



बैंक अफ काठमाण्डू लिमिटेड
BANK OF KATHMANDU LTD.
We make your life easier

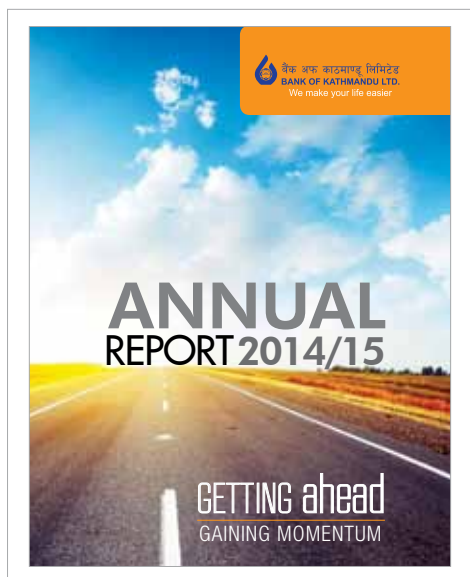
ANNUAL REPORT 2014/15

GETTING ahead
GAINING MOMENTUM

Contents

02	Vision/ Mission/ Core Values	16	Bank of your Choice
04	Chairman's Statement	18	Directors' Report
08	Board of Directors	46	Corporate Social Responsibility
10	CEO's Message	50	Corporate Governance
13	Code of Ethics	54	Financial Statement
14	Management Team	130	We are At





On the cover

It is said that the only constant in life is change. We identify with it; therefore, we are constantly pushing ourselves to be bigger, better and braver. The road ahead looks challenging; yet we know that it is, undoubtedly, brighter. Together we will carve the promising future. The goal have been set to usher better tomorrow.



**ONE WAY TO KEEP
MOMENTUM GOING
IS TO HAVE
CONSTANTLY
GREATER GOALS.**

GETTING ahead
GAINING MOMENTUM



Vision

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

Mission

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

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

Core values

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

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



RELATIONSHIPS [TOGETHERNESS]

No man is an island entire of himself. Knowing that we will always be supported by our partners, clients, shareholders, and customers, we have exhibited the courage to march towards the unknown. Many call it audaciousness; we call it the product of the unwavering trust we have earned. Our relationship is what encourages us to take bold decisions.

Chairman's statement

Respected Shareholders,
I would like to offer a hearty welcome to everyone present at the 21st Annual General Meeting of Bank of Kathmandu Limited and request your permission to present the Bank's Annual Report and Financial Statement for Financial Year 2014/2015.

We know that along with a long period of transitional political situation, the country has undergone various economic challenges. In addition to it, the massive earthquake on 25 April 2015 and the subsequent aftershocks that caused a great materialistic loss has worsened the economic management of the country. In the current fiscal year, we were finally gifted with our constitution but political stability is a far cry from reality. This led to the disturbance in the transportation of goods in the Nepal-India border. The disturbance led into scarcity of many necessities like fuel, which has affected economic and the business activities in the country. Due to these circumstances it can be said that the coming days will be a challenging time for the financial sector.

As per the Monetary Policy 2072/73 of Nepal Rastra Bank, 'A' class Commercial Banks need to increase their capital to NRs. 8 billion. This policy is believed to strengthen the capital asset of the banks. Undoubtedly, it is not easy to increase four times the minimum paid-up capital of the existing capital. Therefore, as per the plan to augment the capital of this bank, we have explored options like merger, acquisition, joint investment with foreign organizations, and right share and others. We have already made public our plans to increase bank's capital.

Respected shareholders, allow me to shed light into the bank's major accomplishments during the reporting year. Compared to last year, this year, the bank has witnessed 15.65% increment in Loans & Advances and has been successful in achieving NRs.33 billion 390 million. Similarly, there has been 15.66% raise in deposit achieving NRs.39 billion 460 million. As opposed to the last year, we had an increase of 13.34% in the total operating profit making it to a total of NRs. 1 billion 870 million.

However, due to excess liquidity and instable interest rate in the financial market, decrease in interest rate spread, increase in expenses because of inflation, the directive to decrease the service charge sources and other reasons, there had been substantial challenges to gaining profit. Despite all these, bank's capital ratio, liquidity and compulsory balance ratio, loan deposit ratio and bank's condition measurement and other major parameters are favourable and optimistic. In the reporting year, bank's inactive loan ratio has made an increase.

In the counter guarantee of China Construction Bank Corporation, Henan Branch, China, Bank of Kathmandu made a payment to Melamchi Drinking Water Supply Development Committee through its account in Nepal Rastra Bank. Nevertheless, the loan credited in the name of China Construction Bank Corporation, Henan Branch, China has been put as bad credit loan category under the direction of Nepal Rastra Bank. Provision for guaranteed loan damage has been made. As a result, bank's loan damage provision has increased and this has even influenced the self-regulated profit.



Like in previous financial years, the Bank is focused on risk management, increasing business and customer base, market expansion, effective management of assets & liabilities, timely review of internal rules & regulations, management of credit portfolios & operations and other risks. In addition to achieving business objectives, the Bank has also been conducting corporate social responsibility activities with gusto.

Likewise, in this reporting year, continuity has been given to increasing participation of deposit holders spread across the country as well as promulgating awareness regarding finance literacy and transaction. Due to these efforts, the Bank has succeeded in achieving significant growths in loans & deposits via its branches and establishing relations with more than 37,000 new depositors in the Financial Year.

Currently, the Bank operates 50 branches, 57 ATMs, and 7 extension counters. In addition, the Bank has also been providing branchless banking services through use of modern banking technology such as point of transaction (P.O.T.) and mobile banking services by appointing authorized agents. With the objective to expand the network, the bank has made a deal to open six branches as part of the Sakchyam Access to Finance program implemented by Louis Berger with the assistance from the international organization DFID, to introduce financial innovations for rural farmer communities in the Mid- and Far-Western Regions (MFWF). As per the deal, in this fiscal year, the bank has opened branches in Belauri municipality of Kanchanpur district, Lamki municipality of Kailali district, Rajapur municipality of Bardiya district, Bhaluwang of Lalmatiya VDC of Dang district, Bijuar municipality of Pyuthan district, and Devdaha municipality of Rupandehi district.

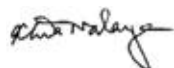
Respected shareholders, I request this honourable General Meeting to provide approval to pass the proposed resolution to distribute 26% bonus share and 1.37% cash dividend equivalent to NRs.580 million from the distributable profits. The retained earnings of the Bank will then be NRs.2 billion 670 million. After issuance of proposed bonus shares, the bank's paid-up capital will be Rs.27.2 million. Along with the proposed distribution, I would also like to request the respected shareholders to approve the Bank's Balance Sheet and Financial Statement, including Profit and Loss Account, for Financial Year 2014/2015.

In the reporting year, the bank received permission from Nepal Rastra Bank to dissolve the merger process from three 'C' class financial institutions, namely; International Leasing and Finance Co. Ltd., Shree Investment and Finance Co. Ltd., and Nepal Express Finance Limited.

As per the Monetary Policy 2072/73 of Nepal Rastra Bank, 'A' class Commercial Banks need to increase their capital to Rs 8 billion. According to the policy, to fulfil the desired capital fund, a bank can merge with other bank and financial organizations. In that respect, we signed a memorandum of understanding with Lumbini Bank on Dec 24, 2015. According to the MoU, after the merger, the bank will be called Bank of Kathmandu Lumbini Limited. Similarly, in accordance with Due Diligent Audit performed in agreement between both banks, the share swap ratio between this bank and Lumbini Bank will be 1:0.8281, which will be put into practice after the decision gets approved in the general meetings of both banks. Respected shareholders, merger related proposals have been provided in this general assembly. I humbly request you to approve the proposals.

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

Thank you.



Satya Narayan Manandhar
Chairman



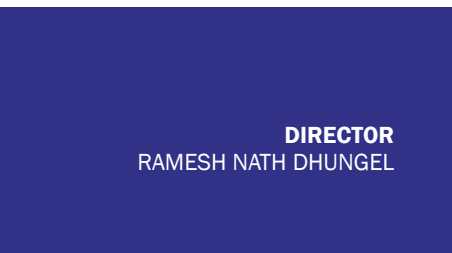
BANKING SERVICE

We have earned support and respect of our clients because of our untarnished reputation. We value our customers; therefore, they are at the heart of the services that we design. We regularly upgrade our services in tandem with the changing time and requirement of our customers. Efficiency is what we strive for.

Board of Directors



CHAIRMAN
SATYA NARAYAN MANANDHAR



DIRECTOR
RAMESH NATH DHUNGEL



DIRECTOR
SANTA BAR SINGH THAPA



DIRECTOR
CHOP NARAYAN SHRESTHA



DIRECTOR
GOVINDA PRASAD SHARMA



DIRECTOR
BALARAM NEUPANE



DIRECTOR
PROF. HEM RAJ SUBEDI PH.D



CEO's Message

"This year we have witnessed one of the greatest natural disasters of the century in the form of a series of high magnitude earthquake. It has had long-term impact in socio-economic environment of the country. Till date the country is struggling to find effective ways to negate its impact. Adding to this political instability of the country is not helping things to stabilize either. For some sectors the effect of these derelictions may last for many years.

Overall risk in financial sector is on the rise and stagflation like economy is challenging its core margins as well. In the given scenario, we are making conscious effort towards building our long-term internal competence by broadening the market base and reaching out new customers in many ways. In short, sustainable banking has been and will be our core objective in days ahead."

Thank You



Ajay Shrestha
Chief Executive Officer



Major Areas of Service Delivery

Bank of Kathmandu provides cost effective and efficient financial services to its clients through the following major areas of service delivery:

RETAIL BANKING

Consumer lending, retail credit products and banking services for individuals to avail of services that include Personal Loans, vehicle loans, education loans, foreign employment loans, home loans, etc.

DEPOSITS

Tailor made deposit accounts to suit the needs of every individual and organization. With advanced technological features all your banking needs are well taken care of. The different accounts include Current Account, Savings Accounts, Call Accounts and Fixed Deposits.

CORPORATE BANKING

Based on the viability of the project/proposal, Term Loan to finance the long term financing need of a firm/company may be made available. These include Project Financing, Trade Finance, Working Capital Finance, Syndicated Loan Arrangement and Consortium Lending.

BUSINESS BANKING

Credit products and other banking services including Small Scale Project Finance, Trade Finance and other business credit such as Loan Against Fixed Deposit, Loan Against Govt. Bond / 1st Class Bank Guarantee, Priority Sector/Deprived Sector Loan and Consortium Financing.

DEVELOPMENT CREDIT UNIT (DCU)

DCU is an independent credit unit formed in year 2004 seeks to identify, nurture and develop smaller client segments. It provides specifically designed products and services targeting marginalized groups and poorer sections of society. DCU offers specific products to underprivileged market segments directly and also maintains 'wholesale funding' relationships with MFIs/Cooperatives to reach out to these segments. Moreover, DCU also maintains partnership/cooperation agreements with a number of national/international agencies to enhance access to financial services and to promote inclusion of disadvantaged communities and groups.

OUR STRATEGIC OBJECTIVES

BOK started its operation in March 1995 with the objective to stimulate Nepalese economy and take it to newer heights. BOK also aims to facilitate the nation's economy and to become more competitive globally. To achieve these, BOK has been focusing on its set objectives right from the beginning. To highlight a few:

- To contribute to the sustainable development of the nation by mobilizing domestic savings and channeling them to productive areas
- To use the latest banking technology to provide better, reliable and efficient services at a reasonable cost
- To facilitate trade by making financial transactions easier, faster and more reliable through relationships with foreign banks and money transfer agencies
- To contribute to the overall social development of Nepal

CODE OF ETHICS

- Fair transaction: Directors and Employees will conduct fair and equitable business transactions without bias or favor and without being unduly influenced by attachments with clients.
- Confidentiality: All Board and Management Committee members as well as Employees will maintain confidentiality of customer information and transactions. However, providing any information relating to financial transactions to the third party as required by law shall not be construed as breach of confidentiality.
- Non acceptance of gifts: No member of the Board, Management Committee and Employees will accept any money, gift, or anything valued from customers, suppliers shareholders/stakeholders, etc, that is perceived as intended to influence any business decision.
- No politics: Employees will not take part in politics and exert or attempt to exert any political or other undue influence upon other employees.

