd. Shah Teli	60,791
6	Shivendra Kumar Verm	97,690	20	Roshani Khadka	60,812
7	Manoj Agrawal	24,701	21	Sagar Thapa	99,813
8	Khem B.B Thapa	40,350	22	Sarita Kumari Shrestha	24,531
9	Rajesh Kr Chhetri	47,666	23	Shyam Krishna Amaty	65,670
10	Mo. Wakil Halwai	26,262	24	Sudeep KC	83,743
11	Mukesh Kumar Sharma	57,853	25	Uttam Luitel	37,009
12	Arun Kumar Limbu	6,931	26	Lekh Nath Pokhrel	18,703
13	Achyut Sapkota	43,140	27	Deepak Raj Joshi	24,811
14	Bikash Shrestha	34,117	<b>Total</b>		<b>1,174,376</b>

### Collateral Management

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the guidelines issued by the Nepal Rastra Bank. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as independent valuator and audited financial statements.

### Credit Risk Mitigants availed under CRM

Types of eligible credit risk mitigants used and the benefits availed under CRM as at July 16, 2023 are as follows:

PARTICULARS	ELIGIBLE CRM ( NRP '000)
Deposit with Banks	3,399,210
Deposit with Other Banks/FIs	-
<b>Total</b>	<b>3,399,210</b>

### b. Impairment of Financial assets at fair value through OCI

For financial assets at fair value through OCI, Bank assesses at each reporting date whether there is objective evidence that an investment is impaired.

In the case of debt instruments, Bank assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the Statement of Profit or Loss. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognized, the impairment loss is reversed through the Statement of Profit or Loss.

In the case of equity investments classified as financial assets at fair value through OCI, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in Statement of Profit or Loss is

removed from equity and recognized in the Statement of Profit or Loss. However, any subsequent increase in the fair value of an impaired equity security that has been classified as financial assets at fair value through OCI is recognized in other comprehensive income. Bank writes-off certain financial assets at fair value through OCI when they are determined to be uncollectible.

#### 5.1.3.a. Liquidity Risk

Liquidity risk is the potential for loss to a bank arising from either its inability to meet its obligations or to fund increases in assets as they fall due without incurring unacceptable cost or losses. Liquidity is the ability of an institution to transform its assets into cash or its equivalent in a timely manner at a reasonable price to meet its commitments as they fall due. Liquidity risk is considered a major risk for banks. It arises when the cushion provided by the liquid assets are not sufficient enough to meet its obligation. In such a situation banks often meet their liquidity requirements from market. Funding through market depends upon liquidity in the market and borrowing bank's liquidity.

Liquidity risk is:

- Measured using maturity ladder analysis

- Monitored against the Bank's liquidity risk management framework and overseen by Asset and Liability Management Committee.
- Managed on a stand-alone basis with no reliance on any related party or the Nepal Rastra Bank, unless this represents routine established business as usual market practice.

### **5.1.3.b. Management of liquidity risk**

The board has ensured that the bank has necessary liquidity risk management framework and bank is capable of confronting uneven liquidity scenarios. The bank has formulated liquidity policies, contingency funding planning which are recommended by senior management/ALCO and approved by the Board of Directors. The bank utilizes flow measures to determine its cash position. A maturity ladder analysis estimates a bank's inflows and outflows and thus net deficit or surplus (GAP) over a time horizon. A maturity ladder is a useful device to compare cash inflows and outflows both on a day-to-day basis and over a series of specified time periods as presented in the NRB Ni.Fa.No.5.1 under NRB Directives No. 5.

Liquidity of the bank is assessed, measured and maintained by Treasury Department by ensuring minimal compliance with Nepal Rastra Bank prescribed ratios such as CRR, SLR, and Credit to Capital and Deposit Ratio and Liquidity Ratio. The department also maintains investments over and above the prescribed limit to cope up with the unprecedented liquidity risks that the Bank is ever exposed to.

### **5.1.4.a. Market Risk**

Market risks are the risk of losses in on-balance sheet and off-balance sheet positions arising from adverse movements in market prices. The major constituents of market risks are:

- a) The risks pertaining to interest rate related instruments;
- b) Foreign exchange risk (including gold positions) throughout the bank; and
- c) The risks pertaining to investment in equities and commodities.
- d) The risk pertaining to concentration and correlation factors in market transactions

### **5.1.4.b. Management of Market Risk**

The Board of Directors of the Bank approved the Market Risk management policy and framework of the Bank. As for the management and monitoring of market and liquidity risk, the Bank has an active Assets and Liability Management Committee (ALCO) in place which meets regularly and takes stock of the Bank's assets and liability position and profile of assets & liabilities, monitors risks arising from changes in exchange rates in foreign currencies, review GAP analysis and devise equity investment strategies. All market risk components are managed by treasury consisting of front office dealers with specific dealing limits, treasury middle office to monitor, measure and analyze risk related to treasury management and independent back office. The back office executes the deals made by the

dealers and also monitors the liquidity position of the Bank. For the purpose of proper check and control, the front dealing room of treasury and the back office have different reporting line. The middle office of the Bank is independent of Treasury function and report separately to ALCO and integrated risk management department.

### **5.1.4.c. Market Risk Assessment Methodology**

Out of the various components of market risk, foreign exchange risk is the predominant risk in Nepal. Thus, a net open position approach has been adopted to measure the market risk exposure of the bank in aggregation and the capital requirement in commensurate of the same as set out by Capital Adequacy Framework issued by Nepal Rastra Bank.

### **5.1.5.a. Operational Risk**

Operational risks are risk of direct or indirect loss or damaged reputation resulting from inadequate or failed internal processes, people and systems, or from external events. Operational risk has always been inherent to the Bank and exists in all the activities performed.

### **5.1.5.b. Management of Operational Risk**

As a part of monitoring operational risks, the Bank has devised Standard Operating Procedures for various banking functions, which are reviewed and revised time to time as per the business dynamics.

The Bank has adopted dual control mechanism in its all operational activities where each and every financial and non-financial transaction is subject to approval from an authority higher than the transaction initiator. Regular review meetings are conducted to assess the adequacy of risk monitoring mechanism and required changes are made as and when felt necessary. Independent reconciliation unit is established to conduct daily reconciliation of all Nostro/agency accounts, Inter-Branche and Inter-Department account under direct supervision of Head Finance & Accounts, Head Office. The Bank has strong MIS in place to monitor the regular operational activities. In order to have better focus on managing operational risks across branches and to monitor them from Head Office level, the Bank has independent Operations Risk Management Department and Compliance Department working as second line of defense as per risk management framework of the Bank. The Risk Management Committee of the Board regularly meets and reviews the risk management processes and risk position of the Bank.

### **5.1.5.c. Operational Risk Assessment Methodology**

Operational risks are assessed employing the Basic Indicators Approach as set out by Capital Adequacy Framework issued by Nepal Rastra Bank. The Basic Indicators Approach assesses operational risk in aggregation and is calculated by dividing the operational risk capital charge by 11%. Bank assesses the operational risk based on specific situation, historical observations and internal assumption by tracking and recording all relevant risk data of frequency, severity, operational losses

and other external factors. The Bank uses step by step risk management approach to monitor, assess, evaluate and design action plan to mitigate risks in future.

### **5.1.6 Fair value of financial assets and liabilities**

Fair value is a market-based measurement, not an entity specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same – to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

Fair values are determined according to the following hierarchy:

#### **Level-1 Inputs**

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Held for trading investments and financial assets at fair value through OCI have been recorded using Level 1 inputs.

#### **Level-2 Inputs**

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Such observable inputs include:

- Quoted price for similar instruments in active market
- Quoted price for identical or similar instruments in inactive market
- Financial instruments are valued using models where all significant inputs are observable

#### **Level-3 Inputs**

Level 3 inputs are unobservable inputs for the asset or liability. Fair value measurements are derived using valuation techniques in which current market transactions or observable market data are not available. Under this, instruments are fair valued using valuation models which have been tested against prices or inputs to actual market transactions and make use of the best estimates of the most appropriate model assumptions. The Bank has used latest audited financial statements to arrive at book value for investment in unquoted shares.

## **5.2. CAPITAL MANAGEMENT**

### **i. Qualitative Disclosures**

Capital is very crucial component in a business. In case of Banks, sufficient capital needs to be maintained for business growth. Capital management approach is driven by its desire to maintain a strong capital base to support the business growth and to meet the regulatory capital requirements.

Capital planning is an integral part of the Bank's strategic plan. The Bank has robust capital planning and management to meet its projected growth over the upcoming years during the normal as well as stressed situations. The Bank ensures that adequate level of capital is maintained at all times. The Bank is well capitalized and is able to maintain required capital through internal generation and also through other sources, if required.

### **Main Features and Terms & Conditions of Capital Instruments**

The Bank has raised capital to the tune of NPR 7,662,559,000 by issuing debentures qualified as subordinated term debt. The main features and terms & conditions of the debentures outstanding as on July 16, 2023 are given below:

DEBENTURE NAME	AMOUNT	INTEREST RATE	ISSUE DATE	MATURITY DATE
SBL Debenture 2082 (Face Value NPR 1,000 per debenture)	2,162,559,000	10.50%	1-13-2019	1-12-2026
SBL Debenture 2083 (Face Value NPR 1,000 per debenture)	2,500,000,000	10.25%	9-12-2019	9-10-2026
SBL Debenture 2084 (Face Value NPR 1,000 per debenture)	3,000,000,000	8.50%	10-13-2020	10-12-2027
<b>Total</b>	<b>7,662,559,000</b>			

## Other Terms & Conditions

1. The debentures are redeemable at the time of maturity at face value.
2. Interest is payable on a semi-annual basis.

### ii. Quantitative Disclosures

#### 1. Capital structure and capital adequacy

##### ■ Tier 1 capital and a breakdown of its components

PARTICULARS		NPR in '000
S.N.		AMOUNT
	<b>Tier 1 Capital (Core Capital) (CET1+ AT1)</b>	<b>21,782,517</b>
	<b>Common Equity Tier 1 (CET 1)</b>	<b>21,782,517</b>
a	Paid Up Equity Share Capital	14,089,980
b	Equity Share Premium	-
c	Proposed Bonus Equity shares	-
d	Statutory General Reserves	4,409,196
e	Retained Earnings	663,610
f	Unaudited Current year Cumulative Profit/(Loss)	-
g	Capital Adjustment Reserve	19,428
h	Debenture Redemption Reserve	3,041,706
i	Less: Intangible Assets	166,000
j	Less: Investment in equity of institutions with financial interests	275,403
k	Less: Deferred tax Assets	-
	<b>Additional Tier 1 (AT1)</b>	<b>-</b>

##### ■ Tier 2 capital and a breakdown of its components

PARTICULARS		NPR in '000
S.N.		AMOUNT
a	Cumulative and/or Redeemable Preference Shares	-
b	Subordinated Term Debt	4,765,024
c	Hybrid Capital Instruments	-
d	General Loan Loss Provision	2,353,768
e	Investment Adjustment Reserve	11,365
f	Assets Revaluation Reserve	-
g	Exchange Equalization Reserve	69,889
h	Other Reserves	-
	<b>Total Tier 2 Capital</b>	<b>7,203,045</b>

##### ■ Subordinated Term Debt

1. The Bank also issued SBL Debenture 2082 in FY 2018-19 for NPR 2.16 billion with face value of NPR 1000. The salient features of SBL Debenture 2082 are as follows:
  - Maturity period: 7 Years
  - Interest rate: 10.50% per annum
  - Interest Payment frequency: Half Yearly
  - Claim in case of liquidation: After depositors
  - Debenture Redemption Reserve shall be created to redeem the bond at maturity.
  - The debenture can be pledged with other banks and financial institution.
  - Listed with Nepal Stock Exchange.

2. The Bank also issued SBL Debenture 2083 in FY 2019-20 for NPR 2.50 billion with face value of NPR 1000. The salient features of SBL Debenture 2083 are as follows:

- Maturity period: 7 Years
- Interest rate: 10.25% per annum
- Interest Payment frequency: Half Yearly
- Claim in case of liquidation: After depositors
- Debenture Redemption Reserve shall be created to redeem the bond at maturity.
- The debenture can be pledged with other banks and financial institution.
- Listed with Nepal Stock Exchange.

3. The Bank also issued SBL Debenture 2084 in FY 2020-21 for NPR 3 billion with face value of NPR 1000. The salient features of SBL Debenture 2084 are as follows:

- Maturity period: 7 Years
- Interest rate: 8.50% per annum
- Interest Payment frequency: Half Yearly
- Claim in case of liquidation: After depositors
- Debenture Redemption Reserve shall be created to redeem the bond at maturity.
- The debenture can be pledged with other banks and financial institution.
- Listed with Nepal Stock Exchange.

#### ■ Deductions from Capital:

The Bank has investments of NPR 51 million in the equity shares of Siddhartha Capital Limited, NPR 179.40 million in the equity shares of Nepal Clearing House Limited, NPR 30 million in equity shares of Avasar Equity Limited and NPR 15 million in equity shares of Nepal Electronic Payment Systems Limited which has been deducted from the core capital while computing capital adequacy.

#### ■ Total Qualifying Capital

NPR in '000

PARTICULARS	AMOUNT
Common Equity Tier 1(CET1)	21,782,517
Additional Tier 1(AT1)	-
Supplementary Capital (Tier 2)	7,203,045
<b>Total Capital Fund</b>	<b>28,985,562</b>

#### ■ Capital Adequacy Ratio

NPR in '000

PARTICULARS	AMOUNT
Common Equity Tier 1 Ratio	9.37%
Core Capital Ratio - Tier 1	9.37%
<b>Total Capital Adequacy Ratio (Tier 1 &amp; Tier 2)</b>	<b>12.47%</b>

#### ■ Internal approach of the Bank to assess capital adequacy

In order to be prepared for distressed economic environments, the Bank assesses the adequacy of its capital by incorporating various potential scenarios and being responsive to changes in the economy, market, competitive or political landscape, or other external factors.

Following elements are taken into consideration while assessing capital adequacy of the Bank:

- Minimum capital requirements as per NRB
- Business growth prospects and risks
- Dividend policy
- Potential capital raising instruments such as equity, preference stocks, bonds, etc.
- Various stress scenarios
- Disposing of assets
- Others as considered necessary by the senior management

## Risk exposures

### ■ Risk weighted exposures for Credit Risk, Market Risk and Operational Risk

PARTICULARS	NPR in '000
AMOUNT	
Risk Weighted Exposure for Credit Risk	213,118,497
Risk Weighted Exposure for Operational Risk	9,904,181
Risk Weighted Exposure for Market Risk	392,261
Adjustments under Pillar II:	
Add: 3% of Gross income of last FY due to supervisor is not satisfied with sound practice of management of operational risk (6.4 a 7)	2,241,402
Add: 3% of the total RWE due to supervisor is not satisfied with the overall risk management policies and procedures of the bank (6.4 a 9)	6,702,448
<b>Total Risk Weighted Exposure (After Pillar II Adjustment)</b>	<b>232,358,788</b>

### ■ Risk Weighted Exposures under different categories of Credit Risk

S.N.	PARTICULARS	RISK WEIGHTED EXPOSURE
1	Claims on Domestic Public Sector Entities	-
2	Claims on domestic banks that meet capital adequacy requirements	1,453,244
3	Claims on domestic banks that do not meet capital adequacy requirements	-
4	Claims on foreign bank (ECA 0-1)	1,251,391
5	Claims on foreign bank (ECA 2)	1,526,031
6	Claims on foreign bank (ECA 3-6)	1,052,853
7	Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	363,879
8	Claims on Domestic Corporates	104,840,860
9	Claim on Foreign Corporate (ECA 0-1)	-
10	Claim on Foreign Corporate (ECA 2)	-
11	Claims on Regulatory Retail Portfolio (not overdue)	31,018,082
12	Claims secured by residential properties	5,366,823
13	Claims secured by residential properties (overdue)	314,789
14	Claims Secured by Commercial Real Estate	97,213
15	Past due claims(except for claim secured by residential properties)	9,305,604
16	High Risk Claims	24,815,460
17	Lending against Shares(up to NPR 2.5 Million)	316,614
18	Trust Receipt Loans for Trading Firms	2,312,414
19	Investments in equity and other capital instruments of institutions listed in the stock exchange	2,266,905
20	Investment in Equity of Institution not listed in the Stock Exchange	1,806,079
21	Staff Loan secured by residential property	2,112,245
22	Cash in transit and other cash items in the process of collection	13,709
23	Other Assets	5,549,049
24	Off Balance Sheet Items	17,335,253
<b>Total Risk Weighted Exposures under different categories of Credit Risk</b>		<b>213,118,497</b>

### ■ Total Risk Weighted Exposure calculation table

PARTICULARS	NPR in '000
AMOUNT	
Total Risk Weighted Exposures	232,358,788
Tier 1 Capital (Core Capital)( CET1+AT1)	21,782,517
Total Capital Fund	28,985,562
<b>Total Core Capital to Total Risk Weighted Exposures %</b>	<b>9.37%</b>
<b>Total Capital Fund to Total Risk Weighted Exposures %</b>	<b>12.47%</b>

### Detail of on-balance sheet exposures

ON-BALANCE SHEET EXPOSURES	BOOK VALUE (A)	SPECIFIC PROVISION (B)	ELIGIBLE CRM (C)	NET VALUE (D)=(A)-(B)-(C)	RISK WEIGHT (E)	RISK WEIGHTED EXPOSURES (F)=(D)(E)
Cash Balance	3,797,630,214	-	-	3,797,630,214	0 %	-
Balance With Nepal Rastra Bank	8,879,504,444	-	-	8,879,504,444	0 %	-
Gold	-	-	-	-	0 %	-
Investment in Nepalese Government Securities	54,037,334,615	-	-	54,037,334,615	0 %	-
All claims on Government of Nepal	3,186,089,695	-	-	3,186,089,695	0 %	-
Investment in Nepal Rastra Bank securities	-	-	-	-	0 %	-
All other 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(MDB's) recognized by the framework	-	-	-	-	0 %	-
Claims on other Multilateral Development Banks	-	-	-	-	100 %	-
Claims on Domestic Public Sector Entities	-	-	-	-	100 %	-
Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	20 %	-
Claims on Public Sector Entity (ECA 2)	-	-	-	-	50 %	-
Claims on Public Sector Entity (ECA3-6)	-	-	-	-	100 %	-
Claims on Public Sector Entity (ECA 7)	-	-	-	-	150 %	-
Claims on domestic banks that meet capital adequacy requirements	7,266,220,124	-	-	7,266,220,124	20 %	1,453,244,025
Claims on domestic banks that do not meet capital adequacy requirements	-	-	-	-	100 %	-
Claims on foreign bank (ECA 0-1)	6,256,953,488	-	-	6,256,953,488	20 %	1,251,390,698
Claims on foreign bank (ECA 2)	3,052,062,221	-	-	3,052,062,221	50 %	1,526,031,110
Claims on foreign bank (ECA 3-6)	1,052,852,934	-	-	1,052,852,934	100 %	1,052,852,934
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	1,819,393,802	-	-	1,819,393,802	150 %	363,878,760
Claims on Domestic Corporates (Unrated)	80,826,141,750	295,301,129	444,968,456	80,085,872,165	100 %	80,085,872,165
Claims on Domestic Corporates (A+ to A)	683,838,071	-	-	683,838,071	80 %	547,070,457
Claims on Domestic Corporates BBB+ & below	24,619,998,475	127,098,249	284,983,043	24,207,917,182	100 %	24,207,917,182
Claim on Foreign Corporates (ECA 0-1)	-	-	-	-	20 %	-
Claim on Foreign Corporates (ECA 2)	-	-	-	-	50 %	-
Claim on Foreign Corporates (ECA 3-6)	-	-	-	-	100 %	-