Management Team



Mr. Ajay Shrestha
Chief Executive Officer



Mr. Prabin Parkash Chhetri
Chief Operating Officer & Spokesperson



Mr. Mahesh Mishra
Assistant General Manager: Finance, Treasury
& Human Resource Department



Ms. Snigdha Morbaita
Head Account & Budgeting



Mr. Krishna Lal Tandukar
Head Treasury Back Office &
Reconciliation



Mr. Niranjan Nakarmi
Head Central Logistics



Mr. Chetan Bar Singh Thapa
Assistant General Manager Central Operations



Mr. Pushpa Raj Bhandari
Assistant General Manager
Business



Mr. Manish Kumar Singh
Company Secretary And Executive Manager,
Integrated Risk Management & Compliance



Ms. Ajupa Shrestha
Head Transaction Banking



Ms. Anju Nakarmi
Head Human Resource Development



Ms. Archana Shrestha
Head Human Resource Administration



Mr. Anand Pandey
Executive Manager Marketing, Retail
Deposit & Corporate Communication



Mr. Kiran Bohara
Head International Trade Operations



Mr. Sudeep Poudel
Head Corporate Legal Affairs



Ms. Soman Mahat
Head Central Processing Unit & AML



Mr. Raju Shrestha
Head Development Credit Unit



Mr. Sabin Giri
Head Card Division



Ms. Himani Pant
Head Credit Operations



Mr. Anil Ratna Tuladhar
Head Treasury Front Office



Mr. Bishnu Chalise
Head Policies, Compliance & Operations Risk



Ms. Ratna K.C.
Head Institutional Banking



Mr. Ganesh Lamsal
Regional Manager, Biratnagar



Mr. Amit Bahadur Chand
Regional Manager, Pokhara



Mr. Thaman Khatri
Regional Manager, Nepalgunj



Mr. Manoj Dahal
Regional Manager, Birgunj



Mr. Ram Pratap Yadav
Regional Manager, Kathmandu



Ms. Shailee Joshi
Regional Manager, Kathmandu



Mr. Jiva Nath Nepal
Regional Manager, Dhangadi

Bank of your Choice

SERVICES

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

ATM/DEBIT CARDS/ CREDIT CARDS

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



REMITTANCE

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

CASH MANAGEMENT

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

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

BOK SMS BANKING

BOK SMS Banking allows its customers to access their accounts through mobile phones to inquire about balances, know their transaction history, and request cheque books and statements.

DEMAND DRAFT

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

SAFE DEPOSIT LOCKER FACILITY

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



SWIFT TRANSFERS

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

Directors' Report

21st Annual General Meeting

We extend our hearty welcome to all our respected shareholders, representatives, bank administration, employees, and invited guests at 21st Annual General Meeting of this Bank. On this auspicious gathering,

we request your permission to present the successes, programs, and future plans in the period through this report to all our shareholders of the fiscal year 2014/15.

FINANCIAL HIGHLIGHTS OF THE REPORTING PERIOD AND CURRENT YEAR. *NRs. in Million*

Major Achievements/ Results	2010/11	2011/12	2012/13	2013/14	2014/15	Growth/ Last year	This year till Jan 14, 2016
Operating Income	1,538	1,535	1,630	1,654	1,874	13.30%	794.0
Operating Expenses	482	557	628	758	801	5.67%	335.0
Operating Profit (before adjustment)	1,056	979	1,002	896	1,073	19.75%	459.0
Profit after Tax	605	608	617	254	335	31.89%	276.7

KEY PORTFOLIO INDICATORS *NRs. in Million*

	2010/11	2011/12	2012/13	2013/14	2014/15	Growth/ Last year	This year till Jan 14, 2016
Paid-up Capital	1,359	1,604	1,684	1,920	39,457	10.42%	2,120
Deposits	21,018	24,991	27,701	34,116	39,457	15.66%	42,282.1
Loans	17,957	19,319	23,049	28,867	33,386	15.65%	32,790.3
Fixed Assets (Net)	502	546	560	567	574	1.23%	586.6

MAJOR INDICATORS *NRs. in Million*

Subject	2010/11	2011/12	2012/13	2013/14	2014/15	This year till Jan14, 2016
Net Profit/ Operating Income	39.34%	39.58%	37.85%	15.36%	17.85%	34.85%
Operating Expenses/ Operating Profit	31.34%	36.26%	38.53%	45.83%	42.75%	42.19%
Return on Assets	2.44%	2.10%	1.90%	0.65%	0.74%	1.34%
No. of Permanent Employees	476	451	490	552	521	532
No. of Branches	41	45	50	50	50	56

Deposit Management

With regards to deposit management, this fiscal year 2014/15 was challenging. In the earlier days of the year, deposit transaction was easier because of maximum liquidity in the financial market. In the second term, however, loan superseded deposit and therefore there was more competition and even interest rate felt an impact. After the massive earthquake in 2015, the demand of loan was understandably low. Because of the same reason, at the end of the fiscal year, liquidity was high and deposit management became easier again.

Last year, Bank's total deposit was NRs.34 billion 120 million. By the end of the reporting year, 15.66% raise was witnessed therefore the total deposit has now reached

to NRs. 39 billion, 460 million. Likewise, deposits in local currency increased by 17.66% and is NRs.38 billion 80 million. In the reporting year, foreign currency deposit is NRs. 13 billion, 800 million, which is less than last year.

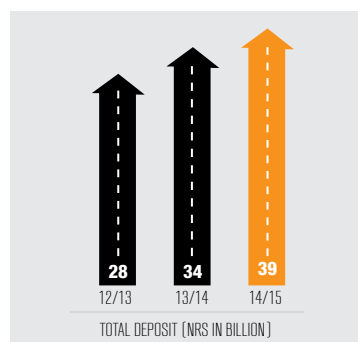
There has been an increase in the last fiscal year's total of NRs 3 billion, 250 million in current deposit account by 17.11%, thereby making a total of NRs. 3 billion and 810 million. Likewise, an increase of 6.48% was witnessed in last fiscal year's margin deposit account total of NRs. 410 million making it NRs. 430 million by the end of this year. These deposits depend on the daily activities of some cooperatives, government tax and import/guarantee and other transactions.

NRs. in Million

Deposit	Amount	2013/14	2014/15	Increase rate (%)
Current	Local	3.04	3.57	17.43%
	Foreign	0.21	0.24	12.43%
	Total	3.25	3.81	17.11%
Savings	Local	10.65	12.48	17.25%
	Foreign	0.31	0.20	(34.74%)
	Total	10.96	12.69	15.77%
Fixed	Local	8.27	13.76	66.34%
	Foreign	0.86	0.51	(41.42%)
	Total	9.13	14.26	56.15%
Call	Local	10.06	7.96	(20.89%)
	Foreign	0.30	0.31	1.20%
	Total	10.37	8.27	(20.25%)
Others	Local	0.34	0.31	(10.63%)
	Foreign	0.06	0.13	98.67%
	Total	0.41	0.43	6.48%

There has been a raise of 15.77% in last year's Savings deposit of NRs. 10 billion 930 million. The new total by the end of this year has come to be NRs. 12 billion 690 million. 34,000 new savings account holders were introduced during the one year time. In the first quarter of the reporting year, the increase rate of this kind of deposit was nil but after the massive earthquake of April 2015, due to security reasons, dormancy in business, increase in remittance, and others, the entire banking sector has witnessed a surge in the increase in deposit and it was the same with this Bank. Besides, this Bank has been conducting financial service related awareness programs through its branch offices at various parts of the country; we believe that such activities had a positive impact in increasing new depositors. We will give continuity to such programs in the future as well. In regards to the present context, the remittance we receive from foreign employment has been identified as the major source for savings deposit.

Moreover, Nepal Rastra Bank has made a decree according to which if the sum is higher than a fixed amount, remittance should be handled through bank account. In view of the same, this Bank has been working towards maintaining its effort to increase remittance related savings accounts and it will continue its effort in the future as well. In an effort to continually push diversity in deposits to nil, the Bank has



been working tirelessly towards regulation of current and savings deposit.

Local currency deposit amount under 'to be paid when asked to' (call deposit) has been brought down from NRs. 10 billion 60 million by 20.89% to NRs. 7 billion and 960 million. In this process, call deposit cash of some high investment institutions has been decreased. Such a step has been introduced to nullify the risk related to the negative impact caused by portfolio stability of such type of deposit. However, this policy has not been implemented on foreign currency deposit under call deposit.

With the objective to provide stability to the entire deposit portfolio by decreasing call deposit amount, the interest rate for fixed deposit has been kept high in this reporting year compared to the past. Resultantly, NRs. 9 billion, 130 million in the fixed deposit of last year has seen a raise of 56.15% making the new total of NRs. 14 billion and 260 million. Plan is to expand deposit of this kind.

Loan Expansion and Management

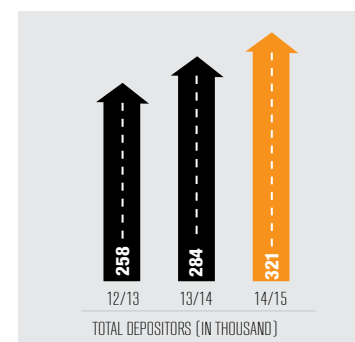
In the financial market this reporting year, the demand for loan was expected to supersede an increase in deposit. However, deposit and loan have increased at the same rate. At the end of the last financial year, the gross loan was NRs. 28 billion and 870 million.



This year the bank has managed to achieve 15.65% growth in gross loan to reach NRs. 33 billion 390 million. The major portion of loan growth has been due to lending in small and medium business. By the end of the reporting year, 40.31% of the Bank's gross loan is comprised of this kind of loan. In the respect of outcome, these kinds of loans garner profit. Similarly, compared to big loans because these loans are spread across varied geographical areas and customers, it helps to nullify the risk associated to the loan portfolio of bank. The branches have played a major role in growth of business loan.

In this reporting year, the bank has made following progress in the areas related to minimum loan provision put forward by Nepal Rastra Bank:

1. By the end of the fiscal year 2014/15, 22.27% of the gross loan has been provided to set the productive sectors against the minimum 20%. Bank has made some decisions in the reporting year targeted at domestic and small businesses by introducing special loan projects. This will meet the target of 'loan for product generating area'. Likewise, the Bank has extended loan to sectors like energy, agriculture, and tourism to meet the aforementioned target.



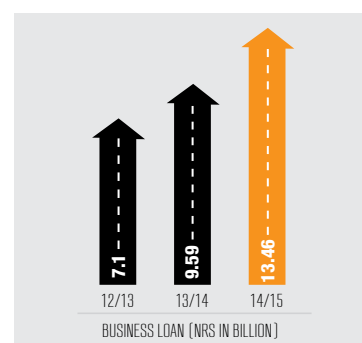
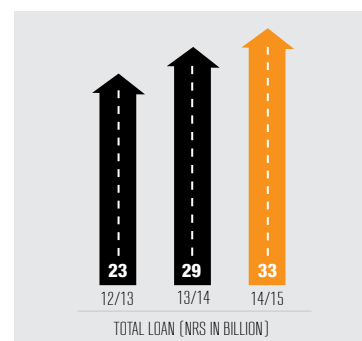
2. By the end of 2014/15, in energy and agriculture sector, on the basis of approved limitation, out of the total loan, a minimum of 12% loan was to be released, however within the period, the Bank released only 13.16% of the gross loan. In respect of energy, in cooperation with other banks, the Bank has been investing in hydropower projects. The Bank has come forward as the leading bank in the working of four new hydropower projects that the Bank is working in in coordination with other banks. As far as agriculture is concerned, there was almost nil opportunity to invest in big projects; therefore the Bank is providing loans directly to small scale farmers. For this, the Bank is working in partnership with the UK organization DFID.

3. As we come to the end of the fiscal year 2014/15, the Bank achieved to provide to the marginalized community 4.80% of the gross loan against the minimum 4.5%. The Bank has also given emphasis to growth in micro finance. However, pertaining to the usefulness to some customers belonging to the target group, the Bank has facilitated loans on its own. This will be continued in the coming days as well.

Consumer loan expansion depends on the market liquidity. Even though liquidity was accessible in the first six months of the reporting year, after December, it was not attainable. Customer loan has been affected from it. But, the demand for home loan remained constant therefore such loan has been affected more. In the reporting year, the Bank achieved to garner NRs. 2 billion 80 million in the home loan after a soaring 14.86% growth in the release of the home loan upto NRs. 10 million. Automobile, education, personal loans are the other kinds of loans under the customer loan. Additionally, in light of the demands of the customers, from this year onward, we have started gold guarantee loan. We hope this provision will provide added assistance in the customer loan expansion.