ON-BALANCE SHEET EXPOSURES	BOOK VALUE (A)	SPECIFIC PROVISION (B)	ELIGIBLE CRM (C)	NET VALUE (D)=(A)-(B)-(C)	RISK WEIGHT (E)	RISK WEIGHTED EXPOSURES (F)=(D)*(E)
Claim on Foreign Corporates(ECA 7)	-	-	-	-	150%	-
Regulatory Retail Portfolio(Not Overdue)	42,883,040,834	66,253,522	1,459,344,295	41,357,443,017	75%	31,018,032,263
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	100%	-
Claims secured by residential properties	8,968,048,517	23,342,816	-	8,944,705,701	60%	5,366,823,421
Claims not fully secured by residential properties	-	-	-	-	150%	-
Claims secured by residential properties (overdue)	358,706,277	43,917,413	-	314,788,864	100%	314,788,864
Claims secured by Commercial real estate	97,213,427	-	-	97,213,427	100%	97,213,427
Past due claims (except for claim secured by residential properties)	8,131,618,181	1,927,882,230	-	6,203,735,852	150%	9,305,603,777
High Risk claims	16,670,351,636	126,711,543	-	16,543,640,093	150%	24,815,460,140
Lending against Shares(up to NPR 2.5 Million)	316,613,608	-	-	316,613,608	100%	316,613,608
Lending against securities (bonds)	-	-	-	-	100%	-
Trust Receipt Loans for Trading Firms	1,929,687,312	2,675,600	-	1,927,011,712	120%	2,312,414,055
Investments in equity and other capital instruments of institutions listed in the stock exchange	4,572,851,363	2,305,946,174	-	2,266,905,189	100%	2,266,905,189
Investments in equity and other capital instruments of institutions not listed in the stock exchange	1,301,522,640	97,470,013	-	1,204,052,627	150%	1,806,078,941
Staff Loan secured by residential property	4,224,489,712	-	-	4,224,489,712	50%	2,112,244,856
Interest Receivable/ Claim on Government Securities	939,079,304	-	-	939,079,304	0%	-
Cash In transit and other cash items in the process of collection	68,543,878	-	-	68,543,878	20%	13,708,776
Other Assets	6,941,549,639	1,392,501,083	-	5,549,048,556	100%	5,549,048,556
<b>Total</b>	<b>292,881,336,160</b>	<b>6,409,099,871</b>	<b>2,189,295,795</b>	<b>284,282,940,494</b>	<b>195,783,243,203</b>	

**Detail of off-balance sheet exposures**

OFF-BALANCE SHEET EXPOSURES	BOOK VALUE (A)	SPECIFIC PROVISION (B)	ELIGIBLE CRM (C)	NET VALUE (D)=(A)-(B)-(C)	RISK WEIGHT (E)	RISK WEIGHTED EXPOSURES (F)=(D)(E)
Revocable Commitments	-	-	-	-	0%	-
Bills Under Collection	672,609,716	-	-	672,609,716	0%	-
Forward Exchange Contract Liabilities	-	-	-	-	10%	-
LC Commitments With Original Maturity Up to 6 months	6,297,674,719	210,145,924	6,087,528,795	20%	1,217,505,759	-
domestic counterparty					20%	-
foreign counterparty (ECA Rating 0-1)					50%	-
foreign counterparty (ECA Rating 2)					100%	-
foreign counterparty (ECA Rating 3-6)					150%	-
foreign counterparty (ECA Rating 7)						
LC Commitments With Original Maturity Over 6 months	4,063,040,869	435,569,438	3,627,471,431	50%	1,813,735,715	-
domestic counterparty					20%	-
foreign counterparty (ECA Rating 0-1)					50%	-
foreign counterparty (ECA Rating 2)					100%	-
foreign counterparty (ECA Rating 3-6)					150%	-
foreign counterparty (ECA Rating 7)						
Bid Bond and Performance Bond and Counter guarantee	10,802,906,409	515,254,564	10,287,651,845	40%	4,115,060,738	-
domestic counterparty					20%	-
foreign counterparty (ECA Rating 0-1)					50%	-
foreign counterparty (ECA Rating 2)					100%	-
foreign counterparty (ECA Rating 3-6)					150%	-
foreign counterparty (ECA Rating 7)					50%	-
Underwriting commitments	-	-	-	-	100%	-
Lending of Bank's Securities or Posting of Securities as collateral	-	-	-	-	100%	-
Repurchase Agreements, Assets sale with recourse	-	-	-	-	100%	-
Advance Payment Guarantee	2,050,725,814	38,276,000	2,012,449,614	100%	2,012,449,614	-
Financial Guarantee	-	-	-	-	100%	-
Acceptances and Endorsements	3,788,001,535	-	3,788,001,535	100%	3,788,001,535	-
Unpaid portion of party paid shares & Securities	-	-	-	-	100%	-
Irrevocable Credit Commitments (short term)	19,279,064,405	250,000	19,278,814,405	20%	3,855,762,881	-
Irrevocable Credit Commitments (long term)	16,600,000	-	16,600,000	50%	8,300,000	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	-	-	-	20%	-	
Other Contingent Liabilities	363,202,850	-	363,202,850	100%	363,202,850	-
Unpaid Guarantee Claims	91,035,169	10,418,000	80,617,169	200%	161,234,338	-
<b>Total</b>	<b>47,424,861,288</b>	<b>1,209,913,926</b>	<b>46,214,917,361</b>		<b>17,335,253,431</b>	

<b>Eligible Credit Risk Mitigants</b>	<b>ON-BALANCE SHEET CREDIT EXPOSURES</b>	<b>DEPOSITS WITH BANKS</b>	<b>DEPOSITS WITH OTHER BANKS/FI</b>	<b>GOLD</b>	<b>HMG/N &amp; NRB SEC.</b>	<b>G'TEE OF GOVT OF NEPAL</b>	<b>SEC/G'TEE OF OTHER SOVERIGNS</b>	<b>G'TEE OF DOMESTIC BANKS</b>	<b>G'TEE OF MDBS</b>	<b>SEC/G'TEE OF FOREIGN BANKS</b>	<b>TOTAL</b>
Claims in Foreign Government Securities (ECA-2)	-	-	-	-	-	-	-	-	-	-	-
Claims in Foreign Government Securities (ECA-3)	-	-	-	-	-	-	-	-	-	-	-
Claims in Foreign Government Securities (ECA 4-6)	-	-	-	-	-	-	-	-	-	-	-
Claims in Foreign Government Securities (ECA 7)	-	-	-	-	-	-	-	-	-	-	-
Claims on other Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-	-
Claims on Domestic Public Sector Entities	-	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 2)	-	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 3-6)	-	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 7)	-	-	-	-	-	-	-	-	-	-	-
Claims on domestic banks that meet capital adequacy requirements	-	-	-	-	-	-	-	-	-	-	-
Claims on domestic banks that do not meet capital adequacy requirements	-	-	-	-	-	-	-	-	-	-	-
Claims on foreign bank (ECA Rating 0-1)	-	-	-	-	-	-	-	-	-	-	-
Claims on foreign bank (ECA Rating 2)	-	-	-	-	-	-	-	-	-	-	-
Claims on foreign bank (ECA Rating 3-6)	-	-	-	-	-	-	-	-	-	-	-
Claims on foreign bank (ECA Rating 7)	-	-	-	-	-	-	-	-	-	-	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	-	-	-	-	-	-	-	-	-	-	-
Claims on Domestic Corporates	-	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Corporates (ECA 0-1)	-	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Corporates (ECA 2)	-	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Corporates (ECA 3-6)	-	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Corporates (ECA 7)	-	-	-	-	-	-	-	-	-	-	-
Regulatory Retail Portfolio (Not Overdue)	1,459,344,295	-	-	-	-	-	-	-	-	-	-
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	-	-	-	-	-	-	-
Regulatory Retail Portfolio (Overdue)	-	-	-	-	-	-	-	-	-	-	-
Claims secured by residential properties (with condition)	-	-	-	-	-	-	-	-	-	-	-
Claims secured by residential properties (without condition)	-	-	-	-	-	-	-	-	-	-	-
Unsecured portion of claims secured by residential properties	-	-	-	-	-	-	-	-	-	-	-

ON-BALANCE SHEET CREDIT EXPOSURES							OFF-BALANCE SHEET CREDIT EXPOSURES														
	DEPOSITS WITH BANKS	DEPOSITS WITH OTHER BANKS/FI	GOLD	HMG/N & NRB SEC.	G'TEE OF GOVT OF NEPAL	SEC/G'TEE OF OTHER SOVERIGNS	G'TEE OF DOMESTIC BANKS	G'TEE OF MDBS	SEC/G'TEE OF FOREIGN BANKS	TOTAL		DEPOSITS WITH BANKS	DEPOSITS WITH OTHER BANKS/FI	GOLD	HMG/N & NRB SEC.	G'TEE OF GOVT OF NEPAL	SEC/G'TEE OF OTHER SOVERIGNS	G'TEE OF DOMESTIC BANKS	G'TEE OF MDBS	SEC/G'TEE OF FOREIGN BANKS	TOTAL
Claims not fully secured by residential properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Claims secured by residential properties (overdue)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Claims secured by Commercial real estate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Pastdue claims (except for claim secured by residential properties)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
High Risk Claims (Venture Capital, private equity investments, personal loans & credit card receivables)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Investments in equity of institutions not listed in stock exchange	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Investments in equity of institutions listed in stock exchange	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Total</b>																				<b>- 2,189,295,795</b>	
Forward Exchange Contract Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
LC Commitments With Original Maturity Up to 6 months	210,145,924	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	210,145,924	
domestic counterparty	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
foreign counterparty(ECA Rating 0-1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
foreign counterparty(ECA Rating 2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
foreign counterparty(ECA Rating 3-6)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
foreign counterparty(ECA Rating 7)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
LC Commitments With Original Maturity Over 6 months	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
domestic counterparty	435,569,438	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	435,569,438	
foreign counterparty(ECA Rating 0-1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
foreign counterparty(ECA Rating 2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
foreign counterparty(ECA Rating 3-6)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Bid Bond and Performance Bond and Counter guarantee domestic counterparty	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

OFF-BALANCE SHEET CREDIT EXPOSURES	DEPOSITS WITH BANKS	DEPOSITS WITH OTHER BANKS/FI	GOLD	HMG/N & NRB SEC.	GTEE OF GOVT OF NEPAL	SEC/GTEE OF OTHER SOVERIGNS	GTEE OF DOMESTIC BANKS	GTEE OF MDBS	SEC/GTEE OF FOREIGN BANKS	TOTAL
domestic counterparty	525,672,564	-	-	-	-	-	-	-	-	525,672,564
foreign counterparty(ECA Rating 0-1)	-	-	-	-	-	-	-	-	-	-
foreign counterparty(ECA Rating 2)	-	-	-	-	-	-	-	-	-	-
foreign counterparty(ECA Rating 3-6)	-	-	-	-	-	-	-	-	-	-
foreign counterparty(ECA Rating 7)	-	-	-	-	-	-	-	-	-	-
Underwriting commitments	-	-	-	-	-	-	-	-	-	-
Lending of Banks Securities or Posting of Securities as collateral	-	-	-	-	-	-	-	-	-	-
Repurchase Agreements, Assets sale with recourse(including repo/reverse repo)	-	-	-	-	-	-	-	-	-	38,276,000
Advance Payment Guarantee	38,276,000	-	-	-	-	-	-	-	-	-
Financial Guarantee	-	-	-	-	-	-	-	-	-	-
Acceptances and Endorsements	-	-	-	-	-	-	-	-	-	-
Unpaid portion of Partly paid shares and securities	-	-	-	-	-	-	-	-	-	-
Irrevocable Credit Commitments ( Short term)	250,000	-	-	-	-	-	-	-	-	250,000
Irrevocable Credit Commitments (long term)	-	-	-	-	-	-	-	-	-	-
Guarantee claimed not settled	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,209,913,926</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,209,913,926</b>
<b>Total credit risk mitigants</b>	<b>3,399,209,721</b>	<b>3,399,209,721</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,399,209,721</b>

## Details of Non-Performing Assets

### ■ Amount of Non-Performing Assets (both Gross and Net)

NPR in '000

NON-PERFORMING ASSETS	AMOUNT	LOAN LOSS PROVISION	NET NPL
Restructured/Rescheduled	2,144	268	1,876
Sub-Standard	1,143,879	280,805	863,074
Doubtful	1,821,757	900,900	920,857
Loss	864,017	815,074	48,943
<b>Total</b>	<b>3,831,797</b>	<b>1,997,047</b>	<b>1,834,751</b>

### ■ Non-Performing Assets (%): 2.01 %

#### iii. Compliance with external requirement

The Bank is required to comply with the minimum Capital Adequacy Requirements of Nepal Rastra Bank. For the year ended July 16, 2023, the Bank has complied with minimum Capital Adequacy Requirements by maintaining 12.47% capital adequacy ratio.

## 5.3. DEBENTURES ISSUED AS RESOURCES

Other than debentures worth NPR 7,662,559,000 issued for the purpose of capital management, the Bank has issued debenture of NPR 4,000,000,000 in FY 2021-22 for the purpose of resources eligible to count in CD ratio calculation. While issuing the debenture, the Bank has incurred cost of NPR 6.79 million which is 0.17% of issued debenture.

The main features and terms & conditions of the new debenture amounting NPR 4 billion are as follows:

DEBENTURE NAME	AMOUNT	INTEREST RATE	ISSUE DATE	MATURITY DATE
SBL Debenture 2089	4,000,000,000	10.75%	2022-07-16	2032-07-15
(Face Value NPR 1,000 per debenture)				

- Maturity period: 10 Years
- Interest rate: 10.75% per annum
- Interest Payment frequency: Half Yearly
- Debenture Redemption Reserve has not been created to redeem the bond at maturity as this debenture has been issued for the purpose of resources only eligible to count for CD ratio and such reserve is not required as per NRB directive.
- The debenture can be pledged with other banks and financial institution.
- Listed with Nepal Stock Exchange.

## 5.4. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### Financial Assets

NFRS 9 requires financial assets to be classified in one of the following categories:

- Financial assets at fair value through profit or loss
- Financial assets at amortized cost
- Financial assets at fair value through OCI

Financial assets at fair value through profit or loss have two sub-categories:

- Financial asset that is designated on initial recognition as one to be measured at fair value with fair value changes in profit or loss.
- Held for trading

### Financial Liabilities

NFRS 9 recognizes two classes of financial liabilities:

- Financial liabilities at fair value through profit or loss
- Other financial liabilities measured at amortized cost using the effective interest rate method

The category of financial liability at fair value through profit or loss has two sub-categories:

- Financial liability that is designated by the entity as a liability at fair value through profit or loss upon initial recognition
- Held for trading

## 5.5. OPERATING SEGMENT INFORMATION

### 1. General Information

#### a. Factors used to identify the Bank's reportable segments

The Bank has identified the key segments of business on the basis of nature of operations that assist the Executive Committee of the bank in decision making process and to allocate the resources. It will help the management to assess the performance of the business segments. The business segments identified are Banking (including loans, deposits and trade operations), Payment Solutions (Cards), Remittance, and Treasury. Treasury Department acts as the fund manager of the Bank.

#### b. Types of products and services from which each reportable segment derives its revenues

#### (A) REMITTANCE SERVICES

- 1 Remittance fee and commission
- 2 IBT Interest Income
- 3 Forex Income
- 4 Other fees and commission

#### (B) CARD BUSINESS

- 1 Interchange Income (VISA/CUP/NEPS)
- 2 Credit Card
- 3 Debit Card
- 4 Prepaid Card
- 5 ATM Fees
- 6 Merchant Settlement Fees and commission
- 7 Other Fees and Commission
- 8 Forex Translation Gain

#### (C) TREASURY

- 1 Interest Income from placements and investments
- 2 Profit/(Loss)on sale of shares/bonds

- 3 Bullion Trading Income
- 4 Dividend Income on Investments
- 5 Forex Gain
- 6 IBT Income
- 7 Rebate from Nostro Banks
- 8 Other Fees and Commission income

#### (D) BANKING

- 1 Income from Loan Products
- 2 Income from Bills Purchase and Discounting
- 3 Income from issuance of Letter of Credit
- 4 Income from issuance of Bank Guarantee
- 5 Income from Document Collection
- 6 Income from Remittance
- 7 Income from Bancassurance
- 8 Income from swift charges
- 9 Forex Gain
- 10 Profit/(loss) on sale of assets
- 11 IBT Income
- 12 Income from other Banking Services

## 2. Information about profit or loss, assets and liabilities

FY 2022-23

PARTICULARS	PAYMENT SOLUTIONS	REMITTANCE	TREASURY	MICROBANKING	BANKING	TOTAL
(a) Revenues from external customers	569,258,868	90,489,156	4,097,053,909	25,148,779,451	29,905,581,384	
(b) Intersegment revenues	10,374,377	302,842,711	175,160,636	11,269,441,655	11,757,819,378	
(c) Net Revenue	579,633,244	393,331,867	4,272,214,545	36,418,221,105	41,863,400,761	
(d) Interest revenue	26,094,510	302,851,438	3,778,714,639	35,202,301,761	39,309,962,348	
(e) Interest expense	(35,763,842)	(265,885,605)	(2,689,914,083)	(28,123,855,721)	(31,125,419,250)	
(f) Net interest revenue	(9,669,332)	36,965,833	1,078,800,556	7,078,446,040	8,184,543,098	
(g) Depreciation and amortization	(1,969,966)	(318,468)	(170,255)	(445,547,647)	(448,006,336)	
(h) Segment profit / (loss)	175,529,774	67,762,591	1,537,920,382	2,784,046,249	4,565,258,995	
(i) Entity's interest in the profit or loss of associates accounted for using equity method	-	-	-	-	-	
(j) Other material non-cash items	-	-	-	-	-	
(k) Impairment of assets	(1,253,804)	-	-	(1,186,307,372)	(1,187,561,177)	
(l) Segment assets	608,085,477	3,511,705,727	18,085,543,851	263,772,580,272	285,977,915,326	
(m) Segment liabilities	(432,923,647)	(3,443,943,137)	(16,549,900,984)	(265,551,147,560)	(285,977,915,326)	

PARTICULARS	PAYMENT SOLUTIONS	REMITTANCE	TREASURY	MICROBANKING	BANKING	TOTAL
(a) Revenues from external customers	510,042,627	58,714,863	2,900,438,114	19,697,986,896	23,167,182,500	
(b) Intersegment revenues	-	177,847,015	117,096,723	7,311,956,820	7,606,900,558	
(c) Net Revenue	510,042,627	236,561,878	3,017,534,837	27,009,943,715	30,774,083,057	
(d) Interest revenue	45,363,229	177,847,015	2,137,403,774	25,857,619,810	28,218,233,829	
(e) Interest expense	(19,303,397)	(131,320,059)	(1,398,507,496)	(20,072,255,363)	(21,621,386,314)	
(f) Net interest revenue	26,059,832	46,526,957	738,896,278	5,785,364,448	6,596,847,515	
(g) Depreciation and amortization	(1,922,013)	(519,987)	(158,075)	(402,472,209)	(405,072,283)	
(h) Segment profit / (loss)	173,857,134	53,190,498	1,601,799,198	2,429,621,232	4,258,468,061	
(i) Entity's interest in the profit or loss of associates accounted for using equity method	-	-	-	-	-	
(j) Other material non-cash items	(7,691,769)	-	-	(599,779,442)	(607,471,211)	
(k) Impairment of assets	523,184,157	2,260,282,588	26,910,594,269	234,632,962,497	264,327,023,511	
(l) Segment assets	(340,048,264)	(2,203,877,119)	(25,297,948,701)	(236,485,149,427)	(264,327,023,511)	

**3. Measurement of operating segment profit or loss, assets and liabilities**

**a. Basis of Accounting**

All transactions between the reportable segments are accounted for using pre-determined transfer price.

**b. Nature of differences between the measurements of the reportable segments' profits or losses and the Bank's profit or loss before income tax**

There is no difference between the measurement of the reportable segments' profit and the Bank's profit before income tax.

**c. Nature of differences between the measurements of the reportable segments' assets and the Bank's asset**

There is no difference between the measurement of the reportable segments' assets and the Bank's asset.

**d. Nature of any changes from prior periods in the measurement methods used to determine reported segment profit or loss and the effect, if any**

No changes are made in the measurement methods used to determine reported segment profit or loss from prior periods.

**e. Nature and effect of any asymmetrical allocations to reportable segments**

No asymmetrical allocations are made to reportable segments.

**4. Reconciliations**

**(a) Revenue**

	2022-23	2021-22
<b>Total revenues for reportable segments</b>	<b>41,663,400,761</b>	<b>30,774,083,057</b>
Other revenues	-	-
Elimination of intersegment revenues	(11,757,819,378)	(7,606,900,558)
<b>Entity's revenues</b>	<b>29,905,581,383</b>	<b>23,167,182,499</b>

Note: Intersegment Revenue consists of following items:

	2022-23	2021-22
Interest	11,638,996,448	7,540,669,854
Vault Cash Incentive	118,822,930	66,230,704
<b>Total</b>	<b>11,757,819,378</b>	<b>7,606,900,558</b>

**(b) Profit or loss**

	2022-23	2021-22
<b>Total profit or loss for reportable segments</b>	<b>4,565,258,995</b>	<b>4,258,468,061</b>
Other profit or loss	-	-
Elimination of intersegment profits	-	-
Unallocated amounts	-	-
<b>Profit before income tax</b>	<b>4,565,258,995</b>	<b>4,258,468,061</b>

**(c) Assets**

	2022-23	2021-22
<b>Total assets for reportable segments</b>	<b>285,977,915,326</b>	<b>264,327,023,511</b>
Other assets	-	-
Unallocated amounts	-	-
<b>Entity's assets</b>	<b>285,977,915,326</b>	<b>264,327,023,511</b>

**(d) Liabilities**

	2022-23	2021-22
<b>Total liabilities for reportable segments</b>	<b>285,977,915,326</b>	<b>264,327,023,511</b>
Other liabilities	-	-
Unallocated liabilities	-	-
<b>Entity's liabilities</b>	<b>285,977,915,326</b>	<b>264,327,023,511</b>

## 5. Information about products and services

Revenue from each type of product and services described in point no. 1(b) above

		2022-23	2021-22
<b>(a)</b>	<b>Remittance Services</b>	<b>393,331,867</b>	<b>236,561,878</b>
1	Remittance fee and commission	47,063,056	29,902,091
2	IBT Interest Income	302,842,711	177,847,015
3	Forex Income	41,373,697	25,509,647
4	Other fees and commission	2,052,404	3,303,125
<b>(b)</b>	<b>Card Business</b>	<b>579,633,244</b>	<b>510,042,627</b>
1	Interchange Income (VISA/CUP/NEPS)	80,221,552	71,432,746
2	Credit Card	23,348,984	81,349,262
3	Debit Card	129,919,328	111,181,676
4	Prepaid Card	6,510,254	6,458,278
5	ATM Fees	39,550,574	32,061,113
6	Merchant Settlement Fees and commission	62,072,535	38,984,384
7	Other fees, commission and miscellaneous income	234,920,277	163,848,625
8	Forex Income	3,089,739	4,726,544
<b>(c)</b>	<b>Treasury</b>	<b>4,272,214,545</b>	<b>3,017,534,837</b>
1	Interest Income from placements and investments	3,778,714,639	2,137,403,774
2	Profit/(Loss) on sale of shares/bonds	-	(10,458,530)
3	Bullion Trading Income	10,529,069	7,688,701
4	Dividend Income on Investments	147,805,630	428,905,175
5	Forex Gain	130,908,450	314,529,094
6	IBT Income	-	64,507,794
7	Rebate from Nostro Banks	15,864,074	15,458,221
8	Other Fees and Commission income	188,392,682	59,500,607
<b>(d)</b>	<b>Banking</b>	<b>36,418,221,105</b>	<b>27,009,943,715</b>
1	Income from Loan Products	23,458,732,383	19,066,595,327
2	Income from Bills Purchase and Discounting	14,100,021	36,113,639
3	Income from issuance of Letter of Credit	131,290,748	102,873,086
4	Income from issuance of Bank Guarantee	191,048,586	147,889,645
5	Income from Document Collection	65,265,940	9,939,864
6	Income from Remittance	44,727,113	41,001,253
7	Income from Bancassurance	7,274,276	9,277,814
8	Income from swift charges	29,441,395	30,908,776
9	Forex Gain	113,124,899	156,850,028
10	Profit/(loss) on sale of assets	16,774,253	(2,802,760)
11	IBT Income	11,267,772,776	7,311,956,820
12	Income from other Banking Services	997,312,049	99,340,223
<b>Total Revenue (including intersegment revenue)</b>		<b>41,663,400,761</b>	<b>30,774,083,057</b>

## 6. Information about geographical areas

Geographical break down of total income of the Bank as reported in Pt. 4(a) is as follows:

		2022-23	2021-22
(a)	<b>Domestic</b>	<b>41,663,400,761</b>	<b>30,774,083,057</b>
	Koshi Province	3,466,518,910	2,550,876,942
	Madhesh Province	3,534,307,795	2,636,683,807
	Bagmati Province	27,141,919,196	20,056,745,501
	Gandaki Province	2,496,829,531	1,814,913,586
	Lumbini Province	3,629,720,863	2,629,837,060
	Karnali Province	295,283,764	229,599,967
	Sudurpaschim Province	1,098,820,701	855,426,193
(b)	<b>Foreign</b>	-	-
	<b>Total</b>	<b>41,663,400,761</b>	<b>30,774,083,057</b>

## 7. Information about major customers

None of the external customer of the Bank individually contributes 10% or more to the Bank's revenue as at July 16, 2022 as well as July 16, 2023.

## 5.5. SHARE OPTIONS AND SHARE BASED PAYMENT

Share options is a contract that gives the holder the right, but not the obligation, to subscribe the Bank's shares at a fixed or determinable price for a specified period. A share-based payment is a transaction in which the bank receives goods or services either as consideration for its equity instruments or by incurring liabilities for amounts based on the price of the entity's shares or other equity instruments of the entity.

The bank has not entered into any share option or share based payment contract during the reporting period.

## 5.6. CONTINGENT LIABILITIES AND COMMITMENT

### Contingent Liabilities

Where the Bank undertakes to make a payment on behalf of its customers for guarantees issued, such as for performance bonds or as irrevocable letters of credit as part of the Bank's transaction banking business for which an obligation to make a payment has not arisen at the reporting date, those are included in these financial statements as contingent liabilities.

Other contingent liabilities primarily include revocable letters of credit, bonds issued on behalf of customers to customs, for bids or offers and income tax litigations.

### Commitments

Where the Bank has confirmed its intention to provide funds to a customer or on behalf of a customer in the form of loans, overdrafts, future guarantees, whether cancellable or not, or letters of credit and the Bank has not made payments at the reporting date, those instruments are included in these financial statement as commitments.

Explanatory information of contingent liabilities and commitments are given in Note No. 4.28 (including Note No. 4.28.1- 4.28.5).

## 5.7. RELATED PARTIES DISCLOSURES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include major shareholders, subsidiary companies, associates, retirement funds, directors and key management personnel and their close family members.

Banking transactions with the related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk.

### 5.7.1. Subsidiary

Transactions between the Bank and its subsidiary, Siddhartha Capital Limited, meet the definition of related party as defined under NAS-24 "Related Party Disclosures".

TRANSACTIONS DURING THE YEAR	2022-23(NPR)	2021-22(NPR)
Call Deposits held by Siddhartha Capital Limited at Siddhartha Bank Ltd.	347,668,418	394,168,082
Interest earned by Siddhartha Capital Ltd. on deposits held at Siddhartha Bank Ltd.	10,854,108	5,582,436
Share RTS fee earned by Siddhartha Capital Ltd	793,796	801,344
DP related Income earned by Siddhartha bank	1,187,143	-
Investment in "Siddhartha Equity Fund" managed by Siddhartha Capital Limited (Closing Balance at cost)	225,000,000	225,000,000
Investment in "Siddhartha Investment Growth Scheme-2" managed by Siddhartha Capital Limited (Closing Balance at cost)	210,000,000	210,000,000
Investment in "Siddhartha Systematic Investment Scheme" managed by Siddhartha Capital Limited (Closing Balance at cost)	45,445,000	23,970,000
Investment in "Siddhartha Investment Growth Scheme-3" managed by Siddhartha Capital Limited (Closing Balance at cost)	120,000,000	-

All of the transactions mentioned above, except for the investments made and sum received from any of the mutual funds managed by Siddhartha Capital Limited, have been eliminated upon consolidation.

### 5.7.2. Associates

The Bank considers an investee as its associate if the Bank can exercise significant influence in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Bank does not exercise significant influence in the financial and operating policy decisions of any of its investees as at July 16, 2022 and July 16, 2023.

### 5.7.3. Directors and other Key Managerial Personnel (KMP)

Key Management Personnel and their immediate family members are also considered to be related parties for disclosure purpose as per NAS-24 "Related Party Disclosures".

As per Nepal Financial Reporting Standard (NAS 24) "Related Party Disclosures", Key Management Personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity. The Bank considers the members of its Board, Chief Executive Officer and all managerial level executives as Key Management Personnel (KMP) of the Bank.

Following is the list of Board of Directors and CEO bearing office at July 16, 2023.

Mr. Manoj Kumar Kedia	Chairman
Mr. Narendra Kumar Agrawal	Director
Mr. Rahul Agrawal	Director
Mr. Dinesh Shanker Palikhe	Director
Mr. Ankit Kedia	Director
Mrs. Mina Kumari Sainju	Independent Director
Mr. Sundar Prasad Kadel	Chief Executive Officer

#### **a. Compensation to the members of the Board**

All members of the Board are non-executive directors and no executive compensation is paid to the directors. Specific non-executive allowances paid to directors are as under:

Board Meeting fees   NPR 1,688,000  
Other benefits       NPR 2,598,724

These allowances and benefits are approved by the Annual General Meeting of the Bank.

#### **b. Compensation to other KMP of the Bank**

NATURE OF COMPENSATION	TOTAL COMPENSATION (NPR)	REMARKS
Short-term employee benefits	350,564,214	Salary, PF and allowances of management level staff (Management level staff comprises of all staff of assistant manager level and above)
Post employee benefits	Nil	
Other long-term benefits	21,565,055	Sick Leave and Annual Leave
Terminal benefits	42,325,457	Gratuity benefits of eligible management staff
Share based payments	Nil	

#### **5.8. MERGER AND ACQUISITION**

The Bank has not entered into any merger or acquisition activity in FY 2022-23.

#### **5.9. ADDITIONAL DISCLOSURES OF NON-CONSOLIDATED ENTITIES**

Nepal Financial Reporting Standard (NAS 24) "Disclosure of Interests in Other Entities", is applicable when an entity has interest in any of the following:

- Subsidiaries
- Joint arrangements (joint operations or joint ventures)
- Associates
- Unconsolidated structured entities

The Bank has already disclosed its interests in subsidiaries in 5.7. Related parties' disclosures. The Bank does not have any interest in any form of joint arrangements, associates or unconsolidated structured entities in reporting period and corresponding previous year.

#### **5.10. EVENTS AFTER REPORTING PERIOD**

Events after the reporting date are those events, favorable and unfavorable, that occur between the reporting date and the date the Financial Statements are authorized for issue.

The Bank follows NAS-10 "Events after the Reporting Period" to account for and report the events that have occurred after the reporting period.

- Adjusting events after reporting period

The Bank has also availed the provision as provided by NRB directive that allows Banks to consider interest recovery made till July 31, 2023 while calculating amount to be transferred to regulatory reserve on account of interest income recognized on accrual basis but not realized till July 16, 2023.

- Non-adjusting events after reporting period

The Board of Directors of the Bank has proposed the distribution of 4.21% of paid up capital as cash dividend (including tax) amounting NPR 593,188,166 vide board meeting dated October

11, 2023 for the year ended July 16, 2023. Entire cash dividend will be paid out of retained earnings.

In accordance with Nepal Accounting Standard - NAS 10 (Events after the Reporting Period), above proposed cash dividend has not been recognized as a liability as at the year end. The Bank will recognize the same as its liability once the dividend is approved by shareholders.

Above proposed bonus shares has not been recognized in share capital. The Bank will recognize the same as share capital once the proposed bonus shares is approved by shareholders in the Annual General Meeting.

#### **5.11. AVAILMENT OF CARVE-OUTS NOTIFIED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NEPAL**

The Institute of Chartered Accountants of Nepal has notified 2 carve-outs in NFRS which allows alternative treatment. Accordingly, the Bank has availed following carve-outs while preparing its financial statements for FY 2022-23:

##### **a) Carve-Out : 1 - NFRS 9-Financial Instruments: Para 5.4 read together with appendix A (Defined Terms) relating to Effective Interest Rate**

As per NFRS-9, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options)

Carve-out: 1	NFRS-9	Financial Instruments: Para 5.4 read together with appendix A (Defined Terms) relating to Effective Interest Rate
Carve-out: 2	NFRS-9	Financial Instruments: Para 5.5 Impairment

but shall not consider future credit losses while calculating the effective interest rate. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see paragraphs B5.4.1-B5.4.3)

The Carve-out states that the effective interest rate calculation shall include all fees and points paid or received, unless it is immaterial or impracticable to determine reliably.

The Bank has availed this Carve-out and has not considered all fees and points paid or received which are impracticable to measure reliably while determining effective interest rate.

#### **b) Carve-out : 2- NFRS 9: Financial Instruments: Para 5.5 Impairment**

As per the carve-out, an entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortized cost is impaired. If there is objective evidence that an impairment loss on financial assets measured at amortized cost has been incurred, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the Statement of Profit or Loss.

The Carve-out requires Banks to measure impairment loss on loans and advances as the higher amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per the incurred loss method described in above paragraph.

The Bank has availed the Carve-out and has accordingly recognized impairment loss on loans and advances as the higher amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per the incurred loss method described in the first paragraph. The detail of impairment loss on loans and advances are as follows:

PARTICULARS	FY 2022-23	FY 2021-22
Total Loan loss provision as per norms prescribed by Nepal Rastra Bank (NRB Directive No. 2)	4,969,950,366	3,782,389,189
Total Impairment as per Incurred loss model	747,390,433	611,947,928

As, Loan loss provision as per norms prescribed by Nepal Rastra Bank is higher in both years, impairment loss on loans and advances is made accordingly.

The Bank has classified total loan loss provision mentioned above into 2 categories viz. Individual Impairment and Collective Impairment. The Bank has classified provision on loans having LLP rates of 1.30%, 5% and 21.30% as Collective Impairment and provision on loans having LLP rates of 12.5%, 25%, 50% and 100% as Individual Impairment. The Bank has availed this Carve-out and has not considered all fees and points paid

or received which are impracticable to measure reliably while determining effective interest rate.

#### **5.12. GENERAL RESERVE**

20 percent of the profit after tax is transferred to General Reserves as per Section 44 of Banks and Financial Institutions Act 2073. In FY 2022/23, the Bank has transferred NPR 633,354,269 to the General Reserve Fund from the current year's profit. Total General Reserve as at Balance Sheet date is NPR 4,409,195,752.

### 5.13. EXCHANGE FLUCTUATION FUND

25 percent of the revaluations gain on foreign exchange is transferred to exchange fluctuation fund as per Section 45 of Banks and Financial Institutions Act 2073. In FY 2022-23, the Bank has transferred NPR 24,190,255 to Exchange Fluctuation Fund from the current year profit. The balance in Exchange Fluctuation Fund stands at NPR 69,888,596 as on July 16, 2023.

PARTICULARS	AMOUNT (NPR)
<b>Opening balance as on July 16, 2022 (A)</b>	<b>45,698,341</b>
Transfer to Exchange Fluctuation Fund in FY 2022-23(B)	24,190,255
<b>Closing balance as on July 16, 2023 (A+B)</b>	<b>69,888,596</b>

Transfer made in Capital Redemption Reserve

### 5.15. CAPITAL ADJUSTMENT FUND

PARTICULARS	AMOUNT (NPR)
<b>Opening balance as on July 17, 2022 (A)</b>	<b>1,581,279,500</b>
Transfer to Capital Redemption Reserve fund in FY 2022-23(B)	1,460,426,500
<b>Closing balance as on July 16, 2023 (A+B-C)</b>	<b>3,041,706,000</b>

DEBENTURES	DEB 2082	DEB 2083	DEB 2084	Amount (NPR)
				TOTAL
FY 2019-20	360,426,500	-	-	360,426,500
FY 2020-21	360,426,500	-	-	360,426,500
FY 2021-22	360,426,500	500,000,000	-	860,426,500
FY 2022-23	360,426,500	500,000,000	600,000,000	1,460,426,500
FY 2023-24	360,426,500	500,000,000	600,000,000	1,460,426,500
FY 2024-25	360,426,500	500,000,000	600,000,000	1,460,426,500
FY 2025-26	-	500,000,000	600,000,000	1,100,000,000
FY 2026-27			600,000,000	600,000,000
<b>Total</b>	<b>2,162,559,000</b>	<b>2,500,000,000</b>	<b>3,000,000,000</b>	<b>7,662,559,000</b>

### 5.16. INVESTMENT ADJUSTMENT RESERVE

PARTICULARS	AMOUNT (NPR)
<b>Opening balance as on July 16, 2022</b>	<b>519,427,832</b>
Bonus share issued from Capital Adjustment Fund for FY 2021-22	(500,000,000)
<b>Closing balance as on July 16, 2023</b>	<b>19,427,832</b>

Investment Adjustment Reserve has been created on investments classified as 'financial assets at fair value through OCI' that are not listed in stock exchange except for investments in Credit Information Centre Limited, Nepal Clearing House Limited and National Banking Training Institute as per Nepal Rastra Bank Directives. Total outstanding investment adjustment reserve as at Balance Sheet date is NPR 11,365,167.