Real estate sector is considered the highest risk bearing sector in the economy; however the Bank has adopted every possible measure to mitigate the risks. This year too those measures were followed. This kind of loan comprises of 2.51% of the gross loan. Last year, it was 3.13%. Likewise, the Bank has not shown much interest in the margin loan either. Along with transactions related to import & export, import loan, export loan, and import bill discounting fall under foreign currency loan. At the end of the reporting year, the Bank dealt with NRs. 1 billion 560 million in the loan of this nature. Last year, it was NRs. 1 billion 890 million.

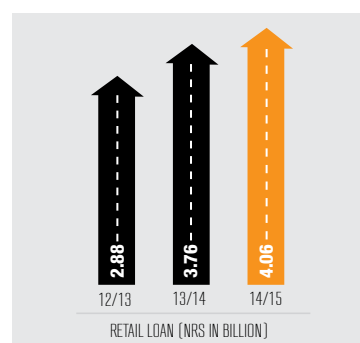
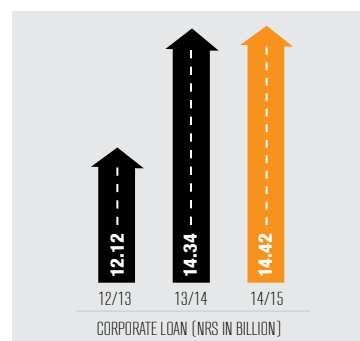
At the end of the reporting year, non performing loan ratio of the Bank is 3.47%.



Last year the ratio was 1.06%. The net loss ratio of the Bank against non performing loan is 128.81%. Even though the loan under the Bank's account has been placed under loss category as the Bank released payment against the counter guarantee and the bank acting as the counter guarantor has not paid its due yet, we would like to inform that the Bank has the ability to face the loan risk.

INVESTMENT AND TREASURY FUND MANAGEMENT

Because of the excess liquidity seen in the financial market, fund management has been a challenge for banks and financial institutions. This year too, government bonds, especially interest rates on treasury bills remained substantially low. The average interest rates of

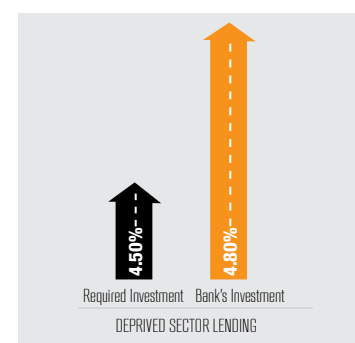


91 and 364 days of Treasury bill came to be 0.43% and 0.78% respectively. Last year, it was 0.13% and 0.76% respectively.

While in the fiscal year 2014/15, due to the increment of investment by 31.60%, the net investment of the Bank stands at NRs. 6 billion 300 million. Last year, it was NRs. 4 billion 580 million. Investment in the government bonds and Treasury bill constitute a larger portion of the investment portfolio. At the end of the reporting year, the investment in the Bank's Treasury Bill has come to be NRs. 2 billion 700 million.

This year the government has issued long term public debt. Our Bank has invested in public debt worth NRs. 2 billion 790 million. However, the interest rate of the public debt was decided after tender, therefore outcome is nil. In regards to other investments, since last year, the Bank has been given the opportunity to invest in Mutual Fund. This year we invested in funds like NMB Sulav Investment and NIBL Samriddhi.

Likewise, this year too the Bank has continued its investment in Madhyamanchal Grameen Bikash Bank Limited, Rural Microfinance Development Center Limited, Chhimek Laghu Bitta Bikash Bank Limited, Credit information Beaurio, Nepal Clearing



House Limited, National Banking Training Institute, and Nepal Electronic Payment System Limited. Investment made on Beed BOK Ventures Pvt. Ltd. has been sold.

As far as foreign currency fund is concerned, temporary investment in the accounts like call deposit in our correspondent banks has garnered importance. In the fiscal year 2013/14, this investment was worth NRs. 100 million and in this fiscal year, it is NRs. 420 million.

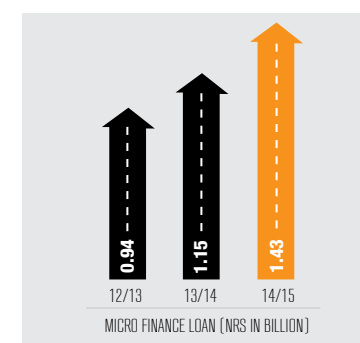
FIXED AND OTHER ASSETS MANAGEMENT

The net fixed asset that was NRs. 566.8 million last year increased to NRs. 574.2 million at the end of the Financial Year. The main constituents of this were vehicles, building, land, leasehold improvement, etc.

Concerning the construction of the Bank's main office building, first phase work is ongoing. This project is supposed to be completed by 2016/17. Similarly, the second phase construction work of the building has been planned to get started in this year. Till date, the Bank has invested NRs. 40 million in the first phase of the project.

Non-Fund Based Transactions

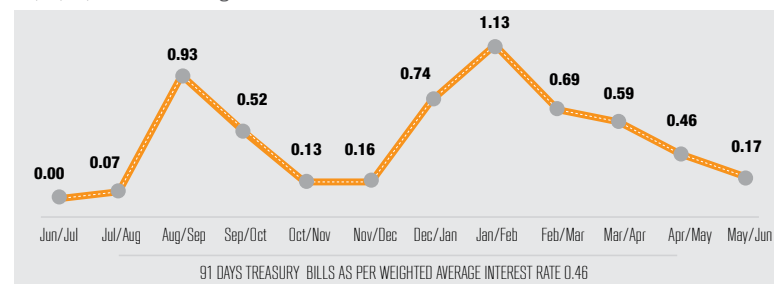
Considering the probable responsibility imparted by the import transaction, the



facilities provided to importers of industrial raw materials and ordinary consumption matters and services have been the major constituent. The Bank has issued letter of credit worth of NRs. 11 billion 760 million. Likewise, at the end of the reporting year, the probable responsibility transactions like acceptance is worth NRs. 4 billion 340 million. Last year it was NRs. 4 billion 890 million.

In regard of Bank Guarantee facility, the Bank issued a declaration on 26 September 2012 against the counter-guarantee of China Construction Bank Corporation, Henan Branch, China. However, the case has been put as "under consideration" in the court there. Payment has not been made to the Bank till date, therefore the Bank has been vigilant and cautious while dealing such transactions. Nonetheless, as far as the guarantee for businesses inside Nepal is considered, it is continuously increasing. Bank guarantee worth NRs. 1 billion 710 million was issued in this reporting year. Last year it was NRs. 1 billion 360 million. At the end of the reporting year, the contingent liability of bank guarantee related transaction is NRs. 1 billion 920 million, whereas it was NRs. 3 billion 370 million last year.

In situations wherein the exchange rate of foreign currency is highly fluctuated, transactions related to forward booking soars high. This year buying and selling of US\$ 24,28,00,000 took place. Last year, US\$ 24,74,00,000 was exchanged.



Capital management and outcome

The net paid-up capital of the Bank is NRs. 2 billion 120 million which is mainly due to the bonus share issued in Financial Year 2013/14. It was the same last year as well. In this reporting year, we have proposed resolution to distribute 26% as bonus share from the distributable profit of the Bank. Upon the approval of the proposal, the net paid-up capital of the Bank will be NRs. 2 billion 670 million. Likewise, by the end of the reporting year, the total General Reserve and Surplus will come to a total of NRs. 1 billion 180 million.

The Bond last year was NRs. 400 million and this year it is NRs. 600 million. The Bank has issued Bond of NRs. 1 billion till date. The Bond has been counted in the form of the Bank's supplementary capital and a certain amount from each year's profit is transferred in Bond Redemption Reserve. Till date NRs. 130 million 33 lakh has been deposited. After the full payment of Bond, it is a policy that the amount should be transferred in the Capital Adjustment Reserve.

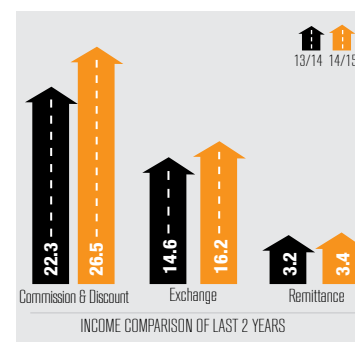
At the end of the fiscal year 2014/15, Bank's core capital is worth NRs. 3 billion 760 million which is 9.43% of the total risk asset of worth NRs. 39 billion 850 million.

Major Points about the Bank's Operating Income and Profit and Loss Statements

In the reporting year, total operating profit

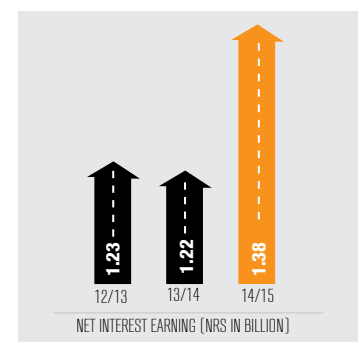
and net profit was NRs. 131.6 million and NRs. 334.6 million respectively. Last year it was NRs. 363.5 million and NRs. 254.4 million respectively. Some important points on the matter:

- In the reporting year, the gross interest income of the Bank, net interest expenditure, and net interest income are NRs. 2 billion 840 million, 1 billion 460 million and 1 billion 380 million respectively. Last year they were NRs. 2 billion 610 million, 1 billion 390 million and 1 billion 220 million respectively. Compared to last year, the net interest income has been increased by 13.32%. Increase in the loan transaction has contributed mostly in the increase of gross interest income. However, the proper management of interest expenses has a great contribution in the increase of net interest income. Since there was no improvement in investment interest rate, the interest amount generated from it did not see any raise this year as well.
- The instruction of Nepal Rastra Bank to limit the spread rate to 5%, a policy which was introduced from last fiscal year, has been followed by the Bank. At the end of the reporting year, the spread rate of the Bank is 4.23%. Due to the increase in liquidity in the market, there has been fierce competition amongst



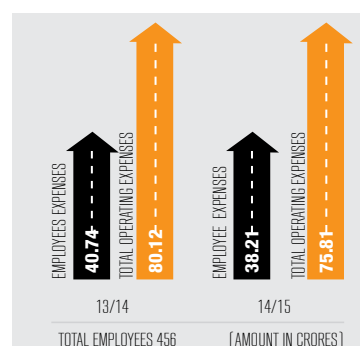
banks. We would like to inform that it is because of the same obvious reason, spread rate has been decreasing.

- The gross commission, other income and exchange gain was increased by 13.37% and constituted NRs. 492.7 million. Last year, it was NRs. 434.3 million. Income achieved through remittance and letter of credit and commission generated for the release of bank guarantee have contributed in the income. The income generated by remittance has increased by 9.39% from last year. The increment was because of foreign employment and import related remittance. Similarly, from Bank's activities of import, export and guarantee earned income of NRs. 65.1 million. Compared to last year, this year witnessed an increase of 16%. Another major source of income is from foreign exchange. In the reporting year, the Bank has earned NRs. 161.9 million from foreign exchange which is the growth of about 11% over last year. In December of the reporting year, Nepal Rastra Bank released instruction related to service charge of banks. Under the same policy, the income generated by services on card, ABBS and loan has been affected. We have been trying to come up with alternative services to nullify the effect of such policies.