PARTICULARS	COST PRICE NPR	% RESERVE	Amount (NPR)
			INVESTMENT ADJUSTMENT RESERVE
Credit Information Center Limited	1,907,600	Exemption by NRB	-
Nepal Clearing House Limited	179,402,600	Exemption by NRB	-
National Banking Training Institute	1,834,860	Exemption by NRB	-
ICRA Nepal Limited	760,000	100%	760,000
Nepal Electronic Payment System Limited	15,000,000	Exemption by NRB	-
Prabhu Capital Limited	4,500,000	100%	4,500,000
SWIFT SC	6,105,167	100%	6,105,167
<b>Total Investment</b>	<b>209,510,227</b>		<b>11,365,167</b>

## 5.17. OTHER RESERVES

### a. Employees Related Reserve Fund

As per NRB Unified Directives, the Bank is required to expend at least 3% of total salary and allowance expenses of previous year i.e. FY 2021-22 in employees training and development. If the required amount could not be spent for the purpose, employees related reserve fund should be created for the shortfall amount. The Bank has created Employees Related Reserve Fund of NPR 21,371,100 for the shortfall amount. As of Balance Sheet date, the Bank's Employee Related Reserve Fund stands at NPR 53,566,155.

PARTICULARS	AMOUNT (NPR)
<b>Opening balance as on July 16, 2022 (A)</b>	<b>32,195,055</b>
3% of Total Employee expenses for FY 2021-22 (B)	50,260,064
Actual Expense incurred in Employee training and development in FY 2022-23 (C)	28,888,964
<b>Closing balance as on July 16, 2023 (A+B-C)</b>	<b>53,566,155</b>

### b. CSR Fund

As per NRB Unified Directives, the Bank has to transfer 1% of current year's profit to CSR fund. Accordingly, the Bank has transferred NPR 31,667,713 to CSR Fund from net profit of FY 2022-23. As of Balance Sheet date, the Bank's CSR fund stands at NPR 50,950,230.

PARTICULARS	AMOUNT (NPR)
<b>Opening balance as on July 16, 2022</b>	<b>40,480,610</b>
1% of Net profit for FY 2022-23 to be transferred to CSR Fund	31,667,713
CSR expenses incurred out of CSR Fund in FY 2022-23	(21,198,093)
<b>Closing balance as on July 16, 2023</b>	<b>50,950,230</b>

The detail of province-wise and sector-wise expenditure made in CSR activities in FY 2022-23 is mentioned below:

PROVINCE	SECTOR	TOTAL
Koshi	Education	216,000
	Environment	51,825
	Financial Literacy	404,061
	Health	5,810,450
	Wildlife Conservation	200,000
<b>Koshi Province Total</b>		<b>6,682,336</b>
Madhesh	Education	20,330
	Environment	70,000
	Financial Literacy	340,649
	Health	6,484,156
<b>Madhesh Province Total</b>		<b>6,915,135</b>
Bagmati	Culture	181,600
	Decent Work and Economic Growth	65,000
	Education	486,220
	Environment	1,211,981
	Financial Literacy	550,626
	Health	1,447,909
	Sustainable Cities and Communities	48,188
	Tourism	80,000
<b>Bagmati Province Total</b>		<b>4,071,524</b>
Gandaki	Education	25,000
	Environment	34,977
	Financial Literacy	336,036
	Health	145,000
	Sustainable Cities and Communities	146,125
	Tourism	201,000
<b>Gandaki Province Total</b>		<b>888,138</b>
Lumbini	Education	154,700
	Environment	138,368
	Financial Literacy	355,436
	Health	499,850
<b>Lumbini Province Total</b>		<b>1,148,354</b>
Karnali	Culture	68,000
	Education	54,000
	Environment	10,000
	Financial Literacy	313,036
	Open Bank Account Program	62,100
<b>Karnali Province Total</b>		<b>507,136</b>
Sudurpashchim	Culture	200,000
	Education	100,000
	Environment	234,760
	Financial Literacy	385,716
	Health	15,000
	Tourism	50,000
<b>Sudurpashchim Province Total</b>		<b>985,476</b>
<b>Grand Total</b>		<b>21,198,093</b>

### c. Regulatory Reserve

The Bank has transferred following amounts to Regulatory Reserve following NRB Directive No. 4 issued by Nepal Rastra Bank:

FISCAL YEAR	INTEREST RECEIVABLE	SHORT PROVISION FOR POSSIBLE LOSSES ON INVESTMENT	SHORT PROVISION ON NBA	ACTUARIAL LOSS RECOGNIZED	OTHER	Amount (NPR)
						TOTAL
2017-18	308,990,085	128,393,301	154,637,535	45,801,803	-	637,822,724
2018-19	(513,535)	(128,393,301)	(31,286,831)	112,188,330	-	(48,005,337)
2019-20	1,812,174	-	(37,287,825)	25,333,739	32,216,183	22,074,271
2020-21	(46,337,065)	-	97,293,642	13,360,629	(32,216,183)	32,101,023
2021-22	137,388,364	-	(48,972,726)	115,746,435		204,162,073
2022-23	252,880,025	-	277,974,823	(88,753,234)	95,861,873	537,963,482
<b>Total</b>	<b>654,220,048</b>	<b>-</b>	<b>412,358,618</b>	<b>223,677,702</b>	<b>95,861,873</b>	<b>1,386,118,237</b>

### 5.18. FOREIGN CURRENCY BORROWING

The Bank has borrowed USD 55 million from the International Finance Corporation (IFC) on 13 April 2022 for a period of 3 years. The loan provided by the IFC shall be used by the Bank for MSME and Climate Financing. In addition, the Bank shall also be using the loan for increasing its portfolio in climate friendly projects which shall be financing of energy efficiency projects such as solar projects, low carbon mobility projects such as electric vehicles, water efficiency projects, climate smart agriculture, manufacturing of energy efficient appliances, etc.

Other than new foreign currency borrowing made during FY 2022-23, the Bank has also repaid USD 8 million borrowed from Standard Chartered Bank Limited, Singapore during the year.

### 5.19. DUE TO NEPAL RASTRA BANK

As disclosed in Note 4.18: Due to Nepal Rastra Bank, there is significant decrement in FY 2022-23 in comparison to FY 2021-22. The major reason for such decrement is outstanding amount of Standard Liquidity Facility (SLF) of NPR 19.70 billion taken from Nepal Rastra Bank at the end of previous year which is nil in current year.

### 5.20. WEIGHTED AVERAGE INTEREST RATE SPREAD

PARTICULARS	RATE (%)
Average Rate of return from loans and advances	11.90
Average Rate of interest on deposits	7.91
<b>Net Spread</b>	<b>3.99</b>

### 5.21. RECONCILIATION STATUS

The Bank reconciles branches and other agency accounts regularly. The difference has been identified, reviewed and reconciled and it has been or will be adjusted in due course of business.

RECONCILIATION STATUS	LEDGER CREDIT	STATEMENT CREDIT	LEDGER DEBIT	STATEMENT DEBIT	NPR in '000
Less than 1 month	161,120	26,587	30,606	954,622	
More than 1 month to less than 3 months	39	789	-	-	
More than 3 months to less than 9 months	5	1,018	-	-	
More than 9 months	3	-	-	757	
<b>Total</b>	<b>161,167</b>	<b>28,394</b>	<b>30,606</b>	<b>955,379</b>	

## 5.22. DISCLOSURE OF NON-BANKING ASSETS

As at July 16, 2023, Non-Banking Assets assumed by Bank are as follows:

NAME & ADDRESS OF BORROWER/PARTY	DATE OF ASSUMING OF NON-BANKING ASSETS	TOTAL NON-BANKING ASSETS NPR	BLACKLISTING NUMBER	BLACKLISTING DATE
Tej Bahadur Khadka	1999-07-06	30,000		
Sumitra Devi Dhungel	2001-05-14	50,000		
Binod Shrestha	2014-04-22	37,226,925	5419	2014-04-22
Ramesh Dhakal	2014-05-30	28,510,640	5567	2014-06-27
Hira Acharya	2014-05-30	25,267,023	5568	2014-06-27
Hari Dhital	2014-05-30	6,212,996	5569	2014-06-27
Nanda Lal Dhami-Narendra Kumar Paudel	2014-08-15	12,345,926	5722	2014-07-04
Sarita Lama	2014-08-15	11,822,579	5745	2014-07-07
H.A. Construction Pvt. Ltd	2015-07-21	1,884,614	6416	2015-05-27
K Saud Suppliers	2019-12-24	13,257,040	10561	2018-06-08
Hamro Saptagandaki Departmental Stores	2021-01-19	28,450,000	17449	2020-03-16
Narayani Engineering Pvt. Ltd.	2021-07-15	17,768,878	11188	2018-09-28
Narayani Engineering Pvt. Ltd.	2022-01-13	12,431,044	11188	2018-09-28
Trimurti Kastha Udyog	2023-01-13	23,680,767	31561	2022-02-06
Pathivara Jewellers	2023-03-20	4,684,000	13959	2019-08-08
Om Hardware	2023-04-12	40,029,710	39910	2022-07-08
Sanjha Hardware	2023-04-12	9,551,816	39576	2022-07-06
Rajesh Kumar Shah	2023-04-12	5,813,504	59836	2023-03-23
Sanjha Kumari Sah	2023-04-12	5,811,891	59493	2023-03-19
Umesh Prasad Sah	2023-04-12	5,813,910	59494	2023-03-19
Suresh Prasad Sah	2023-04-12	9,308,108	51202	2022-12-19
Dilip Kumar Kesari	2023-04-13	3,836,001	35063	2022-04-25
Sun International Pvt Ltd	2023-04-13	9,083,999	35064	2022-04-25
Radico Metals Pvt Ltd	2023-04-23	25,370,000	35058	2022-04-25
Urlabari Auto Planet & Sagun Sun Chandi Pasal	2023-05-19	52,182,619	40349	2023-03-12
Trimurti Kasta Udyog (Rabindra Raj Regmi)	2023-05-18	5,245,138	31561	2022-02-06
Raju Neupane and Riddhi Siddhi Electricals	2023-06-04	28,835,763	26868/26867	2021-10-01
Arom Traders	2023-06-12	36,358,215	64686	2023-05-04
Gausiya Galla Kharid Bikri Kendra	2023-06-15	28,306,791	62799	2023-04-18
New Kamana Suppliers	2023-06-19	22,047,450	66082	2023-05-17
Abin Krishna Shrestha	2023-06-22	4,556,961	65094	2023-05-09
Opinion Trading House	2023-07-10	12,373,489	56608	2023-02-10
Taslima Miya	2023-07-11	5,894,456	57886	2023-02-28
G & G Hardware Suppliers	2023-07-12	101,110,450	56375	2023-02-08
Uttam Kumar Upadhyaya	2023-07-15	3,755,891	70091	2023-06-16
Kameshwar Ray Yadav	2023-07-13	9,421,522	21258	2021-01-31
Yes Nirman Sewa	2023-07-13	6,207,371	36516	2022-05-25
<b>Total</b>		<b>654,537,489</b>		

## 5.23. DISCLOSURE RELATED TO UNPAID DIVIDEND

The detail of unpaid dividend as of July 16, 2023 is as under:

FISCAL YEAR	AMOUNT (NPR)
2009-10	4,305,646
2010-11	1,849,563
2011-12	1,152,880
2012-13	1,296,990
2013-14	1,614,032
2017-18	27,388,123
2018-19	41,121,586
2019-20	11,305,621
<b>Total</b>	<b>90,034,441</b>

The dividend payable for FY 2009-10 to FY 2013-14 are unpaid relating to shares pledged and due to litigation ongoing in court.

## 5.24. DISCLOSURE RELATED TO INTEREST CAPITALIZATION

The Bank has capitalized interest of NPR 329,215,059 during FY 2022-23. The borrower-wise detail of interest capitalized during the year is as follows:

BORROWER NAME	1 <sup>ST</sup> QUARTER	2 <sup>ND</sup> QUARTER	3 <sup>RD</sup> QUARTER	4 <sup>TH</sup> QUARTER	TOTAL CAPITALIZATION
Moonlight Hydro Power Company	4,007,568	4,870,728	5,398,980	5,423,139	19,700,415
Peoples Hydropower Company Private Limited	27,881,985	29,091,105	34,894,299	-	91,867,390
Nilgiri Khola Hydro Power Company Limited	13,840,519	16,061,541	14,989,843	20,568,484	65,460,386
Isuwa Energy Private Limited	6,250,624	6,612,595	8,433,092	9,362,961	30,659,272
Mathillo Mailun Khola Jalavidhyut Limited	2,792,015	18,590,000	22,090,000	-	43,472,015
Multi Energy Development Private Limited	-	2,206,655	4,089,494	7,136,501	13,432,650
Peoples Energy Limited	-	411,600	3,342,252	7,003,349	10,757,202
Samyukta Urja Private Limited	-	843,810	1,703,683	4,202,010	6,749,503
United Mewa Khola Hydropower Private Limited	-	671,615	2,512,099	5,268,923	8,452,637
Him River Power Limited	-	7,960,000	21,201,491	9,502,097	38,663,588
<b>Total</b>	<b>54,772,711</b>	<b>87,319,649</b>	<b>118,655,233</b>	<b>68,467,465</b>	<b>329,215,059</b>

## **5.25. TAXATION ON MERGER SURPLUS**

The Bank had merged with Business Universal Development Bank Limited during FY 2015-16 on a swap ratio 100:55.36 and had booked merger surplus. Subsequently, the surplus was distributed to shareholders as bonus shares. However, the Bank has not provisioned for the tax liability of NPR 141,461,496 created as per Section 27 of Finance Act, 2080 on account of tax not paid on surplus from mergers/ acquisitions till Fiscal Year 2021-22.

The tax liability created as per Section 27 of Finance Act, 2080 has been contested by and the Bank is in process of filing litigation against the same.

## **5.26. MEMBER OF IFC GLOBAL TRADE FINANCE PROGRAM**

The Bank is a member of the International Finance Corporation (IFC) - a member of World Bank Group, Global Trade Finance Program as an Issuing Bank. As an Issuing Bank, IFC shall provide the Bank the agreed Confirmation Facility, which shall be used to enhance the Bank's capacity to meet the trade finance needs of various local enterprises as well as development projects of the country.

## **5.27. AGREEMENT WITH KFW DEVELOPMENT BANK**

Siddhartha Bank Limited (SBL) has successfully implemented German government supported project entitled "Sustainable Economic Development in Rural and Semi-Urban Areas – MSME Finance Phase II (SEDRA II)". The tripartite agreement between Ministry of Finance Nepal, Nepal Rastra Bank (NRB) and KfW Development Bank under German Development and Finance Corporation, Germany was signed on 6 November 2020 to implement the project however, the project was officially started from February 2021 and ended on Mid-July, 2023. The project consisted of two components; refinancing facility of EUR 3 Million and Technical Assistance of EUR 0.5 Million.

The objective of the project was to improve access to loan financing for Micro, Small and Medium-sized Enterprises (MSMEs) in rural and semi-urban areas with financing needs in the 'Missing Middle' segment.

## **5.28. COVID RELATED**

The details of covid related loans, refinance loan and interest subsidized loan as of July 16, 2023 are as follows:

PARTICULARS	AS OF JULY 16, 2023	
	NO. OF CUSTOMERS	AMOUNT (NPR)
Accrued Interest Received after Asadh end 2080 till 15 Bhadra 2080	-	-
Additional 0.3% loan loss provision created on pass loan portfolio	-	-
Extension of moratorium period of loan provided to industry or project under construction	-	-
Restructured/ rescheduled loan with 5% loan loss provision	-	-
Enhancement of working capital loan by 20% to COVID affected borrowers	-	-
Enhancement of term loan by 10% to COVID affected borrowers	-	-
Expiry date of additional 20% working capital loan (COVID loan) extended for up to 1 year with 5% provisioning	-	-
Expiry date of additional 10% term loan (COVID loan) extended for up to 1 year with 5% provisioning	-	-
Time extension provided for repayment of principal and interest for up to two years as per clause 41 of NRB directives 2	-	-

PARTICULARS	AS OF JULY 16, 2023	
	NO. OF CUSTOMERS	AMOUNT (NPR)
Refinance Loan	-	-
Business Continuity Loan	-	-
Refinance Loan (SEDRA)	203	187,281,311

PARTICULARS	AS OF JULY 16, 2023	
	NO. OF CUSTOMERS	AMOUNT (NPR)
Interest subsidized Loan	3,890	6,150,870,745

**Comparison of Unaudited and Audited Financial Statements as of FY 2022-23**

STATEMENT OF FINANCIAL POSITION	AS PER UNAUDITED FINANCIAL STATEMENT	AS PER AUDITED FINANCIAL STATEMENT	VARIANCE		REASONS FOR VARIANCE:
			IN AMOUNT	IN %	
<b>Assets</b>					
Cash and cash equivalent	11,560,996,090	11,554,080,479	(6,915,611)	(0.06)	Reclass of deposit balance after closure of nostro accounts
Due from Nepal Rastra Bank	9,000,713,492	9,000,713,492	-	-	
Placements with Bank and Financial Institutions	5,011,346,934	5,011,346,934	-	-	
Derivative financial instruments	17,320,155	17,320,155	-	-	
Other trading assets	-	-	-	-	
Loan and advances to B/FIs	5,170,773,907	5,170,773,907	-	-	
Loans and advances to customers	184,045,677,918	184,009,571,040	(36,106,878)	(0.02)	Effect of additional LLP and interest accrual reversal
Investment securities	62,672,975,991	62,480,476,034	(192,499,958)	(0.31)	Revaluation of investment in promoter shares of listed companies, unlisted mutual funds and open ended mutual funds
Current tax assets	4,738,209	263,764,947	259,026,738	5,466.76	1. Reclass of advance tax paid upto previous year 2. Booking of additional income tax provision"
Investment in subsidiaries	51,000,000	51,000,000	-	-	
Investment in associates	-	-	-	-	
Investment property	654,537,489	654,537,489	-	-	
Property and equipment	3,533,041,928	3,548,089,446	-	-	Additional lease asset booked
Goodwill and Intangible assets	166,000,283	166,000,283	-	-	
Deferred tax assets	-	-	-	-	
Other assets	4,232,762,619	4,050,241,119	(182,521,500)	(4.31)	1. Reclass of deposit balance after closure of nostro accounts 2. Effect of additional adjustment entries 3. Reclass of negative balances to Other liabilities 4. Reclass of advance tax paid upto previous year"
<b>Total Assets</b>	<b>286,121,885,016</b>	<b>285,977,915,326</b>	<b>(143,969,690)</b>	<b>(0.05)</b>	