- In the reporting year, there has been a raise in the income generated by the issuance and renewal of debit and credit cards. Under this heading, the Bank has earned NRs. 28.6 million in the reporting year that is 16.29% higher than that of the income of last year that stood at NRs. 24.6 million. Till date, the Bank has installed 155 POS machines in 115 places of official merchants. The Bank has a total of 57 ATM. The Bank has 1 lakh 42 thousand customers using debit card, visa debit card, and visa international debit card.
- The gross employee expenses in the reporting year came up to NRs. 407.4 million. Last year, it was NRs. 382.1 million. The 6.63% raise in the employee expenses is also affected to some extent by an increase in staff salary and other facilities. Likewise, from this year onward, to boost the morale of the employees, we have started a trend to award them on the basis of their performance. This year's employee expenses also includes this expense. Similarly, apart from employee salary and allowance there are other expenses that form part of the employee expenses. These expenses are calculated on the basis of the employees' salary, therefore, the increase in the number of long-term employees and increase in

their salary directly affect the expenses. In the reporting year, the other gross operation expenses was NRs. 393.8 million. Last year, it was 376.1 million. There is a raise of 4.72% in the expense. Increase in the expenses based on contract like house rent, insurance and security related expenses has also affected in this kind of expenses. The other major expense is insurance which is depended on the parameters of the insurance company. Since 2011/12, fixed insurance has been practised as per the order of Nepal Rastra Bank. This expense has been increasing incessantly with the increase in the number of Bank's small fixed depositors. This kind of expense is done in the form of contract with the companies providing security guards. The Bank rarely gets an opportunity to control the aforementioned expenses. Despite of that, the Bank has tried to mitigate expenses in areas like advertisement, renovation, fuel for vehicle, and printing. In the reporting year, the Bank had to fight cases in courts in Nepal and China which increased the legal expenses in an unexpected manner. The same year, during the construction of the Bank's central office building, the Bank also had to bear the expenses in the renovation of the neighbor's building. These expenses



- are not of the nature to repeat itself.
- With regards to Loan loss provision the bank has made a total loan loss provision of NPR 941.3 million. This amount includes NPR 843.78 million related to claimed guarantee of Melamchi Water Supply Development Board (MWSDB). During FY 2071-72, the claimed guarantee case of MWSDB was under judicial review in Henan Court, China. However during the same year, the bank as per the direction issued by NRB had to honor the claim made by MWSB by booking a force loan and further had to make provision 100 percent loan loss provision of the force loan and categorize the force loan into bad loan due to which the loan loss provision for FY 2071-72 increased significantly. On the other hand, the bank has written back 50 percent of the claimed guarantee amount of MWSD which was created as "Provision for Claimed Guarantee" in FY 2070-71 as in this financial year the bank has made 100 percent provision of claimed guarantee of Melamchi Water Supply Development Board.
- The bank is able to write back NPR 11.8 million from loan loss provision of last year due to the improvement of loan categorization.
- The other non operating incomes include dividends from investment in various companies like Rural Microfinance Company Limited, Chhimek Laghubitta Bikash Bank Limited, Credit Information Center Limited, Nepal Banking Institute limited.
- In FY 2071-72, the bank has created NPR 158.09 million of Income tax expenses. The bank has transferred deferred tax reserve amounting to NPR 137.35 million and NPR 269.34 million as contingent reserve through profit and loss account for distribution to shareholders.



- Regarding profit appropriation from NRs. 746 million distributable amount, the Bank has transferred back NRs. 66.9 million to General Reserve, NRs. 4 million to exchange fluctuation fund, NRs. 66.7 million to BOK Bond - 2076 Redemption Reserve, and NRs. 1 million to Investment Adjustable Reserve. After above transfer of fund, we have proposed resolution to distribute bonus share worth NRs. 550 million (26% of the paid up capital) & NRs. 29 million (1.37% of the paid up capital) cash dividend for the tax purpose. After the distribution and transfer, the Bank's retained profit will be of NRs. 27.2 million. After issuance of proposed bonus shares, the Bank's paid-up capital will be NRs. 2 billion 670 million.

STAFF MANAGEMENT AND SKILL DEVELOPMENT

By the financial year 2013/14, the Bank's total number of permanent and temporary staff has reached 526. Last year, it was 556. The Bank appoints only the deserving candidates after evaluation fitting for particular job positions. The transfer and promotion of the personnel as means to facilitate their career development has also continued this year. During the Financial Year, training was provided to 476 employees, within and outside the country. To render the skilled & effective services the customers & to achieve the business objectives, the Bank is focused towards arranging necessary trainings to the staffs. The Bank has been taking service from service providing institutions for Bank's security guard, messenger and etc. For this purpose, the Bank has created certain standards. Likewise, Bank of Kathmandu Employees Association has always been actively working towards the welfare, discipline and Bank's overall welfare.

Bank's Relations with Major International Organizations

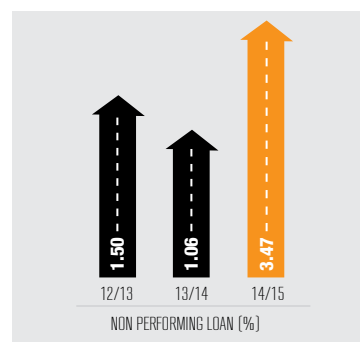
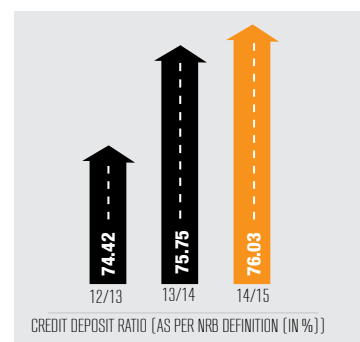
The Bank has been successful in developing and maintaining relation with international banks and financial institutions in view of their reputation and status, for conducting foreign business transactions such as letter of credit, bank guarantees, remittance, investment, etc. In addition, the Bank has continued its business relations with International Financial Corporation (IFC) in this Financial Year too. In this regard, the Bank has been easing Letter of Credit transactions of various importers. Besides this, the Bank has also been receiving support in foreign business transactions from the Asian Development Bank.

For the accessibility of banking and to increase micro inclusiveness amongst underdeveloped class, the Bank has made an agreement of two projects under the program Sakcham Access to Finance operated by Louis Berger in the leadership and assistance of DFID. Under the first agreement, the plan is to provide short term loan facility to sugarcane farmers affiliated with Mahakali Sugar Industries Pvt. Ltd, Beldandi, Kanchanpur. The target is to facilitate credit facilities to 4,000 farmers. As per the second agreement, the plan is to open branches to enhance the financial accessibility amongst women, youth and farmers in different districts of

mid-western and far-western regions where micro finance accessibility is nil. According to the same, the Bank has opened six branches in Dang, Bardiya, Kanchanpur, Kailali, Pyuthan, and Rupendahi districts. For all the aforementioned projects, the Bank will receive technical and financial support from DFID.

RISK MANAGEMENT

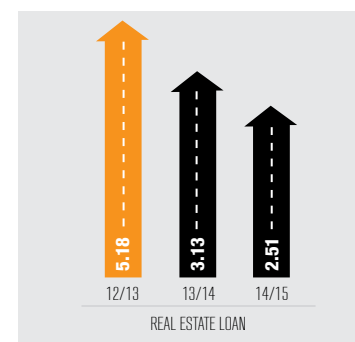
- **Credit Deposit Ratio**—At the end of the Financial Year, as per Nepal Rastra Bank's definition, the Bank's credit deposit ratio was 76.03 percent. Last year, this ratio was 75.75 percent. This ratio is less than the maximum limit of 80% set by Nepal Rastra Bank. In the reporting year, fixed operation was made easy because of maximum liquidity in the financial market. The ratio of Credit/Deposit remained at the lower level because the demand of loan did not increase as expected.
- **Liquidity and Cash Reserve Ratio**—At the end of Financial Year, the Bank's liquidity ratio was 29.03%, which is above 20% as required by Nepal Rastra Bank. Likewise, the Bank's cash reserve ratio (CRR) was 9.98%, which is above 6%, more than the minimum ratio stipulated by Nepal Rastra Bank.
- **Non-performing Loan Ratio**—Nonperforming loan was 3.47 percent in FY 2071-72 compared to 1.06 percent in



previous financial year. The bank as per the direction issued by NRB had to honor the claim made by MWSB by booking a force loan and further had to make provision 100 percent loan loss provision of the force loan and categorize the force loan into bad loan due to which the non performing loan has increased significantly.

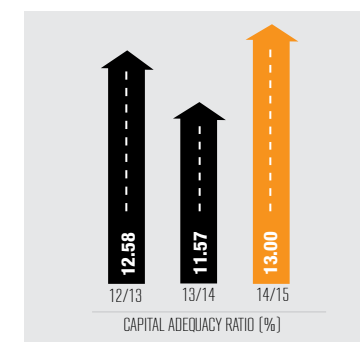
Real Estate Loan

The Bank has remained vigilant while lending in real estate loans. At the end of the Financial Year, loans to this sector remained at 2.51% of total loans. This was 3.13% at the end of the last financial year. Because of the powerful earthquake on 25 April 2015 in Kathmandu and other districts, the infrastructure of the country faced a great loss. Pertaining to this circumstance, financial institutions' investment in real estate has been put under 'high risk' category. The Bank undergoes an intensive research process before embarking on real estate area and presently the Bank's investment in this area is nil, therefore there was not any effect caused by the damage led by the earthquake. Likewise, the Bank is adopting cautious approach while lending in non-productive sector because of the inherent high risk in the sector and further achieving the productive sector lending target becomes more challenging due to such lending.

**Capital Adequacy and Review**

At the end of the Financial Year, the Bank's capital adequacy ratio remained at 13.00%, which is above 10% as stipulated by Nepal Rastra Bank. Last year, this was 11.57%. Last year, the Bank had issued 7-year debentures worth NRs. 400 million at 8% interest for capital requirement. In the reporting year as well, the Bank has issued 7-year debentures worth NRs. 600 million at 8% interest. Considering the entire risk management scenario, Nepal Rastra Bank has instructed to provide additional 2% of total risk weighted assets, which remains so this year as well. In addition to this, for operational risks, Nepal Rastra Bank has issued further instructions to provide additional capital charge of 3% of gross income while calculating the capital adequacy ratio. The abovementioned capital adequacy ratio has been calculated after considering both the adjustments.

There is an Internal Capital Adequacy Assessment policy approved by the Bank's Board of Directors. This policy evaluates the ability of the Bank to ensure that the Bank has adequate resources to manage the various risks that might arise during the course of the Bank's daily activities. The Bank's Risk Management Committee has been reviewing internal capital adequacy on



a quarterly basis to evaluate whether the Bank's capital is adequate to manage Bank's risk situation and its future plans, and this report is presented to the Board of Directors on quarterly basis.

Stress Test to Measure Risks

Risk Management Committee of the Bank, consisting of members of the Board of Directors and higher level management officials, has been appraising outcomes of stress tests based on certain pre determined variables such as risk of deposit withdrawal, potential risks associated with unfavorable categorization of real estate loans as well as total loans, risks associated with changes in interest rates, risks associated with fluctuation in share market, etc., and evaluating means to minimize them on quarterly basis. The stress test report is submitted to Board of Directors' for review and also forwarded to Nepal Rastra Bank on quarterly basis. The stress tests conducted till date have found the Bank's position to be satisfactory.

Sectoral Loans

The Bank has set limit for sectoral lending in the Credit Policy of the Bank which till date is noted satisfactory. Furthermore, the Bank has been strictly monitoring the exposures in sectors defined by Nepal Rastra Bank. The Bank has also been strictly complying with Single Obligor Limit stated by Nepal Rastra Bank.

Customer Identification

The Bank is complying fully with the instructions issued by Nepal Rastra Bank concerning customer identification (Know Your Customer) and anti-money laundering. For this purpose, the Bank has appointed the manager of every branch as the AML Officer. To monitor and eliminate the financial investment in the anti-money laundering and terrorist acts, the Bank has established a separate department. In this regard, the Bank has given continuation to activities

such as organizing customer details, updating the same in an interval of a specific period, and classifying customers according to possible risks. The Bank also has its own internal policy and documentation regarding customer identification. In addition, the Bank staff has been receiving, periodically, the necessary training on standards and methods concerning customer identification. In the future, too, the Bank will continue to apply a policy of international standard transparency in all activities to do with customer identification.

Information Technology Expansion and Management

The Bank is focused towards making its internal information management system effective and reliable. Bank has set up its Disaster Recovery Site in Bhairahawa to be able to operate as a going concern in the event of business disruption. With an objective to minimize operational risks associated with Information Technology and for effective management of Information system, the Bank has outsourced - the platform having high quality & security for data management at , Thapathali.

Internal Control Mechanism

The Bank has established six regional offices: two within the Kathmandu valley and one each in Birgunj, Biratnagar, Nepalgunj, and Pokhara. For the necessary monitoring and loan and operation related risk management in branches associated with the regional offices, a regional operation manager and regional loan manager have been appointed in every regional office. This has facilitated the Bank to monitor and manage the regional offices. The Bank has set authority list and limits to each official for any transactions to prevent major internal risks. Likewise, the Integrated Risk Management and Compliance Department has been developing and

implementing internal policies, regulations, work processes, etc. in compliance with external policies, rules, laws and directions. This will help the Bank in managing risks associated with activities relating to credit, operations, liquidity, etc. The Branch Operation Department has been examining and monitoring branch activities to ensure that standard procedures at all levels are implemented.

Beside this, there is an independent Audit Department under the direct supervision of the Bank's Audit Committee. This department conducts audits on a regular basis and presents its reports to the committee. Comments made in the reports are discussed thoroughly by the committee and directions/suggestions are given on making the needed improvements to avoid repetition in future.