STATEMENT OF FINANCIAL POSITION	AS PER UNAUDITED FINANCIAL STATEMENT	AS PER AUDITED FINANCIAL STATEMENT	VARIANCE IN AMOUNT	VARIANCE IN %	REASONS FOR VARIANCE
<b>Liabilities</b>					
Due to Bank and Financial Institutions	11,613,657,572	11,613,657,572	-	-	
Due to Nepal Rastra Bank	288,453,474	288,453,474	-	-	
Derivative financial instruments	23,887,253	23,887,253	-	-	
Deposits from customers	223,654,669,691	223,654,669,691	-	-	
Borrowing	7,312,480,160	7,312,480,160	-	-	
Current Tax Liabilities	-	-	-	-	
Provisions	-	-	-	-	
Deferred tax liabilities	563,467,968	501,929,292	(61,538,676) (10.92)	Recalculation of fixed assets tax base	
Other liabilities	5,538,028,563	5,613,687,917	75,659,353 1.37	1. Reduction in Employee bonus provision due to additional adjustment entries 2. Reclass of negative balances to Other liabilities <sup>a</sup>	
Debt securities issued	11,662,559,000	11,662,559,000	-	-	
Subordinated Liabilities	-	-	-	-	
<b>Total liabilities</b>	<b>260,657,203,682</b>	<b>260,671,324,359</b>	<b>14,120,677 0.01</b>		
Equity					
Share capital	14,089,980,190	14,089,980,190	-	-	
Share premium	-	-	-	-	
Retained earnings	795,765,602	663,610,438	(132,155,164) (16.61)	1. Reduction in Net Profit due to additional LLP Reserve and Regulatory Reserve <sup>b</sup> 2. Increment in amount to be transferred to Investment Adjustment Reserve and Regulatory Reserve	
Reserves	10,578,935,542	10,553,000,339	(25,935,203) (0.25)	1. Reduction in Net Profit due to additional LLP Reserve and Regulatory Reserve 2. Increment in amount to be transferred to Investment Adjustment Reserve and Regulatory Reserve 3. Revaluation of investment in promoter shares of listed companies, unlisted mutual funds and open ended mutual funds <sup>c</sup>	
<b>Total equity</b>	<b>25,464,681,334</b>	<b>25,306,590,967</b>	<b>(158,090,367) (0.62)</b>		
<b>Total liabilities and equity</b>	<b>286,121,885,016</b>	<b>285,977,915,326</b>	<b>(143,969,690) (0.05)</b>		

STATEMENT OF PROFIT OR LOSS		AS PER UNAUDITED FINANCIAL STATEMENT	AS PER AUDITED FINANCIAL STATEMENT	VARIANCE IN AMOUNT	VARIANCE IN %	REASONS FOR VARIANCE
Interest income	27,647,197.757	27,670,966,196	23,768,440	0.09		Additional adjustment entries
Interest expense	19,468,775,306	19,486,423,098	17,647,792	0.09		Reclass of cost related to external commercial borrowing
<b>Net interest income</b>	<b>8,178,422,450</b>	<b>8,184,543,098</b>	<b>6,120,647</b>	<b>0.07</b>		
Fee and commission income	1,693,118,604	1,693,079,336	(39,268)	(0.00)		Additional adjustment entries
Fee and commission expense	326,740,302	347,458,421	20,718,118	6.34		Reclass of POS charge fee and additional PL adjustment entries
<b>Net fee and commission income</b>	<b>1,366,378,301</b>	<b>1,345,620,915</b>	<b>(20,757,386)</b>	<b>(1.52)</b>		
<b>Net interest, fee and commission income</b>	<b>9,544,800,752</b>	<b>9,530,164,013</b>	<b>(14,636,739)</b>	<b>(0.15)</b>		
Net trading income	191,736,074	191,735,761	-	-		
Other operating income	336,328,302	336,328,302	-	-		
<b>Total operating income</b>	<b>10,072,865,128</b>	<b>10,058,228,076</b>	<b>(14,637,052)</b>	<b>(0.15)</b>		
Impairment charge/(reversal) for loans and other losses	1,127,707,852	1,187,561,177	59,853,325	5.31		Reclass of provision made for Prepaid Cards and additional LLP booked
<b>Net operating income</b>	<b>8,945,157,276</b>	<b>8,870,666,900</b>	<b>(74,490,377)</b>	<b>(0.83)</b>		
Personnel expenses	2,855,882,094	2,852,235,828	(3,626,265)	(0.13)		Reduction in Employee bonus provision due to additional PL adjustment entries
Other operating expenses	959,497,530	917,442,986	(42,054,545)	(4.38)		Reclass of POS charge fee, provision made for Prepaid Cards and cost related to external commercial borrowing
Depreciation & Amortisation	444,005,164	448,006,336	4,001,172	0.90		Additional lease expense booked
<b>Operating profit</b>	<b>4,685,792,489</b>	<b>4,652,981,749</b>	<b>(32,810,739)</b>	<b>(0.70)</b>		
Non operating income	13,471,787	13,471,787	-	-		
Non operating expense	101,194,542	101,194,542	-	-		
Profit before tax	4,598,069,734	4,565,258,995	(32,810,739)	(0.71)		Reduction in profit due to additional LLP and adjustment entries
Income tax	1,407,957,992	1,398,487,648	(9,470,344)	(0.67)		Reduction in income tax expense due to additional LLP and adjustment entries
<b>Profit / (loss) for the period</b>	<b>3,190,111,742</b>	<b>3,166,771,347</b>	<b>(23,340,395)</b>	<b>(0.73)</b>		
Other comprehensive income	780,291,139	645,541,169	(134,749,971)	(17.27)		Revaluation of investment in promoter shares of listed companies
<b>Total comprehensive income</b>	<b>3,970,402,882</b>	<b>3,812,312,516</b>	<b>(158,090,366)</b>	<b>(3.98)</b>		
<b>Distributable Profit</b>						
Net profit/(loss) as per profit or loss	3,190,111,742	3,166,771,347	(23,340,395)	(0.73)		
Add/Less: Regulatory adjustment as per NRB Directive (2,606,263,720)	(2,715,078,489)	(108,814,769)	4,18			
<b>Free profit/(loss) after regulatory adjustments</b>	<b>583,848,022</b>	<b>451,692,858</b>	<b>(132,155,164)</b>	<b>(22.64)</b>		

## Principal Indicators

PARTICULARS	INDICATORS	F.Y 2018-19	F.Y 2019-20	F.Y 2020-21	F.Y 2021-22	F.Y 2022-23
1. Net Profit/Total Income	Percent	15.49%	12.48%	15.77%	12.53%	10.59%
2. Earning per share						
Basic earning per share	Rs.	23.07	19.55	22.79	20.60	22.48
Diluted earning per share	Rs.	23.07	19.55	22.79	20.60	22.48
3. Market price per share	Rs.	318.00	296.00	504.00	303.00	253.00
4. Price/Earning Ratio	Ratio	13.79	15.14	19.35	13.07	11.26
5. Dividend on Bonus per share	Percent	10.00%	12.00%	14.25%	12.50%	0.00%
6. Cash dividend	Percent	15.26%	3.00%	0.75%	0.66%	4.21%
7. Interest Income/Loan and Advances	Percent	11.14%	11.14%	8.18%	9.85%	12.34%
8. Employee expense/Total Operating Expenses	Percent	60.64%	62.19%	63.88%	63.87%	62.48%
9. Interest Expenses/Total Deposit & Borrowing	Percent	7.32%	7.28%	5.54%	6.73%	8.49%
10. Exchange Income/Total Income	Percent	3.00%	2.68%	2.73%	2.16%	0.96%
11. Staff Bonus/ Total Employee Expenses	Percent	21.70%	16.12%	19.55%	17.62%	17.78%
12. Net Profit/ Loan and Advances	Percent	2.06%	1.65%	1.70%	1.54%	1.63%
13. Net Profit/ Total Assets	Percent	1.49%	1.26%	1.25%	1.10%	1.11%
14. Total loans and advances/Total deposit	Percent	89.65%	89.04%	90.60%	96.08%	84.94%
15. Total Operating Expenses/Total Assets	Percent	1.84%	2.03%	1.62%	1.59%	1.60%
16. Capital Adequacy Ratio						
a) Common Equity Tier 1 Capital	Percent	10.11%	9.26%	8.52%	9.04%	9.37%
b) Core Capital	Percent	10.11%	9.26%	8.52%	9.04%	9.37%
c) Supplementary Capital	Percent	2.59%	3.91%	4.84%	3.96%	3.10%
d) Total Capital Fund	Percent	12.70%	13.17%	13.36%	13.00%	12.47%
17. Cash Reserve Ratio (CRR)	Percent	4.56%	5.03%	3.54%	3.23%	4.06%
18. NPAs/Total loan and advances	Percent	0.75%	1.38%	1.00%	1.07%	2.01%
19. Base Rate	Percent	10.57%	9.03%	7.16%	9.45%	9.91%
20. Weighted Average Interest Rate Spread	Percent	3.72%	4.81%	3.70%	4.37%	3.99%
21. Book net worth (Rs. in billion)	Rs.	15.03	16.01	20.40	21.59	25.31
22. Total Shares	Nos.	88,876,045	97,877,671	109,622,992	125,244,268	140,899,802
23. Total employees (Permanent)	Nos.	1,645	1,887	1,862	1,893	1,970
24. Others						
Per employee business (Rs. in lakh)	Rs.	1,413	1,462	1,896	2,035	2,147
Employee expense/Total Income	Percent	11.59%	12.55%	13.08%	11.59%	9.54%
Number of branches (including extension counters)	Nos.	159	186	189	190	196

# **SUBSIDIARY COMPANY**



Siddhartha Capital Limited (SCL) is the subsidiary of Siddhartha Bank Limited (SBL) registered under Company Act, 2063, with 51 percent promoter shareholding of the Bank.

Established in 2012, the company has emerged as a key player in the Nepalese capital market, providing a range of financial services to institutional and individual clients. Siddhartha Capital Limited offers a variety of services, including Issue Management Services, Underwriting Services, Portfolio Management Services, Depository Participant Services, Registrar to Shares Services and Corporate Advisory Services.

Siddhartha Capital Limited, is licensed to operate as a Depository Participants (DP) and is providing the DP related services to its customers through the branches of Siddhartha Bank Limited (SBL) and its corporate and representative offices. Moreover, SCL has been granted permission by SEBON to act as a Qualified Institutional Investor (QII) and participate in securities issued through the book-building process.

Siddhartha Capital Limited (SCL) was the first institution in Nepal to be granted an operating license to administer mutual funds. SCL has contributed significantly to the growth of the mutual fund industry in the nation. The company's mutual fund management division manages various mutual fund schemes, providing investors with access to diverse investment opportunities and asset classes.

The company has a team of experienced professionals with expertise in diverse fields, including finance, investment and research. ICRA Nepal has reaffirmed the Fund Management Quality Rating (FMQR) of AMC Quality 3+ for SCL, indicating adequate assurances on management quality, the company's established track record in fund management, strong market presence and financial profile.

Siddhartha Capital Limited is a trusted and reputable financial institution in Nepal, committed to providing innovative and personalized financial solutions to its clients.



### Vision

To be a leading institution in providing investment banking services in the country.



### Mission

Be an upstanding corporate citizen that contributes to the society and economy by delivering maximum benefits to clients and shareholders.



### Objective

To become the merchant bank of first choice is the main objective of the company.



### Strategy

Siddhartha Capital practices three core strategies that help deliver outstanding results for all the clients.



### Client Focus

- Offer investment options at the lowest cost possible
- Offer simple products that are attractive and easy to understand
- Deliver reasonable, risk adjusted returns over long terms



### Approach

- Disciplined research and investment process
- Efficient risk management systems
- Achieving long term goals with continuous focus on every detail



### Sustainability

- Ethical and dependable services
- Sustainable relations
- Corporate Social Responsibility

### What We Do

The major activities of the company are issue management, portfolio management services, underwriting of securities, securities trustee, registrar to shares, corporate advisory, fund management & depository services in a mutual fund, depository participant services in a central depository service etc. Each business type is represented below.

#### 1. Merchant Banking

Siddhartha Capital Limited obtained license for commercial operation as a Securities Businessperson (Merchant Banker) from SEBON on Jesta 28, 2072. The company has successfully provided a variety of merchant banking services for the past ten years. Each business type is represented below.

#### **A. Issue Management**

Siddhartha Capital Limited offers services to corporate clients that wish to generate funds by making public offering of their stocks, bonds, and debentures in the primary market. Siddhartha Capital Limited assist and ensure that those services are endowed with optimum quality and precision at reasonable and affordable prices. SCL has already performed the role of lead issue manager in the issuance of various Initial Public Offerings (IPO), Further Public Offerings (FPO), New Fund Offer (NFO), Right Share Issue and Bonds/ Debentures issues.

#### **B. Underwriting Services**

Siddhartha Capital Limited assists corporate clients in the issuance of new securities in the market with the assurance of subscribing to the shares offered to the public as an underwriter. With a capital base of NPR 200 million, a strong parent company back up, and an asset backup under its management, SCL has the potential to underwrite securities significantly, allowing it to manage public offerings efficiently.

#### **C. Registrar to Shares**

Siddhartha Capital Limited acts as trustees and managers for individuals and businesses by providing custody of their securities. Siddhartha Capital Limited also maintains an up-to-date database of these companies' shareholders. Siddhartha Capital Limited ensures that all shareholders receive their dividends on time, handles all share transfers, transfers shares to the appropriate demat accounts, issues share certificates, and provides any other related services. Siddhartha Capital Limited guarantee shareholders hassle-free services in the shortest amount of time with the best service delivery.

#### **D. Depository Participant**

Siddhartha Capital Limited has been providing DP services since obtaining the status of Depository Participant under the CDS Regulation 2010 and is a market leader in doing so, operating over 340,000 Beneficiary Ownership (BO) accounts.

Siddhartha Capital Limited's market leadership and satisfied customers attest to their unrivaled dedication and expertise in serving the Nepalese capital market and its participants.

#### **E. Corporate Advisory Services**

Siddhartha Capital Limited provides business consulting services to both private and public entities in pursuit of business excellence; and the services are driven by the clients' needs in order to achieve their organizational objectives and goals. In general, the services will include restructuring of organization, business and project valuation, business plan development, loan syndication, asset management, working capital financing, company conversion, etc.

### **2. Portfolio Management Services**

SCL has proven its fund management efficiency by successfully managing its mutual fund schemes. Our PMS clients are served by a team of dedicated and experienced professionals. Our experts use their talent and experience to create a portfolio that is tailored to the client's needs and attitude in order to maximize the return. We aim to relieve clients of the administrative burden of managing their own investments through our services.

### **3. Mutual Fund Management**

Siddhartha Mutual Fund is the first mutual fund registered with Securities Board of Nepal (SEBON) to conceptualize and issue mutual fund schemes as per the Mutual Fund Regulation of 2010 where Siddhartha Bank Limited is the fund Sponsor and Siddhartha Capital Limited is the Fund Manager and Depository.

Since then, SCL has successfully managed to float closed-end Mutual Fund Schemes worth NPR 5 billion in the market. The fund manager i.e. SCL has successfully redeemed two of its mutual fund schemes; Siddhartha Investment Growth Scheme - 1(SIGS1) and Siddhartha Equity Oriented Scheme (SEOS), both being a 5-year close-ended scheme with a basic fund size of NPR. 500 million and NPR. 1 billion providing an annual return of 48.5% and 13.60% respectively.

Currently, Siddhartha Capital Limited is successfully operating Siddhartha Equity Fund (SEF), Siddhartha Investment Growth Scheme 2 (SIGS2), Siddhartha Investment Growth Scheme 3 (SIGS3) and Siddhartha Systematic Investment Scheme (SSIS) under Siddhartha Mutual Fund. Siddhartha Equity Fund with base size of NPR 1.50 billion is successfully operating for the past 5 years and Siddhartha Investment Growth Scheme 2 with base size of 1.20 billion is operating for the last 3 years. Similarly, Siddhartha Investment Growth Scheme 3 with base size of 805.9 million is operating from the last year and Siddhartha Systematic Investment Scheme, which started with initial base size of 200 million is successfully operating for last 2 year and the fund size has grown to 454.2 million as of mid-July 2023. Siddhartha Equity Fund, Siddhartha Investment Growth Scheme 2 and Siddhartha Investment Growth Scheme 3 are traded in secondary market after being listed in NEPSE. The Siddhartha Systematic Investment Scheme, however, only permits trading through Siddhartha Capital Limited.

The Siddhartha Equity Fund and Siddhartha Investment Growth Scheme 2 has distributed dividend of 5% including tax worth NPR 75 million and 6.5% including tax worth NPR 78 million respectively out of their profits for FY 2022-23. As of mid-July 2023, the Net Assets Value (NAV) of Siddhartha Equity Fund, Siddhartha Investment Growth Scheme 2, Siddhartha Investment Growth Scheme 3 and Siddhartha Systematic Investment Scheme remains at NPR 10.53, NPR 10.69, NPR 10.31 and NPR 9.00 respectively.

All the schemes aim to provide a regular and balanced return over the scheme period while focusing on the highest possible capital appreciation at the end of the maturity. The efficiency of the scheme management is reflected through the Net Asset Value (NAV) and consistent dividend payments.

### **SCL Performance**

The company's balance sheet size has witnessed an exponential growth over the past few years with its current net worth

per share standing at NPR 245.42 as on mid-July 2023. The performance of SCL seems satisfactory during FY 2022-23. During FY 2022-23, SCL has earned net profit of NPR 62.38 million compared to the net profit of NPR. 56.22 million earned in FY 2021-22. SCL is able to earn a total income of NPR. 191.25 million in FY 2022-23 vis a vis NPR. 193.71 million earned in FY 2021-22 and total expenses was NPR. 101.26 million in FY 2022-23 vis a vis NPR. 113.35 million in FY 2021-22. The heavy fall of NEPSE index has negatively impacted the profit of the SCL during the year. Despite of it, Siddhartha Capital Limited has managed to distribute 25% cash dividend including tax to its shareholders from its current year's profit. The major indicators of financial performance of SCL has been presented below:

PARTICULARS	2022-23	2021-22
Balance sheet size (NPR in million)	806.32	877.65
Total Equity (NPR in million)	450.84	437.16
Net Profit (NPR in million)	62.38	56.22
Earnings Per Share (NPR)	31.19	28.11
Return on Equity (%)	13.84	12.86
Return on Assets (%)	7.74	6.41

During the FY 2022-23, the company has managed IPO of 6 companies of issue size approx. NPR 5.23 billion (including 1 bond issuance and 1 mutual fund issue). The company has been appointed as Registrar to Share (RTS) of 19 various companies including 4 mutual fund and 1 debenture. Siddhartha Capital Limited have total of 386,216 DP clients and 337,003 Meroshare accounts operated by CDS as of mid-July 2023.