Deposit and Loan Security - As per Nepal Rastra Bank's direction, in this reporting year as well, the Bank has insured deposit amount up to Rs.0.2 million through Deposit and Credit Guarantee Corporation. Along with it, this year also witnessed the continuation of insurance service to loans under small, medium, and deprived sector from DCGC.

CORPORATE GOVERNANCE

BOARD OF DIRECTORS AND OTHER OPERATION LEVEL MAIN COMMITTEES

Board of Directors

A new Board of Directors was formed by the Extraordinary General Meeting on July 21, 2013. From this meeting, Mr. Ramesh Nath Dhungel, Mr. Satya Narayan Manandhar and Mr. Santa Bar Singh Thapa from among the promoter shareholders were unanimously elected. Likewise, from among the public shareholders Mr. Govinda Prasad Sharma, Mr. Chop Narayan Shrestha, Professor Hem Raj Subedi, Ph.D. and Mr. Bala Ram Neupane were unanimously elected. Mr.

Satya Narayan Manandhar was unanimously elected as Chairman of this newly formed Board of Directors. Following this, there have been no changes in this Board of Directors.

The Board of Directors' activities are focused on policy making and management supervision. There were 15 meetings of the Board of Directors in the financial year and total meeting allowance of Rs. 9 lakh 16 thousand were provided to the board members.

Audit Committee

This Committee has been formed, under the purview of Nepal Rastra Bank's instructions, to review the Bank's financial condition, internal controls, auditing program, and overall activities concerning auditing, and to present the necessary opinions/advice to the Board of Directors. Mr. Ramesh Nath Dhungel is the chairman of this Committee while Professor Hem Raj Subedi, Ph.D, Mr. Bala Ram Neupane and Mr. Chop Narayan Shrestha are members of the Committee from the Board of Directors side. From the management side, Mr. Dibya Chandra Shrestha is the Secretary. In the Financial Year, there were 16 meetings of this committee and total meeting allowance of NRs. 4 lakh 48 thousand were provided to the board members.

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

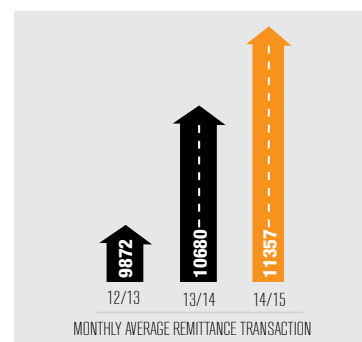
and recommendations concerning the above to the Board of Directors.

Risk Management Committee

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

Mr. Govinda Prasad Sharma is the coordinator of this Committee while Mr. Ramesh Nath Dhungel (due to being the Audit Committee coordinator) is the member of this Committee from the Board of Directors side. From the management side, Chief Executive Officer Mr. Ajay Shrestha, Chief Operating Officer Mr. Prabin P. Chhetri and Mr. Manish Kumar Singh, Executive Manager- Integrated Risk Management and Compliance Department, are members of the Committee. In the Financial Year, there were 4 meetings of this committee and total meeting allowance of NRs. 68 thousand were provided to the board members this Committee.

The Committee conducts internal evaluations concerning the Bank's capital adequacy on a quarterly basis, and monitors sector-wise limits and compliance, stress tests, etc. and presents the same to the Board of Directors every quarter. In addition to this,

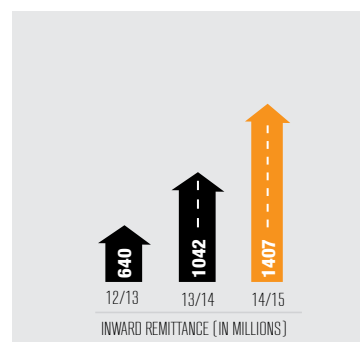


the Committee also conducts activities like acquiring various information concerning risks to the Bank and presents its opinions, advice, and recommendations to the Board of Directors.

Human Resource Service Facility Committee

Following the instructions of Nepal Rastra Bank, with the objective to present necessary opinions, suggestions and recommendations on issues pertaining to employees' service benefits, the Bank has formed this Committee. The coordinator of this Committee is Mr. Santa Bar Singh Thapa while Professor Hem Raj Subedi, Ph.D. is the member of this Committee from the Board of Directors side. Chief Executive Officer Mr. Ajay Shrestha, Assistant General Manager - Finance, Treasury and Human Resource Development Mr. Mahesh Mishra, and Head - Human Resource Development Mrs. Anju Nakarmi are the other members. In the Financial Year, there were 8 meetings of this committee and total meeting allowance of NRs. 1 lakh 40 thousand were provided to the board members this Committee.

After the study and analysis of the employees salary and service benefits structures, this Committee establishes work areas of staff and reviews work appraisals, prepares



other terms concerning staff management, etc. and presents its opinions, advice, and recommendations to the Board of Directors. In addition, this Committee also prepares the Bank's annual human resource program and presents it to the Board of Directors.

Guarantee Committee

The Bank formed a Guarantee Committee in the review year. The Committee submitted report to the Board of Directors regarding the claim against the Bank's guarantee amount to USD 66,25,010 and EUR 14,11,453 released to Melamchi Drinking Water Project on the counter guarantee of China Construction Bank Corporation, Henan Branch, China. The Committee also provided opinions, advice, and recommendations regarding the Bank's future actions on the same case. According to the instructions by the Board of Directors which was based on the opinions, advice, and recommendations proposed by the Committee, while releasing guarantee of big amount in the future, possible risks must be specifically studied and for the minimization of those possible risks, internal letter of credit related to guarantee has been reworked on.

The coordinator of this Committee is Professor Hem Raj Subedi, Ph.D. while Mr. Govinda Prasad Sharma is the member of this Committee from the Board of Directors side. In the Financial Year, there were 2 meetings of this committee and total meeting allowance of NRs. 50 thousand were provided to the board members this Committee.

Some Special Initiatives Taken to Expand Business and Future Goals

Due to the prevalent transitional political and economic situation, market expansion in the banking sector and liquidity management activities proved challenging in this reporting year as well. Despite the unfavorable

situation, the Bank has been consistently focused on contributing towards growth of the financial sector. The Bank has been continually developing its capability and network expansion for high quality service offerings to existing and potential customers. Nepal Rastra Bank's encouragement for merger/acquisition and ease of process has led to growing mergers between financial institutions. In this situation, the Bank has taken some concrete initiatives to keep itself competitive in this sector, the results of which can be expected in the coming days. Among these, the following are the major ones:

- Initiatives taken to increase lending to small and medium enterprises: Lately due to the improvement in the law, order and labor situations, population growth, increased income levels due to foreign employment, growing urbanization, etc., there was increased growth in the number of individuals working at the small and medium scale enterprises. In this context, the Small Enterprise Loan initiated last year was made available across all branches throughout the country, targeting small and medium sector businesses. The Bank trusts that this service will be beneficial to those requiring higher funds than micro credit limit. The Bank, which has been granting loans to small and medium businesses since past years, is more focused on increasing the loan in this sector in the future.
- Initiatives taken to Encourage Women Entrepreneurs: The Bank has made available "Women Entrepreneurship Loan" with a view to promote economic development and growth of small scale firms operated by women. This service has been developed to cater increasing economic activities of women, who make up about 50% of the population. Under this service, women may apply for loans up to NRs. 4 lakh which can be repaid within three years. Further, accidental insurance of the woman

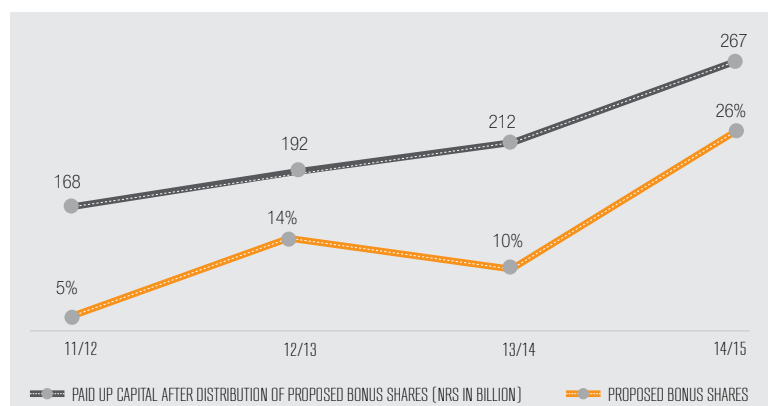
availing "Women Entrepreneurship Loan" has been arranged by the Bank. Likewise, to encourage the saving habit of women, the Bank has been making timely amendments in deposit services targeted to women.

- Initiatives taken to Encourage Farmers: In this situation, when farmers' reach of the banking service is noticeably low, the Bank has re-introduced "B.O.K. Kissan Banking Sewa" initiated in 2010/11 with necessary amendments after some studies, researches, and tests. It is believed this will benefit both the depositors and credit customers under this product.

To address the migration of youth from the rural areas and to attract youth towards agriculture, Nepal Rastra Bank has released grant related statutes on agricultural loan provided to youth for commercial agriculture. On the basis of the same, the Bank has prepared internal working statutes to facilitate the release of the loan and which has been in function in all the branches. The Bank is sure that this kind of loan will contribute toward the modernization, diversification and commercialization of agricultural sector.

For the accessibility of banking and to enhance micro inclusiveness in the deprived sectors, the Bank has made an agreement of two projects under the program Sakchyam Access to Finance operated by Louis Berger in the leadership and assistance of DFID. Under the first agreement, the plan is to provide short term credit facility to sugarcane farmers affiliated with Mahakali Sugar Industries Pvt. Ltd, Beldandi, Kanchanpur. The target is to facilitate loan service to 4,000 farmers. At present, loan has been facilitated to more than 300 farmers. The Bank will continue working towards the expansion of agricultural sector in collaboration with various institutions and organizations who have been working towards the development and promotion of agricultural sector.

- Initiatives taken to Achieve Investment Goals in Productive, Agriculture, Energy, and Marginalized Sectors: The Bank has been making consistent efforts to provide credit facilities to enhance financial services and financial inclusiveness in productive sectors as defined by Nepal Rastra Bank (Agriculture, Energy, Tourism, and Cottage and Small Industries) and marginalized class.



In this context, till date, the Bank has supported in the production of 75.97 MW of energy by investing in 15 hydropower projects. Besides, the Bank is doing its homework before investing on an additional 6 different hydropower projects. Among the projects, the Bank has invested in 4 projects as a lead bank, member bank in 10 projects and a sole lender in one of the projects.

At the end of the Financial Year, the Bank has invested more than 4.38 % of its total loan portfolio in hydropower sector. The Bank has also invested in agriculture and tourism sector projects. Till the end of the Financial Year, about 5.85% of total loans have been invested in cottage and small scale industries. In the coming days, priority will be given to such sectors. Similarly, at the end of the Financial Year, the Bank's lending in deprived sector was 4.80% against required 4.50% of total loan portfolio by Nepal Rastra Bank.

To ensure lending in the productive sector, Nepal Rastra Bank has directed "A" class banks to invest minimum of 20% of total loan to this sector (agriculture, energy, tourism, and cottage and small industries) within Financial Year 2014/15, out of which, a minimum of 12% of loan investments must be in agriculture and energy sectors.

In the Financial Year, as per the direction of Nepal Rastra Bank, banks and financial institutions can regard the permitted gross loan limitation in the productive sector as the affected loan. As the result of the same, the Bank has invested 22.27% of total loans to the stipulated productive sectors, and among these, 13.16% has been invested in agriculture and energy sectors.

The Bank's objective is loan expansion in the identified honest projects under the productive sectors specified by Nepal Rastra Bank. However, these sectors have their own problems. Because of problems like productivity, modernization,

expertise, insurance, etc., it is not easy to increase investments rapidly. Similarly, there are also some problems seen in the construction of hydropower projects due to project implementation related issues like arranging financial resources, land purchase, geographical and social issues, etc.

- Expansion of Loan Portfolio of Branch Offices: In the Financial Year, continuation has been given to staff training and additional manpower has been arranged for branches with the potential of increased business. In addition, the Bank has established two regional offices in Kathmandu Valley and four regional offices in Birgunj, Pokhara, Biratnagar, and Nepalgunj. To expand loan business and to ease loan approval process, regional managers have been delegated credit authority discretion. The Bank is confident that this will help in management and monitoring of loans. In the Financial Year too, the Bank has been reviewing the market situation and has been making the necessary amendments in loan related circulars, due to which the Bank was successful in gaining significant growth in loan investments in the Financial Year. This will be continuity in the coming days as well.
- Growth in Remittance Business: The reviewed financial year saw a high growth in the flow of the remittance. Resultantly, the phenomenon was mirrored in the deposit graph of the banks and financial institutions. In the financial year, the Bank has shown substantial growth in the remittance business as well. The Bank achieved 35% growth in the remittance business. Moreover, the Bank has been successful in the distribution of the remittance amount. The number of remittance payout transactions reached approximately 11,357 on average every month. Up until last year, the Bank was engaged in nearly about 10,680 remittance payout transactions.

This year as well, the Bank has continued its efforts to provide combined banking services useful to those going for foreign employment. The Bank had initiated "B.O.K. Foreign Employment Banking Service" in order to provide consolidated financial services of deposits, remittance and loans to those going for foreign employment. The Bank has taken this initiative considering the increasing number of people going for foreign employment and their minimal reach to banking services. In this context, cash incentives on deposits in foreign employment accounts through remittance, arrangement to disburse remittance payout through agents and loans to families of those going for foreign employment are the major initiatives. The Bank has arranged remittance payouts through all the branches contributing towards growth in remittance transactions.

- **Capital Growth Plan:** Concerning enhancement of the Balance Sheet profile, attention will also be given to the capital plan. In the financial year 2014/15, the Bank's total paid up-capital reached NRs. 2 billion 120 million after issuance of proposed bonus shares. This financial year, the Bank has proposed to issue bonus shares of NRs. 55,12,55,200 (26% of paid-up capital at the end of F.Y 2015/16) from distributable profits. After issuance of this proposed bonus share, the Bank's paid-up capital will reach NRs. 2 billion 670 million.

Nepal Rastra Bank had released a paid-up capital growth related policy on 6 August 2015 targeting at licenced banks and financial institutions under which licensed "A" class commercial banks need to achieve minimum NRs. 8 billion requirements by financial year 2017/18. In this regard, as per the direction of Nepal Rastra Bank, the Bank has already presented capital plan as to how to manage paid-up capital of NRs. 8 billion by the set deadline. According to the same, the Bank

will adopt options like distribution of bonus share to capitalize profit, release of ownership share, merger with other bank and financial institutions or acquisition and joint venture with foreign organizations and institutions or managing NRs. 8 billion by their investment.

- **Expansion of Network and Customer Base:** With the objective to provide banking service to the customers and to expand network, the Bank has established branches in all the development areas of the country. At the end of the financial year, the Bank has a total of 50 branches, 7 extension counters, and a total of 57 ATM. By the end of the reporting year, through the medium of modern technology all the branches of the Bank function through central statistics system.

Currently, the Bank is operating following extension counters:

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

The Bank is not leaving any stone unturned to making timely and region-based programs and successfully applying them so as to increase the number of customers as well as business of branches established and brought into operation in the past few years. Similarly, in the course of expanding network through the medium of branchless banking, the Bank has also been providing banking services via agents using modern banking technology, that is, technology such as point of transaction (P.O.T.) and mobile banking. Till date, the Bank has appointed 25 agents and installed P.O.T. machines in various places of the country for P.O.T. services.

For the accessibility of banking and to increase micro inclusiveness amongst deprived sectors, the Bank has made an agreement of two projects under the program Sakcham Access to Finance operated by Louis Berger in the leadership and assistance of DFID. The plan under one of the two projects is to open branches to increase micro accessibility amongst women, youth and farmers in different districts of mid-western and far-western regions where micro finance accessibility is nil. According to the same, the Bank has opened six branches in Dang, Bardiya, Kanchanpur, Kailali, Pyuthan, and Rupendahi districts.

Merger related information

The Bank signed a memorandum of understanding for merger with three "C" class financial institutions namely; International Leasing and Finance Co. Ltd., Shree Investment and Finance Co. Ltd., and Nepal Express Finance Limited on June 12, 2014. Because the share swap ratio between the mergee and the merger companies could not be decided by the time specified in the MOU and since it was against the wellbeing of the shareholders to keep the share transaction at hold for too long, therefore it was requested to Nepal Rastra Bank to permit the dissolution of the merger process. We would like to inform that the Bank has received permission from Nepal Rastra Bank to dissolve the merger process.

In the reporting year, Nepal Rastra Bank released a paid-up capital growth related policy on 6 August 2015 targeting at licenced banks and financial institutions under which licensed "A" class commercial banks need to achieve minimum NRs. 8 billion requirement by F.Y. 2017/18. In this regard, as per the direction of Nepal Rastra Bank, the Bank has already presented capital plan as to how to manage paid-up capital of NRs. 8 billion by the set deadline. According to the same, one of the

many options was merger with other bank and financial institutions. In that respect, we signed a memorandum of understanding with Lumbini Bank on Dec 24, 2015. According to the MoU, after the merger, the bank will be called Bank of Kathmandu Lumbini Limited. Similarly, in accordance with Due Diligent Audit performed in agreement between both banks, the share swap ratio between this bank and Lumbini Bank will be 1: 0.8281, which will be put into practice after the decision gets approved in the general meetings of both banks.

After the merger process is completed, until the time of the election of the executives from the general meeting as per the amended contract and the guidelines, it has been agreed upon that a 9 member Executive Committee consisting of the present executives of both sides will be formed. For the Executive Committee, the Bank will nominate the Chairperson and four executives. Lumbini Bank Limited will nominate four executives. There will be 9 members in the executive committee after the merger. The make-up of the executive committee will be in tantamount to the prevalent company law and bank and financial institutions related law.

Immediately after the official agreement with Nepal Rastra Bank on the subject of merger and approval from the general meeting, process for the approval between the two banks on Nepal Rastra Bank's guidelines on bank and financial institution merging with each other will go ahead. Likewise, approval of the agreement specified in 2011 will also be moved forward. The aim is to complete the merger related work by 2016/17. With the merger, both of the banks have aimed to meet the minimum paid-up capital in accordance with the capital plan of each bank. In addition to this, the other objectives are: substantial growth in the Bank's size, increase in efficiency, and increase in the risk bearing

capacity and to provide a positive contribution to the financial aspect of the country.

CORPORATE SOCIAL RESPONSIBILITY

The Bank has been conscious to bear corporate social responsibility. Since its inception, the Bank has been contributing through various social and affiliated institutions. In the Financial Year, too, the Bank has been active in fulfilling its business activities as well as performing its responsibilities towards society.

The Bank has continued organizing an awareness program "Ghar Dailo Week" at various places of the country. Till date, the Bank has organized the program in Balaju, Balkhu, Bhaktapur, Chabahil, Sankhu, New Baneshwor, Old Baneshwor, Panauti, Maharjgunj, Gongabu, Gyaneshwor, and Thamel inside the Kathmandu Valley. And outside the valley in Amlekhgunj, Beni, Biratnagar, Birgunj, Baglung, Butwal, Pokhara, Itahari, Dharan, Narayangadh, Dhangadi, Diktal, Hetauda, Janakpur, Jumla, Khairenitara, Lahan, Nepalgunj, and Urubari. Through these types of programs, efforts were made to create awareness in the general public about the saving habit and the necessity of registering childbirth. In the coming days, the Bank will move ahead even more strongly to fulfill its corporate social responsibility. The "BOK Chetansil Yuwa Bachat Khata" was started last year in association with the international organization, "Save the Children". Till now, 7,849 youth have entered the banking system through this deposit service.

Concerning contribution to other social activities, the Bank has, like in the past, involved itself in some sectors like education, health, and environment. Among these, the main ones are as follows:

- Financial aid provided for the education of underprivileged children at ECO Farm Home, Panauti in partnership with Mission Himalaya Nepal, NGO
- Financial help provided to Smile Nepal, NGO for the education and economic development of helpless children.
- Financial support to Suryodaya Primary School, Sindhupalchok, through the Kathmandu-based organization named Educating Nepal.
- Financial and educational support to a local school in Chisapani, Tanahu, through Little Angels' School Social Club.

Financial support through Srijanshil Youth Club of Budhanilkantha to purchase computer and establish information technology lab in Shree Mahakali Secondary School, Sisnekhola, Rukum.

- Financial support to Shree Setidevi Primary School in Matatirtha to provide free education to helpless children.
- Financial support to "Help the Helpless Council" in Akashdhara, Dharan, Sunsari, to purchase educational materials for helpless children.
- Financial support derived from the opening of saving accounts in Pokhara to the Bindabasini Religious Site Development Committee for the preservation of the famous religious site, Bindabasini Temple, at Pokhara Sub-municipality in Kaski district.

- Financial support to the Disabled Youth Association, Jorpati, Kathmandu.
- Financial support for the conservation of Ram Janaki Temple in Janakpur derived from the opening of saving accounts in Janakpur.
- Financial support to Sri Setidevi Primary School, Matatirtha to facilitate free education to helpless children
- Due to the massive earthquake on 25 April 2015, the country faced huge loss in the form of life and assets. Keeping in mind the unfortunate situation created by the earthquake, the Bank distributed clothes in partnership with various organizations based in Ramechhap, Nuwakot, Dhading, Gorkha, and Sindhupalchowk districts. Besides, the Bank also provided relief materials to Haibung VDC in Sindhupalchowk; distributed construction

materials for the construction of temporary houses in Marpak VDC, Dhading district and Chandragiri municipality, Thankot in association with various social organizations; management of meals provided in Sankhu municipality twice a day for nearly two weeks, contributed to Prime Minister Natural Disaster Relief Fund etc.

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

Thank you.
Date: February 07, 2016

BalaRam Neupane
Member

Govinda Prasad Sharma
Member

Satya Narayan Manandhar
Chairman

Professor Hem Raj Subedi, Ph.D.
Member
Santa Bar Singh Thapa
Member

Chop Narayan Shrestha
Member
Ramesh Nath Dhungel
Member

ANNEXURE 1

Details According to Clause 109 Sub-clause 4 of Company Act 2063

A. Review of last year's business

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

B. National and international events and their impacts (Source: Monetary Policy FY 2014/15):

According to the preliminary estimates of the Central Statistics Department, in the reviewed year, the real net Gross Domestic Production (GDP) growth at basic prices was 3.0%, and at production prices was 3.4 percent. In the reviewed year, agriculture and non-agriculture sector growth is estimated to be 1.9% and 3.6% respectively.

In the fiscal year 2014/15, the inflation is predicted to be around 7.5%. Moreover, by the 11th month of 2014/15, the (शोधनान्तर रिबलि) refund has remained as savings by 127 billion 200 million. Compared to last year, in this financial year 2014/15, interest rates have increased unexpectedly. In the end of FY 2014/15, the weighted average interest rates of 91-day treasury bills remained to 1.01%. At the end of FY 2014/15, the number of 30 "A" class, 79 "B" class, 50 "C" class, and 36 "D" class banks and financial institutions has reached 195. The number of merging banks and financial institutions has been increasing. In Financial Year 2014/15, 1 commercial bank, 10 development banks, and 4 finance companies have merged to become 1 commercial bank, 4 development banks, and 1 finance company. In the review year, while the deposit of banks and financial institutions has increased by 15.4%, loan released in the private sector increased by 17.8%. The interest rate in the agricultural loan is 23.0%. According to the World Economic Outlook issued by International Monetary Fund in July 2015, worldwide growth is predicted to be 3.4% in 2014

and 3.3% in 2015. The economic growth of developed countries in 2014 was 5.1%; whereas it is predicted that it will be 5.5% in 2015.

As the major economic indicators were showing signs of progress, the loss in economy caused by the massive earthquake on 25 April, 2015 has added more challenges to bring back economic stability. In this testing time, it is paramount that everyone should unite to let this economically stagnant nation rise again. Despite the fact that the entire economic growth rate was contracted by the damage caused by the earthquake and unfavorable weather in the fiscal year 2014/15, the indicators of major financial areas and (zfl wfgt/ l:ylt) refund are satisfactory.

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

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

D. Company's industrial and business relations:

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

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

A new Board of Directors was formed from the Extraordinary General Meeting held on July 21, 2013. Detailed information has been provided about this in the Board of Directors' Report.