Till date, SCL has provided issue management services worth over NPR 47.23 billion for 57 companies, comprising of Initial Public Offerings (IPO), Further Public Offerings (FPO), New Fund Offers (NFO), Right Share issuance etc. SCL has also issued public offerings across a variety of sectors including commercial banks, development banks, life and non-life Insurance companies, hydropower, manufacturing, mutual fund, and microfinance.

# **AUDITED FINANCIAL STATEMENTS OF SIDDHARTHA CAPITAL LIMITED**

**S. R. PANDEY & CO.**  
**Chartered Accountants**

2nd Floor, House No. 2979/33  
Nabil Galli, Maharajgunj  
P. O. Box No. 2343  
Kathmandu, Nepal

Tel.: 977-1-4720983  
Fax: 977-1-4720983  
e-mail: info@srp.com.np

**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS SIDDHARTHA CAPITAL LIMITED**

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the accompanying financial statements of **Siddhartha Capital Limited** ("the Company"), which comprise the Statement of Financial Position as at Ashad 31, 2080, (July 16, 2023), the Statement of Profit or Loss (including Other Comprehensive Income), the Statement of Change in Equity and the Statement of Cash Flows for the year then ended on that date, and a summary of the significant accounting policies and other explanatory information (hereafter referred to as "the financial Statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid the financial statements presents fairly, in all material respects, the financial position of the Company, as at Ashad 31, 2080 (July 16, 2023), and its financial performance, changes in equity, cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, in accordance with Nepal Financial Reporting Standards and comply with Company Act, 2063, Securities Act, 2063 and other prevailing laws.

**Basis for Opinion**

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

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of financial statement as a whole, and in forming the auditor opinion thereon, and the auditor does not provide a separate opinion on these matters.

We have determined that there are no any key audit matters to communicate in our report.

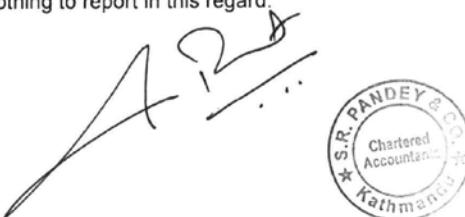
**Information Other than the Financial Statements and Auditor's Report Thereon**

The Company's Management is responsible for the preparation of the other information. The other information comprises the information included in the Management report, Report of the Board of Directors and Chairman's statement but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



### **Responsibility of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Nepal Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud and error.

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

The Board of Directors are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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



### **Report on Other Legal and Regulatory Requirements**

Based on our examination, we would like to further report that:

- i. We have obtained all the information and explanations, which were considered necessary for the purpose for our audit.
- ii. The company has kept proper books of accounts as required by law, in so far as it appears from our examination of those books of account.
- iii. The Statement of Financial Position, Statement of Profit or Loss (including other Comprehensive Income), the Statement of Change in Equity and the Statement of Cash Flows and attached Schedules dealt with by this report are in agreement with the books of account maintained by the company.
- iv. During our examination of the books of account of the company, we have not come across the cases where the Board of Directors or any member thereof or any representative or any office holder or any employee of the company has acted contrary to the provisions of law or caused loss or damage to the company.
- v. We have not come across any fraudulence in the accounts, based on our sample examination of the books.
- vi. The company has maintained all the required capital funds, net current assets and deposits as per relevant law.
- vii. The company has maintained all the required internal control systems.
- viii. We have not come across any cases where the company has conducted any activities against the capital market and the interest of investors.
- ix. The company has its audit committee.

For, S. R. Pandey & Co.  
Chartered Accountants



A handwritten signature in black ink, appearing to read "ARUN RAUT". Below the signature, there is a dotted line followed by the text "Arun Raut, FCA" and "Partner".

Place: Kathmandu  
Date: September 14, 2023  
UDIN: 230918CA00485gfkr

# STATEMENT OF FINANCIAL POSITION

As on 16 July, 2023

In NPR

PARTICULARS	NOTE	CURRENT YEAR	PREVIOUS YEAR
<b>Assets</b>			
Cash and Cash Equivalents	1	364,901,874	401,623,336
Investment Securities	2	357,799,055	382,238,749
Other Financial Assets	3	30,611,004	37,663,164
Other Assets	4	2,810,306	2,287,176
Property & Equipment	5	31,426,432	34,790,362
Intangible Assets	6	1,612,026	2,231,378
Current Tax Assets	7	4,320,607	-
Deferred Tax Assets	11	12,836,567	16,816,060
<b>Total Assets</b>		<b>806,317,871</b>	<b>877,650,224</b>
<b>Liabilities</b>			
Due to Public	8	280,799,616	337,010,617
Other Financial Liabilities	9	37,335,800	55,093,815
Other Liabilities	10	37,339,227	43,810,175
Current Tax Liabilities	7	-	4,578,391
Deferred Tax Liabilities	11	-	-
<b>Total Liabilities</b>		<b>355,474,643</b>	<b>440,492,998</b>
<b>Equity</b>			
Share Capital	12	200,000,000	200,000,000
Retained Earnings	13	181,410,607	175,621,873
Reserves & Surplus	14	69,432,621	61,535,353
<b>Total Equity</b>		<b>450,843,228</b>	<b>437,157,226</b>
<b>Total Liabilities and Equity</b>		<b>806,317,871</b>	<b>877,650,224</b>

Note 1-24 form the integral part of the Financial Statements.

**RUPESH RAUT**  
HEAD, FINANCE & OPERATIONS

**RAHUL AGRAWAL**  
DIRECTOR

**MOHIT KEDIA**  
CHAIRMAN

As per our report of even date  
**On Behalf of S.R. Pandey & Co.**

**MUKTI NATH SUBEDI**  
CHIEF OPERATING OFFICER

**SHER BAHADUR BUDHATHOKI**  
DIRECTOR

**ARUN RAUT, FCA**  
PARTNER

**SANDEEP KARKI**  
CHIEF EXECUTIVE OFFICER

**RISHI RAJ GAUTAM**  
INDEPENDENT DIRECTOR

DATE: **SEPTEMBER 14, 2023**  
PLACE: **KATHMANDU, NEPAL**

**KIRAN THAPA**  
INDEPENDENT DIRECTOR

# STATEMENT OF PROFIT OR LOSS

For year ended July 16, 2023

In NPR

PARTICULARS	NOTE	CURRENT YEAR	PREVIOUS YEAR
<b>Income</b>			
Income from Merchant Banking Activity	15	75,949,723	137,843,869
Income from Mutual Fund operations	16	57,713,445	78,991,803
Interest Income	17	43,938,733	38,767,908
Other Income	18	16,643,662	6,292,656
Foreign exchange (gain)/loss	19	1,573	3,582
Net gain/(loss) on financial investments measured at FVTPL	20	(2,992,278)	(68,190,977)
<b>Total Income</b>		<b>191,254,859</b>	<b>193,708,841</b>
<b>Expenses</b>			
Personnel Expenses	21	44,061,287	43,692,830
Depreciation on Property and Equipment	5	8,233,924	9,026,750
Amortization of Intangible Assets	6	639,353	432,654
Other Operating Expenses	22	48,322,947	60,195,431
<b>Total Expenses</b>		<b>101,257,510</b>	<b>113,347,666</b>
<b>Profit Before Tax from Continuing Operations</b>		<b>89,997,349</b>	<b>80,361,175</b>
Income Tax Expenses		27,614,508	24,141,704
Current Tax		24,193,513	45,581,631
Previous Year Tax Expenses		576,377	69,113
Current Year Tax Expenses		23,617,136	45,512,518
Deferred Tax		3,420,995	(21,439,928)
<b>Profit For the Year</b>		<b>62,382,841</b>	<b>56,219,471</b>

Note 1-24 form the integral part of the Financial Statements.

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HEAD, FINANCE & OPERATIONS

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CHAIRMAN

As per our report of even date  
**On Behalf of S.R. Pandey & Co.**

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**RISHI RAJ GAUTAM**  
INDEPENDENT DIRECTOR

DATE: **SEPTEMBER 14, 2023**  
PLACE: **KATHMANDU, NEPAL**

**KIRAN THAPA**  
INDEPENDENT DIRECTOR

# STATEMENT OF CASH FLOWS

As on 16 July, 2023

In NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>Operating Activities</b>		
<b>(a) Cash Flow from Operating Activities</b>	<b>(60,835,912)</b>	<b>(145,374,951)</b>
<b>1. Cash Received from Income</b>	<b>136,690,108</b>	<b>219,619,249</b>
1.1 Income from Merchant Banking Operation	75,949,723	137,843,869
1.2 Income from Mutual Fund Operation	57,713,445	78,991,803
1.3 Interest Income	1,776,311	1,270,682
1.4 Other Income	1,250,629	1,512,895
<b>2. Cash Payment</b>	<b>123,615,085</b>	<b>144,931,356</b>
2.1 Personnel Expenses	44,061,287	43,692,830
2.2 Office Operating Expenses	48,054,942	60,195,431
2.3 CSR Expenses	268,005	-
2.4 Income Tax Paid	31,230,852	41,043,094
Cash Flow before changes in Working Capital	13,075,023	74,687,893
(Increase)/Decrease in Current Assets	6,529,029	60,334,034
1. (Increase)/Decrease in Financial Assets	7,052,159	59,193,992
2. (Increase)/Decrease in Other Assets	(523,130)	1,140,042
Increase/(Decrease) in Current Liabilities	(80,439,964)	(280,396,878)
1. Increase/(Decrease) in Public Dues	(56,211,001)	(273,310,432)
2. Increase/(Decrease) in Other Liabilities	(24,228,964)	(7,086,446)
<b>(b) Cash Flow from Investment Activities</b>	<b>74,112,877</b>	<b>(80,839,778)</b>
1. (Increase)/Decrease in Investment Securities	35,753,283	(87,632,595)
2. Purchase of property and equipment	(4,889,994)	(37,024,511)
3. Receipt from the sale of property and equipment	(1)	4,915,101
4. Interest received	42,162,423	37,497,226
5. Dividend received	1,087,166	1,405,000
<b>(c) Cash Flow from Financing Activities</b>	<b>(50,000,000)</b>	<b>(80,000,000)</b>
1. Receipt from issue of shares	-	-
2. Share Premium	-	-
3. Payment of Dividend	(50,000,000)	(80,000,000)
<b>(d) Net increase/(decrease) in cash and cash equivalents</b>	<b>(36,723,035)</b>	<b>(306,214,730)</b>
<b>(e) Cash and cash equivalents at the beginning of the year</b>	<b>401,623,336</b>	<b>707,834,484</b>
<b>Effect of exchange rate fluctuation on cash and cash equivalents held"</b>	<b>1,573</b>	<b>3,582</b>
<b>(f) Cash and cash equivalents at the end of the year</b>	<b>364,901,874</b>	<b>401,623,336</b>

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MOHIT KEDIA  
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RISHI RAJ GAUTAM  
INDEPENDENT DIRECTOR

DATE: SEPTEMBER 14, 2023  
PLACE: KATHMANDU, NEPAL

KIRAN THAPA  
INDEPENDENT DIRECTOR

## STATEMENT OF OTHER COMPREHENSIVE INCOME

For year ended July 16, 2023

In NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>Profit for the year</b>	<b>62,382,841</b>	<b>56,219,471</b>
Gains /(losses) on re-measuring available for sale financial assets	-	-
Gain/(loss) on financial investments measured at FVOCI	1,861,659	-
Gain/(loss) on Actuarial valuation of defined benefit liability	-	-
Total other comprehensive income /(loss)	1,861,659	-
Income tax income /(expense) relating to above items	(558,498)	-
Net Comprehensive Income	1,303,161	-
<b>Total comprehensive income for the year, net of tax</b>	<b>63,686,002</b>	<b>56,219,471</b>

## STATEMENT OF CHANGES IN EQUITY

As on 16 July, 2023

In NPR

PARTICULARS	SHARE CAPITAL	RETAINED EARNINGS	DBO GAIN / (LOSS)	CSR RESERVE	GENERAL RESERVE	TOTAL SHAREHOLDERS' FUNDS
<b>Balance as at July 16, 2021</b>	<b>200,000,000</b>	<b>205,586,544</b>	-	<b>1,365,306</b>	<b>53,985,905</b>	<b>460,937,755</b>
<b>Adjustment</b>	-	-	-	-	-	-
Adjusted Balance as at July 16, 2021	200,000,000	205,586,544	-	1,365,306	53,985,905	460,937,755
Issue of Share Capital	-	-	-	-	-	-
Dividend Declared & Paid	-	(80,000,000)	-	-	-	(80,000,000)
Transfer to General Reserve	-	(5,621,947)	-	-	5,621,947	-
Transfer to CSR Reserve	-	(562,195)	-	562,195	-	-
Transfer from CSR Reserve	-	-	-	-	-	-
Net profit for the year	-	56,219,471	-	-	-	56,219,471
Fair valuation of financial investments measured at FVOCI (net of tax)	-	-	-	-	-	-
Bonus share issued	-	-	-	-	-	-
Transfers during the year	-	-	-	-	-	-
<b>Balance as at July 16, 2022</b>	<b>200,000,000</b>	<b>175,621,873</b>	-	<b>1,927,501</b>	<b>59,607,852</b>	<b>437,157,226</b>
<b>Balance as at July 17, 2022</b>	<b>200,000,000</b>	<b>175,621,873</b>	-	<b>1,927,501</b>	<b>59,607,852</b>	<b>437,157,226</b>
<b>Adjustment</b>	-	-	-	-	-	-
Adjusted Balance as at July 17, 2022	200,000,000	175,621,873	-	1,927,501	59,607,852	437,157,226
Issue of Share Capital	-	-	-	-	-	-
Dividend Declared & Paid	-	(50,000,000)	-	-	-	(50,000,000)
Transfer to General Reserve	-	(6,238,284)	-	-	6,238,284	-
Transfer to CSR Reserve	-	(623,828)	-	623,828	-	-
Transfer from CSR Reserve	-	268,005	-	(268,005)	-	-
Net profit for the period	-	62,382,841	-	-	-	62,382,841
Fair valuation of financial investments measured at FVOCI (net of tax)	-	-	1,303,161	-	-	1,303,161
Bonus share issued	-	-	-	-	-	-
Transfers during the period	-	-	-	-	-	-
<b>Balance as at July 16, 2023</b>	<b>200,000,000</b>	<b>181,410,607</b>	<b>1,303,161</b>	<b>2,283,324</b>	<b>65,846,136</b>	<b>450,843,228</b>

**RUPESH RAUT**  
HEAD, FINANCE & OPERATIONS

**RAHUL AGRAWAL**  
DIRECTOR

**MOHIT KEDIA**  
CHAIRMAN

As per our report of even date  
**On Behalf of S.R. Pandey & Co.**

**MUKTI NATH SUBEDI**  
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**RISHI RAJ GAUTAM**  
INDEPENDENT DIRECTOR

DATE: SEPTEMBER 14, 2023  
PLACE: KATHMANDU, NEPAL

**KIRAN THAPA**  
INDEPENDENT DIRECTOR

## CASH & CASH EQUIVALENTS

Note 1

S. N.	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1	Cash Balance	-	863
2	Balance in Call Account	364,888,691	401,570,194
3	SCL-Dollar Card-FCY	13,183	52,279
	<b>Total</b>	<b>364,901,874</b>	<b>401,623,336</b>

## INVESTMENT SECURITIES

Note 2

S. N.	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1	Investment Securities measured at Amortized Cost	136,476,000	223,476,000
2	Investment in Securities measured at FVTPL	109,407,897	158,762,749
3	Investments in Securities measured at FVTOCI	111,915,159	-
	<b>Total</b>	<b>357,799,055</b>	<b>382,238,749</b>

## INVESTMENT SECURITIES MEASURED AT AMORTIZED COST

Note 2(A)

S. N.	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1	Fixed Deposits with Banks	128,500,000	217,000,000
2	Investment in Debentures	7,976,000	6,476,000
	<b>Total</b>	<b>136,476,000</b>	<b>223,476,000</b>

## INVESTMENT IN SECURITIES MEASURED AT FVTPL

Note 2(B)

S. N.	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1	Investments in Quoted Equities	39,971,001	96,478,994
2	Investments in Quoted Mutual Funds	46,936,896	52,271,255
3	Investments in Unquoted Mutual Funds	22,500,000	10,012,500
	<b>Total</b>	<b>109,407,897</b>	<b>158,762,749</b>

## INVESTMENTS IN SECURITIES MEASURED AT FVTOCI

Note 2(C)

S. N.	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1	Investments in Unquoted Funds	50,000,000	-
2	Investments in Quoted Mutual Funds-OCI	61,915,159	-
	<b>Total</b>	<b>111,915,159</b>	<b>-</b>

## FINANCIAL ASSETS

Note 3

S. N.	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1	Account Receivables	5,229	30,660
2	Sundry Debtors	3,340,551	11,645,331
3	Security Deposit for DP	100,000	100,000
4	Staff Loan	9,792,402	10,331,462
5	Staff Advances	143,961	95,074
6	Prepaid Staff Expense	514,322	678,389
7	TDS receivable	-	1,083
8	Deposit at Aqua Mineral/Petrol	200,000	200,000
9	Fund Management & Depository Fee Receivable - SEF	6,638,402	7,601,515
10	Fund Management & Depository Fee Receivable - SIGS 2	5,371,062	6,169,539
11	Fund Management & Depository Fee Receivable - SIGS 3	3,006,854	-
12	Fund Management & Depository Fee Receivable - SSIS	1,498,221	810,111
<b>Total</b>		<b>30,611,004</b>	<b>37,663,164</b>

## OTHER ASSETS

Note 4

S. N.	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1	Stock of Stationery	68,904	91,958
2	Advance to Suppliers	-	37,482
3	Prepayments	2,741,402	2,157,736
<b>Total</b>		<b>2,810,306</b>	<b>2,287,176</b>

## PROPERTY AND EQUIPMENT

Note 5

PARTICULARS	BUILDINGS	FURNITURE AND FIXTURES	COMPUTER AND OFFICE EQUIPMENT	MOTOR VEHICLES	ELECTRICAL AND ACS	LEASEHOLD ASSETS	RIGHT OF USE (ROU) LEASE ASSETS	TOTAL
<b>Cost:</b>								
At July 16, 2022	-	1,769,519	11,478,928	3,681,596	7,546,736	15,539,850	34,038,089	74,054,718
Additions	-	85,428	1,250,650	3,500,000	33,916	-	-	4,869,994
Disposals	-							-
At July 16, 2023	-	1,854,947	12,729,578	7,181,596	7,580,652	15,539,850	34,038,089	78,924,712