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

1. Potential risks arising from increased competition due to continual establishment, up-gradation, or if the process of merger continues then competition produced from it.
2. Potential risks arising from providing loans and non-funded facilities by the Bank.
3. Potential risks arising from possible unexpected changes in interest rates due to unnatural fluctuations seen in liquidity.
4. Potential risks arising from changes in the country's economical, currency and fiscal policies.
5. Potential risks due to fluctuations in exchange rates when conducting foreign currency exchange transactions.
6. Financial risks arising from not recovering loans in time because of overall impact on economical transactions by the sluggishness in real estate business.
7. Potential risks arising from the development of unhealthy competition due to the contraction of loan and investment prospects.
8. Potential risks of impact in Nepali market from sluggishness in the international economy and financial sectors on the Nepali market.
9. Potential risks due to possible fluctuations in the capital market.
10. Challenge of minimizing operating and other risks while adhering strictly to set guidelines regarding client identification and simplification of fiscal procedures.
11. Challenge of providing consistently high returns to investors by maintaining set guidelines related to capital at a time when there is contraction of income sources.
12. Challenge of developing high quality staff and availing of their continuous service under the present circumstances when able manpower is taking flight.
13. Challenge of selecting the most appropriate technology at a time of rapid development of Information technology as well as the development of capability to get continuous returns on investment on technology so chosen.

14. Challenge of developing capability to minimize possible operating risks arising from increase in the Bank's branches and ATMs due to expansion.

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

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

We would like to inform that except for routine comments concerning banking business in the FY 2014/15, there were no serious or comments of other nature. The Board of Directors attention has been drawn to these comments and necessary arrangements have also been made to take steps for improvement.

H. Amount recommended for dividend distribution:

Cash dividend of NRs.2, 90, 13, 432 and bonus shares of NRs 55, 12, 55, 200 have been proposed.

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

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

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

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

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

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

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

The Bank's primary shareholders have not made available any information to the Bank in the Report Year.

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

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

N. Detailed Information available of any personal motives of any director or his close relatives concerning agreements related to the company in the last financial year:

None.

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

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

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

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

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

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

Staff expenses: NRs. 40, 74, 02,804

Office operating expenses: NRs. 39, 38, 38, 473

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

In the review period, Mr. Ramesh Nath Dhungel was the Chairman of the Audit Committee while Prof. Hem Raj Subedi, Ph.D., Mr. BalaRam Neupane and Mr. Chop Narayan Shrestha were the members of the Committee. Meeting allowance of Rs. 10,000 was provided to each member for each meeting. There were 16 meetings of the committee during this Financial Year. This committee provided necessary suggestions related to Bank operations.

* The meeting allowance has been brought into practice since March 25, 2015. Prior to the date, the meeting allowance per person for each meeting was NRs. 8, 000.

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

None.

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

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

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

* The meeting allowance has been brought into practice since March 25, 2015. Prior to the date, the meeting allowance per person for each meeting was NRs. 8, 000.

Annual salaries and facilities of the Bank's other office bearers:

In the financial year, the Bank's office bearers (manager and above except CEO) were provided NRs. 2, 94, 71, 269 against salaries and facilities, and employees were provided facilities as per the rules (such as: provident fund, medical expenses, vehicle, mobile phone reimbursement facility, etc.) as well as bonus according to the Bonus Act.

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

Of the dividends distributed from the Bank's profits from F.Y. 2001/02 to 2012/13 as returns on investment in this Bank's shares by our respected shareholders, the remaining uncollected cash dividend balance as on July 16, 2015 is NRs. 2,49,46,379. In case the concerned shareholder or his nominee does not come forward to receive this dividend within five years from the date of the Bank's declaration of the dividends, the shareholder's name along with details are put on the Bank's own website within the month following the end of the financial year.

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

No such purchase or sale in the Report Year.

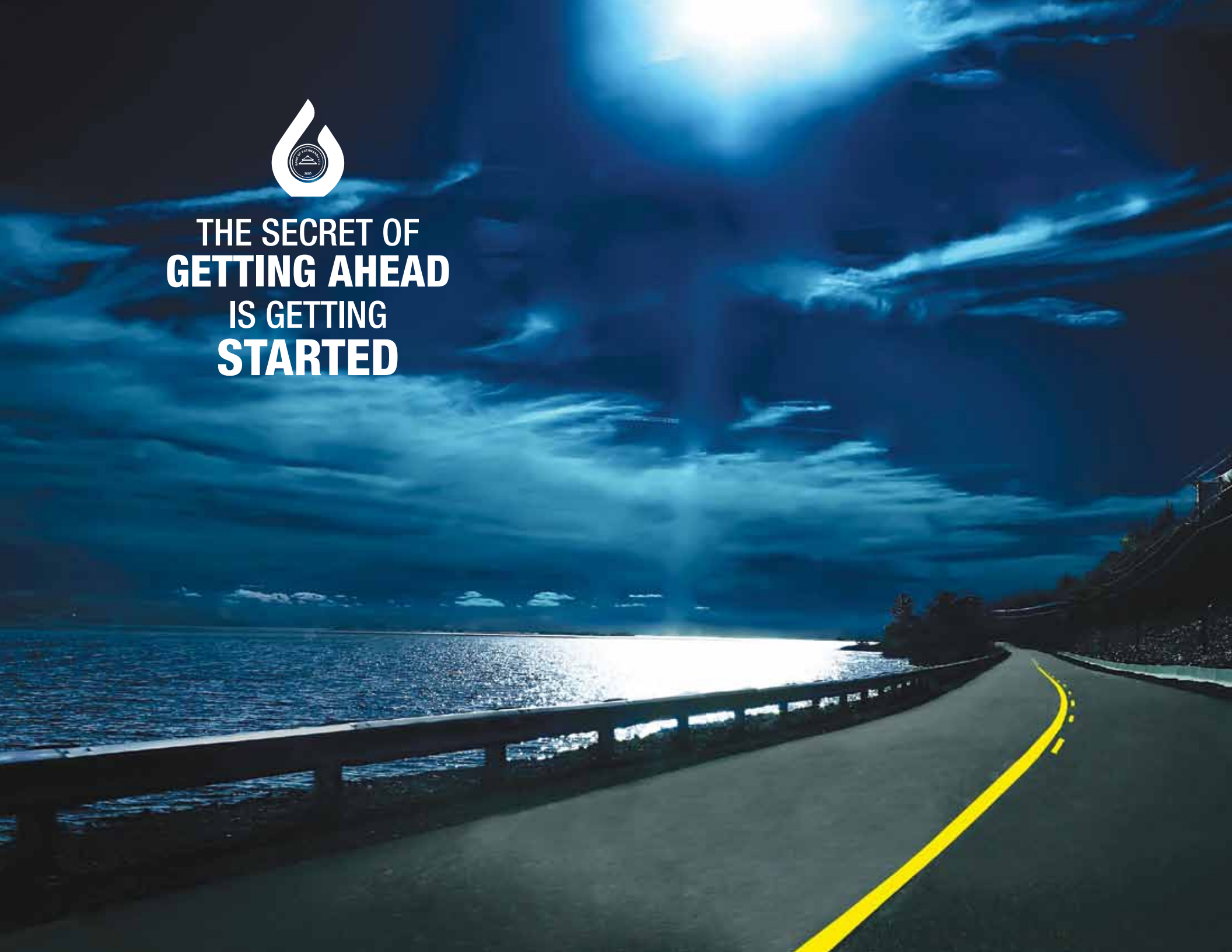
W. Details of transactions between related companies as per Clause 175:

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

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



**THE SECRET OF
GETTING AHEAD
IS GETTING
STARTED**



Corporate Social Responsibilities



EDUCATION

- Fund Support and distribution of stationeries to students of Suryodaya Prathamik School, Sindupalchowk through NGO Educating Nepal
- Financial and school materials support to students of local school in Chispani, Tanahu through Little angel's school social club
- Financial support to purchase computers for setting up IT Lab at Shree Mahakali Secondary School situated in Sisnekhola, Rukum through Budanilkantha School Students club-Srijanshil Yuva Club
- Financial Support to Help to the Helpless council for purchasing educational materials for orphan children in local schools in Dharan
- Fund Support to Manamaiju Mahila Vidhyalaya for safe drinking water facility to all staffs and students
- Fund support to Setidevi School, Matatirtha for providing free education to underprivileged students
- Fund Support to NGO Smile Nepal for welfare for better living & education facilities for children
- Educational Fund Support to Eco Farm Home for orphan children in Panauti-an initiative of Mission Himalaya Nepal



RESPONSIBILITIES

Spending time together across generations, building priceless family ties.



GOOD TIMES NEVER END

We believe that life does not end at retirement; in fact, it is the beginning of a new chapter in life. In view of the same, we have introduced services catering, especially, to the retired citizens. They are worthy members of our society and our facilities are our way of honoring them.

ENVIRONMENT

- With every new account opened in Bank of Kathmandu's regional savings accounts "BOK Pokhara Bachat Khata" and "Janaki Bachat Khata" the bank contributes NPR 100 per account opened for the welfare of Bindhyabasini Dharmik Kshetra Bikash Samiti for the development of Bindhyabasini temple in Pokhara and Ram Janaki Temple in Janakpur respectively.
- Construction and renovation of Children's Park in Central Zoo, Jawlakhel, Kathmandu.

OTHERS

- BOK undertook various activities across all its branches to commemorate "Global Money Week - 2015". Activities such as financial education, door to door awareness, visit you bank day for students, awareness campaign on various banking activities etc were conducted.
- In its bid to promote awareness about banking activities and saving habits amongst youths, Bank of Kathmandu Ltd. continued its enduring efforts in undertaking its "Financial Education" campaign across different parts of the country. During the program, the beneficiaries who mainly comprised of students, children/youths of social clubs, parents and other concerned stakeholders are oriented about saving habits through interaction, workshops, street drama and radio drama. The Bank also has further plans to strengthen and implement such activities in other parts of the country with the objective to spread awareness through financial education.
- With an objective of introducing general Banking services amongst general mass of the country, Bank of Kathmandu Ltd. introduced "BOK Ghardailo Abhiyaan- Door to Door Campaign" program and has been running it across different parts of the country. The sales activity is carried as part of "Save for the Future" campaign and alongside also promoted awareness regarding the importance of birth registration to every child message. The "Ghar Dailo Saptaha" so far has been carried out in more than 35 different parts of the country
- Bank of Kathmandu Limited distributed warm blankets to 370 families in Jajarkot and Solukhumbu districts of Nepal. The distribution was undertaken in coordination with social organizations-Women for Human Rights (Baluwatar) and Being Homosapiens. Chief Operating Officer of the Bank Mr. Prabin Prakash Chhetri handed over the blankets to the organizations in their respective offices.



HEALTH

- Organized free health camp at Jumla Region for women
- Provided free drinking water facility to all devotees visiting Pashupatinath temple on Teej
- Fund support to Jayanti Memorial Trust, Kathmandu to organize free health camp on the occasion of Teej festival. Also, fund support provided to raise awareness on World heart day
- Fund Support to Maitri Samaj Nepal-Fellowship Society for musical event of the visually impaired
- Fund Support to Yuva Apanga Sangathan Nepal



EARTHQUAKE RELIEF ACTIVITIES:

After the Earthquake that occurred on 25th April 2015, the Bank made best efforts to provide support to the victims of the incident in various ways, such as;

- The Bank through its own resources and contribution from all its directors announced support amount of NPR 1,530,600.00 which is presented to the Prime Minister's Disaster Relief Fund.
 - The Bank also appealed voluntary contribution from public and various national and international organizations through which an amount of NPR 173,478,811.46 is collected until now (23rd Aug 2015); hence the collected amount and all future collections is deposited in Prime Minister's Disaster Relief Fund.
 - Besides the above mentioned fund support, the Bank also was involved in various other relief activities as below;
- Support amount of NPR 1,000,000.00 from the Bank for the staffs affected from earthquake
 - NPR 872,100.00 voluntary contribution from BOK staffs and Bank for relief activities, such as:
 - Distribution of Clothes, Blankets, floor mats etc. in Raamechhap, Nuwakot, Dhading, Gorkha and Sindhupalchowk through voluntary organizations.
 - Distribution of Relief materials to victims affected by earthquake of Haibung VDC, Sindhupalchowk. (Total spending: NPR 214,000.00)
 - Distribution of basic construction materials for building temporary houses to residents of Marpak VDC - Dhading District and Chandragiri Municipality of Thankot through social organizations. (Total spending: NPR 130,000.00)
 - 2 meals per day served to earthquake affected locals/residents of Saankhu region for 13 days from 1st May 2015 to 13th May 2015. (Total spending: NPR 681,587.80)



Corporate Governance

Corporate governance is about the way in which boards oversee the running of a company by its managers, and how board members are in turn accountable to shareholders and the company. Good corporate governance plays a vital role in underpinning the integrity and efficiency of financial markets. Good corporate governance ensures that the business environment is fair and transparent and that companies can be held accountable for their actions. As such, sound corporate governance within the bank is a priority.