### Accumulated Depreciation

At July 16, 2022	-	1,769,349	10,773,100	3,681,592	7,343,848	9,213,022	6,483,446	39,264,356
Additions	-							
Disposals	-			-				-
Depreciation charge for the period	-	1,780	288,427	58,333	82,879	1,319,060	6,483,445	8,233,924
At July 16, 2023	-	1,771,129	11,061,527	3,739,925	7,426,727	10,532,082	12,966,891	47,498,281

### Net book value:

At July 16, 2022	-	170	705,828	4	202,888	6,326,828	27,554,643	34,790,362
At July 16, 2023	-	83,818	1,668,051	3,441,671	153,925	5,007,769	21,071,198	31,426,432

## INTANGIBLE ASSETS

Note 6

PARTICULARS	AMOUNT
<b>Cost:</b>	
At July 16, 2022	5,290,845
Additions	20,000
Disposals	-
Amortizations	-
At July 16, 2023	5,310,845
<b>Accumulated Amortization</b>	
At July 16, 2022	3,059,466
Additions	639,352.60
At July 16, 2023	3,698,819
<b>Net book value:</b>	
At July 16, 2022	2,231,378
At July 16, 2023	1,612,026

## CURRENT TAX ASSETS / (LIABILITIES)

Note 7

S. N.	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1	Advance Income Tax	27,937,743	40,934,127
2	Income Tax Payable	23,617,136	45,512,518
	<b>Total</b>	<b>4,320,607</b>	<b>(4,578,391)</b>

## DUE TO PUBLIC

Note 8

S. N.	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1	RTS and Custodial Dividend Payable	267,820,343	313,258,933
2	Advance received/Transfer from DP clients	12,979,274	23,751,684
	<b>Total</b>	<b>280,799,616</b>	<b>337,010,617</b>

## OTHER FINANCIAL LIABILITIES

Note 9

S. N.	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1	Sundry Creditors	5,449,898	9,933,480
2	Audit Fee Payable	167,250	135,600
3	Meeting Allowance Payable	110,500	114,750
4	Retention	61,920	-
5	Mutual Fund Redemption payable	29,981,803	39,403,394
6	Advance from Parties	-	3,900,116
7	Staff Welfare	1,564,429	1,606,475
	<b>Total</b>	<b>37,335,800</b>	<b>55,093,815</b>

## OTHER LIABILITIES

Note 10

S. N.	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1	Provision For Expenses	-	488,673
2	Staff Bonus Payable	9,999,705	8,921,738
3	TDS Payable	756,770	1,834,990
4	Employee Benefit Obligation	3,274,963	3,298,124
5	Finance Lease Obligations (NFRS)	23,307,788	29,266,650
<b>Total</b>		<b>37,539,227</b>	<b>43,810,175</b>

## DEFERRED TAX ASSETS/(LIABILITIES)

Note 11

S. N.	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1	Deferred Tax Assets	12,836,567	16,816,060
2	Deferred Tax Liabilities	-	-
<b>Total</b>		<b>12,836,567</b>	<b>16,816,060</b>

## Share Capital

Note 12

S. N.	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1	Ordinary Shares Capital	200,000,000	200,000,000
2	Issue of Share Capital	-	-
<b>Total</b>		<b>200,000,000</b>	<b>200,000,000</b>

## Retained Earnings

Note 13

S. N.	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1	Retained Earnings	181,410,607	175,621,873
<b>Total</b>		<b>181,410,607</b>	<b>175,621,873</b>

## Reserves & Surplus

Note 14

S. N.	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1	General Reserve Fund	65,846,136	59,607,852
2	Corporate Social Responsibility Reserve	2,283,324	1,927,501
3	Fair Value Reserve	1,303,161	-
<b>Total</b>		<b>69,432,621</b>	<b>61,535,353</b>

## Income from Merchant Banking Activity

Note 15

S. N.	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>1</b>	<b>Income from Share Registrar</b>	<b>5,516,539</b>	<b>6,875,884</b>
	Election Charge	30,000	-
	Interest on Call Deposit (DP)	2,893,805	3,193,160
	Name Transfer Fee	715	1,115
	Notice Publication Charges	98,580	207,489
	Other Income from RTS	-	964,010
	RTS Fee	2,493,439	2,510,110
<b>2</b>	<b>Income from DP</b>	<b>51,491,921</b>	<b>78,444,343</b>
	Account Opening Fee	427,900	1,368,500
	Account Operation Annual Fee	22,343,500	22,856,050
	Death Transfer Fee	243,631	406,919
	Family Transfer Fee	226,067	15,495,502
	Freeze Fee	-	-
	Mero Share Fee	11,980,300	10,819,345
	Other Income from DP	320,047	118,862
	Securities Transfer Fee	15,634,825	26,836,365
	Security Pledge Fee	315,650	542,800
<b>3</b>	<b>Income from Issue Management</b>	<b>18,431,863</b>	<b>45,375,779</b>
	ASBA Fee	9,934,852	43,722,836
	Collection Commission	18,211	2,397
	Fee and Commission	-	-
	Issue Management Fee	4,935,598	900,000
	Form Fee	124,276	705
	Interest Income	1,813,485	744,588
	Other Income	1,057,304	4,900
	Prospectus Preparation Charge	10,000	-
	Refund Commission	8,969	-
	Underwriting Commission	422,500	-
	Data Entry & Numbering Charge	106,668	353
<b>4</b>	<b>Income from Portfolio Management</b>	<b>509,400</b>	<b>7,047,865</b>
<b>5</b>	<b>Income from Corporate Advisory</b>	<b>-</b>	<b>100,000</b>
<b>6</b>	<b>Other Operating Income</b>	<b>-</b>	<b>-</b>
	<b>Grand Total</b>	<b>75,949,723</b>	<b>137,843,870</b>

## Income from Mutual Fund Operations

For the year ended Ashadh 31, 2080 (Corresponding to July 16, 2023)

Note 16

S. N.	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>1</b>	<b>Income from Fund Management</b>	<b>47,097,772</b>	<b>58,221,082</b>
	Fund Management Income From SEF	22,524,584	30,477,371
	Fund Management Income From SIGS 2	18,109,135	24,896,072
	Fund Management Income From SIGS 3	2,611,455	-
	Fund Management Income From SSIS	3,852,598	2,847,638
<b>2</b>	<b>Income from Depository</b>	<b>6,279,703</b>	<b>7,762,811</b>
	Depository Income From SEF	3,003,278	4,063,650
	Depository Income From SIGS 2	2,414,551	3,319,476
	Depository Income From SIGS 3	348,194	-
	Depository Income From SSIS	513,680	379,685
<b>3</b>	<b>Dividend Income on Investment in Mutual Funds</b>	<b>4,335,970</b>	<b>13,007,910</b>
	<b>Grand Total</b>	<b>57,713,445</b>	<b>78,991,803</b>

**Interest Income****Note 17**

S. N.	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1	Interest from FD	41,365,148	36,851,453
2	Interest from Call Deposit	1,776,311	1,270,682
3	Interest from Debentures/Bonds	797,275	645,773
	<b>Total</b>	<b>43,938,733</b>	<b>38,767,908</b>

**Other Income****Note 18**

S. N.	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1	Interest on Staff Loan	1,090,625	891,093
2	Profit on Sale of Fixed Assets	-	-
3	Other non operating income	-	533,604
4	Capital Gain/(Loss)	14,305,867	3,374,761
5	Dividend Income from Mutual Funds (other than own fund)	1,087,166	1,405,000
6	Other Dividend Income	160,005	88,198
	<b>Total</b>	<b>16,643,662</b>	<b>6,292,656</b>

**Foreign Exchange Gain/(Loss)****Note 19**

S. N.	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1	Gain/Loss on Foreign Exchange	1,573	3,582
	<b>Total</b>	<b>1,573</b>	<b>3,582</b>

**Net Gain/(Loss) On Financial Investments****Note 20**

S. N.	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1	Net gain/(loss) on financial investments measured at FVTPL	(2,992,278)	(68,190,977)
	<b>Total</b>	<b>(2,992,278)</b>	<b>(68,190,977)</b>

**Personnel Expenses****Note 21**

S. N.	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1	Amortization of prepaid staff expense	286,662	231,791
2	Dashain Allowance	1,710,371	1,584,373
3	Forced Leave Allowances	978,191	746,340
4	Staff Insurance Premium	381,984	273,010
5	Leave and Gratuity Expenses	2,199,530	2,715,990
6	Medical Allowance	325,987	283,864
7	Overtime Expenses	20,207	17,434
8	Provident Fund Expenses	1,468,058	1,289,541
9	Salary and Allowance	25,737,837	27,416,775
10	Staff Bonus Expenses	9,999,705	8,921,738
11	Staff Refreshment Expenses	333,555	211,975
12	Uniform Expenses	619,200	-
	<b>Total</b>	<b>44,061,287</b>	<b>43,692,830</b>

## Other Operating Expenses

Note 22

S. N.	Particulars	Current Year	Previous Year
<b>1</b>	<b>Direct Expenses</b>	<b>27,957,510</b>	<b>40,569,220</b>
	Issue Management & Underwriting Expenses	7,692,979	6,027,345
	Licensing/Renewal Fee	845,000	855,000
	RTS Expenses	299,404	294,415
	CDS Commission	11,994,517	23,468,996
	SBL DP Commission	2,660,880	3,830,708
	SEBON Commission	4,464,729	6,092,756
<b>2</b>	<b>General Operating Expenses</b>	<b>20,365,437</b>	<b>19,626,212</b>
	Annual General Meeting Expenses	198,966	75,856
	Annual Maintenance Charge	622,583	201,029
	Audit Fees (External)	169,500	135,600
	Audit Fees (Labour)	28,250	-
	Audit Fees (Internal)	197,750	226,000
	Consultancy Fee	432,500	192,100
	Corporate Social Responsibility Expenses	268,005	-
	Electricity and Water	876,768	855,456
	Flower & Decoration Expenses	132,000	137,000
	Fuel (Petrol)	981,160	800,467
	HR Recruitment Expenses	7,429	-
	Insurance Premium	355,981	154,051
	Interest Expenses Finance Lease (NFRS)	2,707,805	3,228,561
	IT Expenses	709,569	-
	Janitorial Expenses	1,091,918	1,091,918
	Kitchen Expenses	250,295	213,570
	Marketing & Other Activities Expenses	4,527,715	1,565,762
	Meeting Allowance	757,500	515,000
	Membership Fee Expenses	42,500	42,500
	Other Audit Expenses	28,769	35,096
	Other Expenses - Refreshment	41,660	32,061
	Other Office Expenses	693,645	3,711,623
	Outsourcing Expenses	1,886,113	2,448,316
	Periodicals and Books	46,325	43,417
	Postage, Telephone, Email, Internet	885,638	740,280
	Printing and Stationery	711,451	1,461,865
	Rates & Taxes	38,415	60,700
	Repair and Maintenance	279,395	253,659
	Security Expenses	887,184	909,623
	Training Expenses	208,171	194,225
	Travelling and Communication Allowance	300,000	300,000
	Website Development Expenses	478	478
<b>3</b>	<b>Assets Write off</b>	<b>-</b>	<b>-</b>
	<b>Total</b>	<b>48,322,947</b>	<b>60,195,431</b>

## RELATED COMPANIES



### Sanima Reliance Life Insurance

Reliance Life Insurance (RLI) started its operation in 2017 and offered a wide range of protection and saving plans to meet different life stage requirements of the customers. RLI's values were based on innovative and cost-competitive products, a commitment to quality and timely service, and a hassle-free claims experience for its customers.

Siddhartha Bank had 6.31% promoter shareholding in Reliance Life Insurance.

Later, Sanima Reliance Life Insurance was established following the merger of two dynamic life insurance companies, Sanima Life Insurance and Reliance Life Insurance. The collaborative operations of this entity commenced on March 23, 2023. The organization offers a wide range of high-quality insurance services to its customers, providing them with both risk coverage and financial stability.



### Siddhartha Premier Insurance Ltd.

Siddhartha Insurance Limited (SIL), established in 2006, was one of the reputed general insurance companies in Nepal with a strong presence in the form of 97 branches. SIL provided a full range of insurance solutions; Property, Marine, Motor, Engineering, Miscellaneous, Aviation, Micro, Medihealth, Travelers Mediclaim Policy, and Miscellaneous Accident Risk to individuals as well as medium to large industries and commercial enterprises. The Company had employed highly qualified and experienced professionals.

SIL was always a customer-focused company, with long-term customer relationships and total customer satisfaction as its most important non-negotiable objectives.

The Bank held a 7.54% ordinary shareholding in Siddhartha Insurance and had a representative Director on the Board of SIL.

Later, Siddhartha Insurance Limited and Premier Insurance Co. (Nepal) Limited successfully merged together resulting in the formation of a new insurance company, Siddhartha Premier Insurance Limited. On 1st of March 2023, Siddhartha Premier Insurance Limited commenced its joint operations.



### Avasar Equity Limited

Avasar Equity Limited is a Private Equity/Venture Capital licensed by the Securities Board of Nepal (SEBON). The company is promoted by Siddhartha Bank and few other banks as well as prominent personalities from diverse businesses of Nepal. AEL is an investee-centric organization driven by commitment to help its investee companies achieve their maximum potential. AEL supports the long-term success of its investee companies operating in various industries by connecting them to an array of resources.

Siddhartha Bank holds a 10% promoter shareholding in Avasar Equity Limited.

The Bank's Head Office  
located at Naxal, Kathmandu.





Siddhartha Bank

सिद्धार्थ बैंक लिमिटेड

(भारत रघु बैंक का एक संस्थान (भारतीय बैंक शिविर))



# SERVICE NETWORKS

AS OF 21<sup>ST</sup> MARCH, 2024

## KOSHI PROVINCE

<b>AAMCHOWK</b> Bhojpur <b>Megha Raj Bharati</b>	<b>GAIGHAT</b> Udayapur <b>Sunil Pokharel</b> 035- 423618/19	<b>MAHENDRA CHOWK</b> Morang <b>Sameer Kumar Chemjong</b> 021-590314/15	<b>BAHADURMAI</b> Parsa <b>Aniket Kumar Yadav</b> 9855038414
<b>BELTAR</b> Udayapur <b>Bikash Pokhrel</b> 035-440230/31	<b>GAURADAHA</b> Jhapa <b>Om Prakash Dhital</b> 023-480374	<b>MAKALU</b> Sankhuwasabha <b>Sanjay Nepal</b> 027-691238	<b>BARDIBAS</b> Mahottari <b>Binaya Shrestha</b> 044-550640/41
<b>BIRATCHOWK</b> Morang <b>Manjit Basnet</b> 021-547523/24	<b>ILAM</b> Ilam <b>Rakesh Koirala</b> 027-523766	<b>NAMCHE</b> Solukhumbu <b>Kamal Gautam</b> 038-540451/52	<b>BIDHYAPATICHOWK</b> Dhanusa <b>Sushant Shah</b> 041-590112/13
<b>BIRATNAGAR</b> Morang <b>Surya Prasad Sharma Upadhyay</b> 021-572901/02	<b>INARUWA</b> Sunsari <b>Amar Rana Magar</b> 025-565262/565363	<b>PATHARI</b> Morang <b>Tika Bahadur Karki</b> 021-555040	<b>BIRGUNJ</b> Parsa <b>Babu Ram Neupane</b> 051-531011/22
<b>BIRTAMOD</b> Jhapa <b>Subhash Shrestha</b> 023-590127/535760	<b>ITAHARI</b> Sunsari <b>Nutan Giri</b> 025-584721/22	<b>PHIKKAL</b> Ilam <b>Bal Krishna Rijal</b> 027-540353	<b>CHANDRAPUR</b> Rautahat <b>Kailash Chaudhary</b> 055-540630/31
<b>CHANDRAGADHI</b> Jhapa <b>Sanjaya Mishra</b> 023-453939/98	<b>KAKARVITTA</b> Jhapa <b>Sumesh Devkota</b> 023-562980/562874	<b>RAJMARGA CHOWK</b> Jhapa <b>Ramesh Khatri</b> 023-581856/57	<b>DEVTAL</b> Bara <b>Rupsen Prasad Jaishwal</b> 9802073728
<b>DAMAK</b> Jhapa <b>Mukti Nath Bharati</b> 023-575127/575206	<b>KANCHANBARI</b> Morang <b>Samiksha Koirala</b> 021-466581/82	<b>SURUNGA</b> Jhapa <b>Shyam Babu Nepal</b> 023-553358/59	<b>GARUDA</b> Rautahat <b>Ajay Kumar Chaudhary</b> 055-565435/37
<b>DHANKUTA</b> Dhankuta <b>Roshan Shrestha</b> 026-523511/12	<b>KATARI</b> Udayapur <b>Ram Kumar Roka</b> 035-450434	<b>TAPLEJUNG</b> Taplejung <b>Ghanendra Gurung</b> 024-461056/57	<b>GAUSHALA</b> Mahottari <b>Bibek Kumar Dutta</b> 044-556193/556253
<b>DHARAN</b> Sunsari <b>Pankaj Yadav</b> 025-539022/23	<b>KHANDBARI</b> Sankhuwasabha <b>Nimesh Ghimire</b> 029-563172	<b>URLABARI</b> Morang <b>Umesh Lamsal</b> 021-542617/18	<b>GOLBAJAR</b> Siraha <b>Santosh Shah</b> 033- 540511/12
<b>DUHABI</b> Sunsari <b>Keshab Shrestha</b> 025-541115/541358	<b>LUKLA</b> Solukhumbu <b>Surya Narayan Dhamala</b> 038-550300/01	<b>MADHESH PROVINCE</b> <b>ADARSHAKOTWAL</b> Bara Ravi Prakash Gupta 9855048856	<b>HARIWAN</b> Sarlahi <b>Salam Singh Waiba</b> 046-530474
<b>GADHI</b> Sunsari <b>Hem Kumar Shrestha</b> 9801862200			<b>JANAKPUR</b> Dhanusa <b>Arna Bahadur Balampaki</b> 041-590871/72

<b>JANAKPUR MALPOT EXTENSION COUNTER</b> Dhanusa 041-590126	<b>SIMARA</b> Bara <b>Rabin Dhakal</b> 053-521940/41	<b>CHABAHL</b> Kathmandu <b>Sabin Shrestha</b> 01-4582795/4592483	<b>GONGABU</b> Kathmandu <b>Puspa Raj Aryal</b> 01-4989226/4989227/4989203
<b>KALAIYA</b> Bara <b>Manmohan Lal Shah</b> 053-551920	<b>BAGMATI PROVINCE</b>	<b>CHAPAGAUN</b> Lalitpur <b>Sushant Thapa</b> 01-5265684/85	<b>HATTIBAN</b> Lalitpur <b>Yushma Singh</b> 01-5915629/30
<b>KALYANPUR</b> Saptari <b>Ram Prasad Timalsena</b> 031-540098/99	<b>ANAMNAGAR</b> Kathmandu <b>Anu Kc</b> 01-5706151/52	<b>CHARIKOT</b> Dolakha <b>Uttam Karki</b> 049-421121/421249	<b>HATTIGAUDE</b> Kathmandu <b>Anuj Malakar</b> 01-4374580/4379388
<b>KSHIRESHWOR</b> Dhanusa <b>Shiva Kumar Yadav</b> 041-540428/87	<b>B&amp;B EXTENSION COUNTER</b> Lalitpur <b>Anisha Pradhan</b> 01-5007621	<b>CHYAMHANSINGH</b> Bhaktapur <b>Kalpana Prajapati</b> 01-6620380	<b>HATTISAR</b> Kathmandu <b>Deependra Acharya</b> 01-5970719
<b>LAHAN</b> Siraha <b>Suresh Raj Neupane</b> 033-560969/70	<b>BALKOT</b> Bhaktapur <b>Dipendra Thapa</b> 01-6639622/23	<b>DHADINGBESI</b> Dhading <b>Om Kumar Shrestha</b> 010-520093/520180	<b>HETAUDA</b> Makwanpur <b>Arpan Sanjel</b> 057-526767/68
<b>LALBANDI</b> Sarlahi <b>Suvash Kumar Pandey</b> 046-501369	<b>BALUWAKHANI</b> Kathmandu <b>Isha Adhikari</b> 01-4164390/91	<b>DHANESHWOR</b> Kathmandu <b>Bhawana Shrestha</b> 01-5158436/37	<b>ICHANGUNARAYAN</b> Kathmandu <b>Pushkar Pandey</b> 01-4880813/4881906
<b>MADHABNARAYAN</b> Rautahat <b>Rama Shankar Chaudhary</b> 9801862288	<b>BANEPA</b> Kavrepalanchowk <b>Bijaya Singh Khadka</b> 011-663925/55	<b>DHAPASI</b> Kathmandu <b>Khuman Singh Dangi</b> 01-4986790/4987890	<b>IMADOLE</b> Lalitpur <b>Ajit Shrestha</b> 01-5201022
<b>MIRCHAIYA</b> Siraha <b>Omkar Lamichhane</b> 033-550084/550216	<b>BATTAR</b> Nuwakot <b>Pradeep Lohani</b> 010-561946/47	<b>DUDHAULI</b> Kathmandu <b>Pashupati Bikram Thapa</b> 047-412021/22	<b>JAWALAKHEL</b> Lalitpur <b>Anish Ghimire</b> 01-5453423/24
<b>MURLICHOWK</b> Parsa <b>Bharat Paudel</b> 051-520136/522634	<b>BHAISEPATI</b> Lalitpur <b>Shova Shiawakoti</b> 01-5913305	<b>GANESHTHAN</b> Kathmandu <b>Shristi Pradhan</b> 01-4981561/4963504	<b>JORPATI</b> Kathmandu <b>Pem Chhiri Sherpa</b> 01-4910788/96
<b>RAJBIRAJ</b> Saptari <b>Ram Prakash Singh</b> 031-532053/54	<b>BHARATPUR</b> Chitwan <b>Sandip Barakoti</b> 056-595981/595960/595165	<b>GATTHAGHAR</b> Bhaktapur <b>Roshan Parajuli</b> 01-5639435/6630302	<b>KADAGHARI</b> Kathmandu <b>Sushmita Giri</b> 01-5900993/94
<b>RAMANANDA CHOWK</b> Dhanusa <b>Ajay Kumar Yadav</b> 041-527550/53	<b>BODE</b> Bhaktapur <b>Neelam Bade</b> 01-6639211	<b>GOKULGANGA</b> Ramechhap <b>Pradip Kumar Karki</b> 044-692091	<b>KALANKI</b> Kathmandu <b>Bijay Raj Subedi</b> 01-5219570
<b>RAMGOPALPUR</b> Mahottari <b>Vijay Kumar Mandal</b> 044-410083/84	<b>BOUDDHA</b> Kathmandu <b>Lasu Subba Tombapo</b> 01-4590797	<b>GOLANJOR</b> Sindhuli <b>Deepak Paudel</b> 047-692041	

<b>KALIMATI</b> Kathmandu <b>Lok Bikram Thapa</b> 01-5383579/5375683	<b>MULPANI</b> Kathmandu <b>Bhagabat Dhungel</b> 01-5917619/20	<b>PHARPING</b> Kathmandu <b>Ujjwal Khadka Chhetri</b> 01-4710569/4710691	<b>SWOYAMBHU</b> Kathmandu <b>Rikesh Shrestha</b> 01-5247255/56
<b>KALOPUL</b> Kathmandu <b>Reeya Joshi</b> 01-4541983/84	<b>NARADEVI</b> Kathmandu <b>Monica Manandhar Khanal</b> 01-5363919/20	<b>PUTALISADAK EXTENSION COUNTER</b> Kathmandu <b>Niran KC</b> 01-4264857/4227796	<b>TANDI</b> Chitwan <b>Ramesh Paudel</b> 056-563143/45
<b>KANTIPATH</b> Kathmandu <b>Sakila Dhakal</b> 01-5326002/5330234/5345895	<b>NARAYANGARH</b> Chitwan <b>Min Bahadur Chaulagain</b> 056-596127/28/29	<b>RAMKOT</b> Kathmandu <b>Dipak Bahadur Mahara</b> 01-4039690	<b>THAMEL</b> Kathmandu <b>Pooja Bajracharya</b> 01-4701340/42
<b>KAPAN</b> Kathmandu <b>Sudarshan Sapkota</b> 01-4822489/4822913	<b>NAREPHANT</b> Kathmandu <b>Anita Kumari Lamsal</b> 01-5149221/01-5149311	<b>ROSHI</b> Kavre <b>Sushil Sapkota</b> 9801606375	<b>THANKOT</b> Kathmandu <b>Rudra Prasad Pokharel</b> 01-4315129/30
<b>KIRTIPUR</b> Kathmandu <b>Sarina Shrestha</b> 01-4334933	<b>NAYABAZAR</b> Kathmandu <b>Bindhya Shrestha</b> 01-4361812/4380212	<b>SARASWATINAGAR</b> Kathmandu <b>Urmila Baidhya</b> 01-4822728/30	<b>TINCHULI</b> Kathmandu <b>Ngima Gyalzen Sherpa</b> 01-4915734 /4917233
<b>KULESHWOR</b> Kathmandu <b>Surendra Pandey</b> 01-5384110	<b>NEPAL TAR</b> Kathmandu <b>Amrita Adhikari</b> 01-4965475/4955939	<b>SATDOBATO</b> Lalitpur <b>Priya Shrestha</b> 01-5151327/5151828	<b>TINKUNE</b> Kathmandu <b>Sweeti Sijapati</b> 01-4111881/4111941
<b>KUMARI PATI</b> Kathmandu <b>Latita Adhikari</b> 01-5408648/50	<b>NEW ROAD</b> Kathmandu <b>Archana Poudel</b> 01-5324616/5339535	<b>SHANKHAMUL</b> Kathmandu <b>Usha Acharya</b> 01-4791396/4791516	<b>TRIPURESHWOR</b> Kathmandu <b>Dezy Shahi</b> 01-5332504/09
<b>LAZIMPAT</b> Kathmandu <b>Bishnu Prasad Sharma</b> 01-4002274/4002134	<b>NEWROAD GATE</b> Kathmandu <b>Binita Shrestha</b> 01-5913919/20	<b>SINAMANGAL EXTENSION COUNTER</b> Kathmandu <b>Shera Pant</b> 01-5910575	<b>GANDAKI PROVINCE</b>
<b>LUBHU</b> Lalitpur <b>Sharmista Karjee</b> 01-5916624/26	<b>OLDBANESHWOR</b> Kathmandu <b>Uddhab Dhakal</b> 01-4579298/4592850	<b>SINDHULI</b> Sindhuli <b>Dan Bahadur Karki</b> 047-520747/48	<b>BAGAR</b> Kaski <b>Hari Bahadur Bhat</b> 061-577747/48
<b>MADHYAPUR THIMI</b> Bhaktapur <b>Badan Maiya Twayana</b> 01-6633441	<b>PADAMPUR</b> Chitwan <b>Sunil Khanal</b>	<b>SUNDHARA</b> Lalitpur <b>Alina Shakya</b> 01-5454478/98	<b>BAGLUNG</b> Baglung <b>Ganesh Pathak</b> 068-522933/34
<b>MAHARAJGUNJ</b> Kathmandu <b>Rita Dahal</b> 01-4720709/4720704/4720796	<b>PARSA</b> Chitwan <b>Sanjan Kumar Singh</b> 056-583400/583311	<b>SURYABINAYAK</b> Bhaktapur <b>Sunita Bhuju</b> 01-6620092/93	<b>BENI</b> Myagdi <b>Narayan Sapkota</b> 069-521257
<b>MANGALPUR</b> Chitwan <b>Paras Khanal</b> 056-591911	<b>PATAN</b> Lalitpur <b>Rabi Shrestha</b> 01-5005531/33		<b>BESISHAHAR</b> Lamjung <b>Janak Adhikari</b> 066-521369/70

<b>BINAYITRIVENI</b> Nawalparasi <b>Mahendra Godar</b> 078-416186/90	<b>HEMJA</b> Kaski <b>Binod Raj Poudel</b> 061-400574	<b>B.P. CHOWK</b> Banke <b>Dilip Pangali</b> 081-530076/532231	<b>KRISHNANAGAR</b> Kapilvastu <b>Kiran Ghimire</b> 076-520655/56
<b>BIRAUTA</b> Kaski <b>Pradeep Pokhare</b> 061-450185	<b>KAWASOTI</b> Nawalpur <b>Suraj Giri</b> 078-541133	<b>BUTWAL</b> Rupandehi <b>Chandra Dev Poudyal</b> 071-554540/41	<b>LAMahi</b> Dang <b>Subash Shahi</b> 082-540905
<b>BUDDHACHOWK</b> Kaski <b>Keshab Raj Poudel</b> 061-435505/06	<b>LAKESIDE</b> Kaski <b>Anirudra Baral</b> 061-454414	<b>CHANDRAUTA</b> Kapilvastu <b>Bhim Bahadur KC</b> 076-540521/22	<b>LUMBINI</b> Rupandehi <b>Nawaraj Subedi</b> 071-580397
<b>CHIPLEDHUNGA</b> Kaski <b>Binaya Pahari</b> 061-543725/526616/581133	<b>LEKHNATH</b> Kaski <b>Teertha Raj Ghimire</b> 061-561838/39	<b>GHORABI</b> Dang <b>Migal Singh Thakuri</b> 082-563174/75	<b>MANIGRAM</b> Rupandehi <b>Abhishek Kumar Thapa</b> 071-560806/07
<b>DALDALE</b> Nawalpur <b>Tribikram Lamichhane</b> 078-575071	<b>PARSHYANG</b> Kaski <b>Shobha Kanta Paudel</b> 061-419512/419195	<b>GORUSINGHE</b> Kapilvastu <b>Umang Pakhrin</b> 076-545275	<b>MARCHAWARI</b> Rupandehi <b>Hari Narayan Chaudhary</b> 071-622514
<b>DAMAULI</b> Tanahu <b>Sudhir Wagle</b> 065-564790/565690	<b>POKHARA</b> Kaski <b>Jyotindra Poudel</b> 061-553338	<b>JITPUR</b> Kapilvastu <b>Kishor Bhattacharai</b> 076-550425	<b>NEPALGUNJ</b> Banke <b>Kiran Rana Magar</b> 081-537933/34
<b>DEVGHAT</b> Tanahu <b>Sabitri Kharel</b> 056-500094/95	<b>WALING</b> Syangja <b>Gopi Krishna Regmi</b> 063-441003	<b>JUMRI</b> Pyuthan <b>Hari Prasad Neupane</b> 086-460153/54	<b>NEWROAD NEPALGUNJ</b> Banke <b>Manoj Kumar Tiwari</b> 081-520431
<b>DULEGAUDA</b> Tanahu <b>Bidur Adhikari</b> 065-414422/23	<b>LUMBINI PROVINCE</b>		
<b>DUMRE</b> Tanahu <b>Shankar Khanal</b> 065-580197/98	<b>AMARPATH</b> Rupandehi <b>Sujit Bhari</b> 071-531650	<b>KHAIRENI</b> Rupandehi <b>Rabin Subedi</b> 071-577350/577058	<b>PALPA</b> Palpa <b>Narayan Paudel</b> 075-521567
<b>GAIDAKOT</b> Nawalpur <b>Kamal Bhandari</b> 078-501739/503183	<b>BANSGADHI</b> Bardiya <b>Roshan Bist</b> 084-400219/21	<b>KHAJURA</b> Banke <b>Ratan Agrawal</b> 081-560114/15	<b>PARASI</b> Parasi <b>Krishna Prasad Gautam</b> 078-520547/520647
<b>GORKHA BAZAR</b> Gorkha <b>Jivan Baniya</b> 064-420944	<b>BARDAGHAT</b> Bardaghat <b>Kamal Poudel</b> 078-580607/08	<b>KOHALPUR</b> Banke <b>Nirmal Bam</b> 081-542040/41	<b>PUTHA UTTARGANGA</b> Rukum East <b>Tej Singh Kudmal</b> 9857856677
	<b>BHAIRAHAWA</b> Rupandehi <b>Kapil Kafle</b> 071-573645/573646/573732	<b>KOTIHAWA</b> Rupandehi <b>Kamal Koirala</b> 071-514156	<b>SAURAHA PHARSATIKAR</b> Rupandehi <b>Ramesh Raut Kshetri</b> 071-400217/18
			<b>TAULIHAWA</b> Kapilvastu <b>Anmol Shrestha</b> 076-560678/79

**TULSIPUR**

Dang  
**Kiran Acharya**  
082-521707/08

**YASHODHARA**  
Kapilvastu  
**Tarapati Ghimire**  
076-620236

**YOGIKUTI**  
Rupandehi  
**Lakshmi Prasad Gyawali**  
071-438607/14

**KARNALI PROVINCE**

**DAILEKH**  
Dailekh  
**Roshan Raj Dahal**  
089-410060/61

**JUMLA**  
Jumla  
**Chitra Raj Sapkota**  
087-520673/520505

**MUSIKOT**

Rukum West  
**Opendra Bista**  
088-530380

**SURKHET**  
Surkhet **Ranjan Koirala**  
083-523855

**SUDURPASHCHIM PROVINCE****ATTARIYA**

Kailali  
**Dharma Raj Ojha**  
091-550516/550031

**BAUNIYA**

Kailali  
**Prakriti Shant Thakurathi**  
091-404118/19

**BUDIGANGA**

Bajura  
**Hem Raj Joshi**  
097-594222

**CAMPUSCHOWK**

Kailali  
**Bhuwan Prasad Pant**  
091-523014/15

**DADELDHURA**

Dadeldhura  
**Tirtha Bahadur Jhukal**  
096-410014/15

**DHANGADI**

Kailali  
**Nitesh Shrestha**  
091-527463

**GETA EYE HOSPITAL EXTENSION COUNTER**

Kailali  
**Hemlata Bhatt**

**LAMKI**

Kailali  
**Yogendra Bhandari**  
091-540536/37

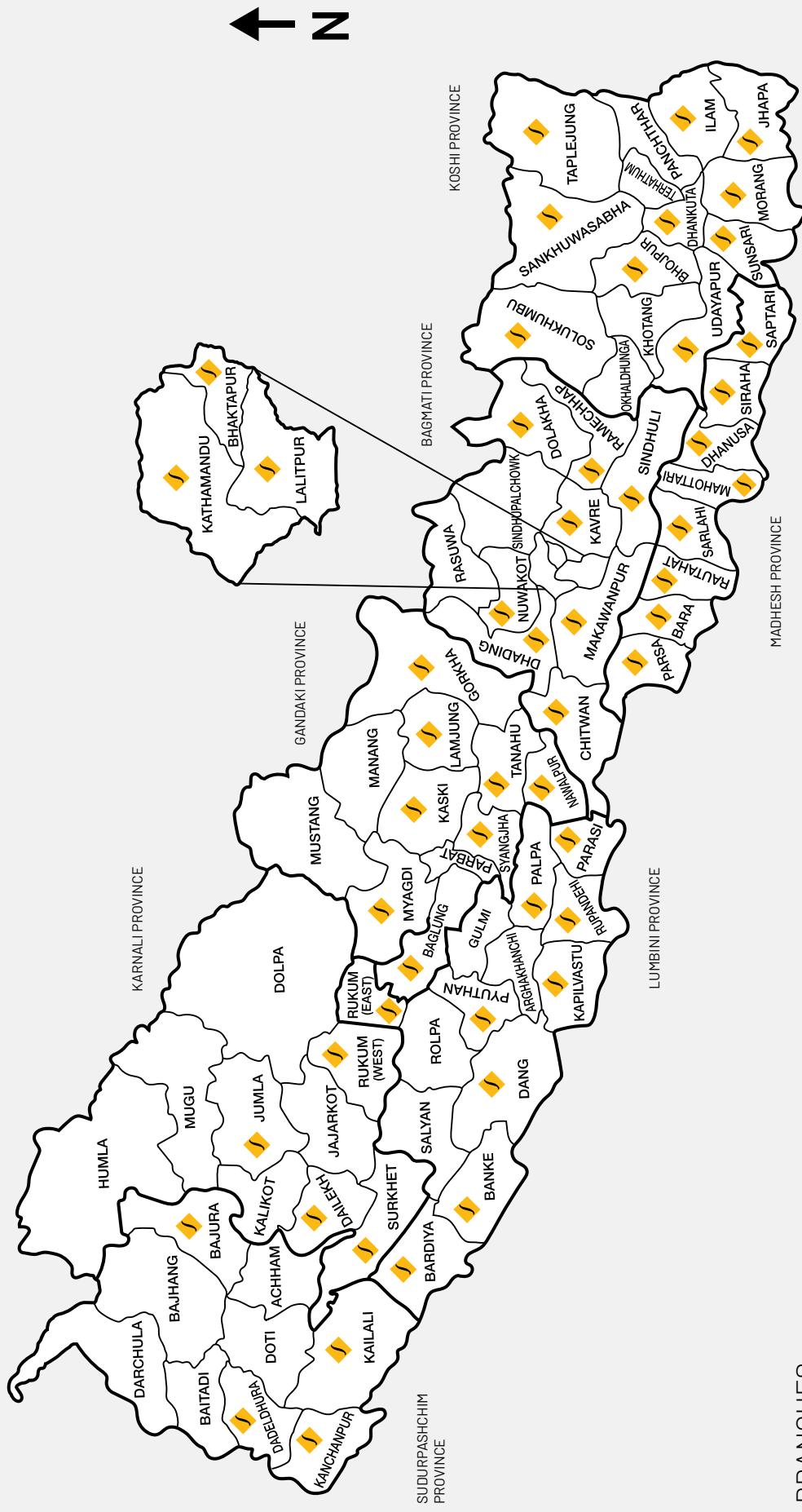
**MAHENDRANAGAR**

Kanchanpur  
**Birendra Singh Karki**  
099-520163/64

**TIKAPUR**

Kailali  
**Prakash Tiwari**  
091-561163/64

## SERVICE NETWORKS



BRANCHES

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