The bank's corporate governance objectives can be summarized as –

- Set corporate objectives and operate the bank's business on a day-to-day basis.
- Meet the obligation of accountability to their shareholders and take into account the interests of other recognized stakeholders.
- Align corporate activities and behavior with the expectation that banks will operate in a safe and sound manner, and in compliance with applicable laws and regulations.
- To ensure the board acts independently of management.
- To ensure existence of proper internal controls covering the bank's day to day operations.

In addition to ensuring compliance with statutory regulations in place to police corporate governance (mainly, NRB Directives no. 6/067; Companies Act & Bank & Financial Institutions Act), the bank also has taken various steps and has systems in place to strengthen the corporate governance in the bank.

The Board

In the Fiscal Year 2071/72 there were 7 (seven) members as BOD, 4 (four) directors represent the Public shareholders while the remaining 3(three) are from amongst the Promoter shareholders. All the members of the board,

- have declared, they have no financial interest in the bank
- are not involved in the day to day management of the bank
- are accountable and responsible to the stakeholders and strive to maintain a sound governance in the bank and
- Confirm that bank has, throughout the year, complied with all the statutory acts, rules and regulations that affect the bank's operations.

The board has delegated the bank's management function to the Chief Executive Officer (CEO) who is appointed by the board. The CEO is accountable to the board and is responsible to over see the entire bank management.

To ensure the board only takes informed and correct decisions, necessary information is provided to the members of the board well in advance of a board meeting.

The board has various regular sub committees in line with NRB Directives members which have been delegated specific responsibilities:

- **Audit Committee**– is mainly responsible for providing oversight of the bank's internal and external auditors; approving,

OPPORTUNITIES

Go ahead You never know what could be on the other side.



“
GOOD
GOVERNANCE
IS AT THE HEART OF
OUR OPERATIONS
”

or recommending to the board of directors or shareholders for their approval, the appointment, compensation and dismissal of external auditors; reviewing and approving audit scope and frequency; receiving audit reports; and ensuring that management is taking appropriate corrective actions in a timely manner to address control weaknesses, non-compliance with policies, laws and regulations, and other problems identified by auditors.

- **Risk management Committee-** the Risk Committee must assist the Boards in assessing the different types of risk to which the organization is exposed. The committee is responsible for identifying various risks faced by the bank and advises the board on the effectiveness of the bank's internal controls and improvements.
- **HR Management and Services Facility Committee-** Responsible for drafting various policies related to HR management and take important decisions on matters like remuneration setting, performance appraisal and reward, staff discipline and succession planning.

During the year the board met several times and had decided on matters like the bank's strategy, annual financial plan, shareholder's dividends and substantial issues reserved for decision by the board.

Risk Governance and Internal Control

The board through its sub committees is committed toward existence and effectiveness of internal controls covering the bank's operation to protect shareholders' and the depositors' assets.

- **Asset Liability Committee (ALCO)**
- This management level committee is responsible to manage mainly the market & the liquidity risk.

- **Integrated Risk Management & Compliance (IRMC)-**This department focuses on managing all the risks faced by the bank. Hence the bank is able to concentrate the entire risk management function of the bank at a centre place with a group of Risk officers actively involved in identifying and mitigating risks faced by the bank.
- **The Audit committee-** As per statutory rules the bank has formed an audit committee comprising 4 (four) directors and a secretary (Head – Internal Audit) with responsibilities closely aligned to the provisions made by the NRB directive and the Companies Act, 2063. All members of the Audit Committee are either Non-Executive directors or independent of business. During the year the audit committee met a total of 16(Sixteen) times and carried out various activities including discussion on inspection/audit reports issued by the NRB, statutory and internal auditor and issued recommendations to the management through the board as appropriate. Further the audit committee is also responsible for:
 - o Oversight of regulatory compliance, ethics, and law
 - o Oversee the financial reporting and disclosure process.
 - o Monitoring choice of accounting policies and principles.
 - o Review the bank's internal control system and evaluate its effectiveness
 - o Review and manage the efficiency and effectiveness of the bank's Internal audit department
 - o Review the bank's risk management policy
- **Internal Audit-** Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic,

disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Internal audit is regarded as one of the pillars of good corporate governance and the bank's Internal Audit Department (IAD) strives to live up to the expectations bestowed upon it by the stakeholders.

Under the supervision of the audit committee, the IAD follows an innovative Risk based internal audit (RBIA) approach whereby risk within the bank is quantified and the internal audit strength is directed towards the area with a greater perceived risk in line with the annual internal audit plan approved by the audit committee. The internal audit report is also prepared in an effective manner so as to help the audit committee and the management to get a clear understanding of the compliance level and the state of controls and risks within the bank. To preserve IAD's objectivity and independence, Head-Internal Audit functionally reports directly to the Audit committee.

- ICAAP- The Bank has ICAAP (Internal Capital Adequacy Assessment Process) policy approved by the Board, to ensure the Bank possess adequate capital resources in commensuration with

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

Communication with shareholders

The bank conducts the AGM and presents the annual report to communicate with shareholders. During the AGM, interested shareholders are invited to express their views on financial performance of the bank or on any of the bank's and the management's conduct. Shareholders' queries are then commented upon by the chairman of the board which is minuted as per the applicable statutory laws and subsequently an AGM minute booklet is published which is available freely for any shareholder's review at a later date.

In addition to the annual report, the bank publishes periodic information (also required by the statute) on various matters to raise the level of awareness amongst all forms of stakeholders on the bank's activities, financial state and the level of compliance.

Financial Statements



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

Report on the Financial Statements

We have audited the accompanying financial statements of Bank of Kathmandu Ltd. (hereinafter referred to as 'the Bank'), that comprises of Balance Sheet as at July 16, 2015 (Ashadh 31, 2072) and the related Profit & Loss Account, Cash Flow and Changes in Equity Statements for the year then ended.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

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

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

Opinion

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

- ~ in case of Balance Sheet, of the state of affairs of the Bank as at July 16, 2015 (Ashadh 31, 2072),
- ~ in case of Profit & Loss Account, of the operating results of the Bank for the year ended on that date, and
- ~ in case of Cash Flow and Changes in Equity Statements, the cash flows and changes in equity of the Bank for the year ended on that date,

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



Ranjeev Shrestha
C.A. Ranjeev Shrestha
Partner
G. P. Rajbahak & Co.
Chartered Accountants

Date: September 28, 2015
Place: Kathmandu

Balance Sheet

AS AT JULY 16, 2015

Amount in NPR

Capital and Liabilities	Schedule	Current year	Previous Year
1. Share Capital	1	2,671,467,500	2,120,212,300
2. Reserves and Surplus	2	1,182,646,924	1,428,346,474
3. Debentures and Bonds	3	1,000,000,000	400,000,000
4. Borrowings	4	131,000,000	136,000,000
5. Deposits	5	39,456,586,740	34,115,671,579
6. Bills Payables	6	42,475,201	22,486,803
7. Proposed Dividend		29,013,432	10,526,316
8. Income Tax Liabilities		-	-
9. Other Liabilities	7	456,868,453	800,821,576
Total Capital and Liabilities		44,970,058,250	39,034,065,048

Assets	Schedule	Current year	Previous Year
1. Cash Balance	8	962,745,562	934,366,386
2. Balance with Nepal Rastra Bank	9	3,299,135,388	2,828,232,086
3. Balance with Banks/Financial Institutions	10	1,408,495,953	1,235,237,655
4. Money at Call and Short Notice	11	13,658,000	-
5. Investments	12	6,027,025,500	4,579,797,910
6. Loans, Advances and Bills Purchase	13	31,894,060,062	28,304,224,474
7. Fixed Assets	14	574,164,717	566,830,169
8. Non Banking Assets	15	-	-
9. Other Assets	16	790,773,068	585,376,368
Total Assets		44,970,058,250	39,034,065,048

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

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

Mahesh Mishra
AGM- F&T and HRD

Ajay Shrestha
Chief Executive Officer

BalaRam Neupane
Director

Prof. Hem Raj Subedi, Ph. D
Director

Chop Narayan Shrestha
Director

Govinda Prasad Sharma
Director

Santa Bar Singh Thapa
Director

Ramesh Nath Dhungel
Director

Satya Narayan Manandhar
Chairman

As per our report of even date

CA. Ranjeev Shrestha
Partner
G.P. Rajbahak & Co.
Chartered Accountants

Date: September 28, 2015
Place: Kathmandu

PROFIT / LOSS ACCOUNT

FOR THE PERIOD FROM JULY 17, 2014 TO JULY 16, 2015

Amount in NPR

Particulars	Schedule	Current Year	Previous Year
1. Interest Income	18	2,844,854,785	2,609,428,138
2. Interest Expenses	19	1,463,506,119	1,390,496,727
Net Interest Income		1,381,348,666	1,218,931,411
3. Commission and Discount	20	265,339,548	222,901,981
4. Other Operating Income	21	65,446,261	65,872,068
5. Exchange Gain	22	161,924,985	145,823,366
Total Operating Income		1,874,059,460	1,653,528,826
6. Employees Expenses	23	407,402,804	382,057,290
7. Other Operating Expenses	24	393,838,473	376,084,008
8. Exchange Loss	22	-	-
Operating Profit before provision for possible losses		1,072,818,183	895,387,528
9. Provision for Possible Losses	25	941,260,259	531,921,707
Operating Profit		131,557,924	363,465,821
10. Non Operating Income /(Expense)	26	4,554,488	8,562,768
11. Provision Written Back	27	420,271,191	43,835,959
Profit from Ordinary Activities		556,383,603	415,864,548
12. Income/(Expense) from extra-ordinary Activities	28	(14,456,760)	-
Net profit after incorporating all Activities		541,926,843	415,864,548
13. Provision for Staff Bonus		49,266,077	37,805,868
14. Income Tax Expenses		158,091,684	123,616,898
- Current Tax		34,965,626	242,632,028
- Previous Year's Additional Tax		4,945,760	4,502,664
- Current Year's Deferred Tax (Income)/Expense		118,180,298	(123,517,794)
Net Profit/(Loss)		334,569,082	254,441,782

Mahesh Mishra
AGM- F&T and HRD

Ajay Shrestha
Chief Executive Officer

BalaRam Neupane
Director

Prof. Hem Raj Subedi, Ph. D
Director

Chop Narayan Shrestha
Director

Govinda Prasad Sharma
Director

Santa Bar Singh Thapa
Director

Ramesh Nath Dhungel
Director

Satya Narayan Manandhar
Chairman

As per our report of even date

CA. Ranjeev Shrestha
Partner
G.P. Rajbahak & Co.
Chartered Accountants

Date: September 28, 2015
Place: Kathmandu

PROFIT / LOSS APPROPRIATION ACCOUNT

FOR THE PERIOD FROM JULY 17, 2014 TO JULY 16, 2015

Amount in NPR

Particulars	Schedule	Current Year	Previous Year
INCOME			
1. Retained Profit upto Previous Year		4,763,693	6,123,271
2. Current Year's Profit		334,569,082	254,441,782
3. Exchange Fluctuation Fund		-	-
4. Transfer From Bond Redemption Reserve		-	-
5. Reversal of dividend received in FY 2066-67		-	-
6. Investment Adjustment Reserve		-	388,484
7. Transfer from Deferred Tax Reserve		137,350,100	-
8. Transfer from contingent reserve		269,337,216	-
9. Transfer from General Reserve		-	200,000,000
Total		746,020,091	460,953,537
EXPENSES			
1. Loss up to Last Year		-	-
2. Current Year's Loss		-	-
3. General Reserve		66,913,817	50,888,357
4. Contingent Reserve		-	-
5. Institutional Development Fund		-	-
6. Dividend Equalization Fund		-	-
7. Staff Related Reserve		-	-
8. Proposed Dividend		29,013,432	10,526,316
9. Proposed Bonus Shares		551,255,200	200,000,000
10. Special Reserves		-	-
11. Exchange Fluctuation Fund		3,962,862	4,590,710
12. Capital Redemption Reserve		-	-
13. Capital Adjustment Fund		-	-
14. BOK Bond - 2076 Redemption Reserve		66,666,667	66,666,667
15. Investment Adjustment Reserve		1,030,538	-
16. Deferred Tax Reserve		-	123,517,794
17. Other Reserve		-	-
Total		718,842,516	456,189,844
18. Retained Profit/(Loss)		27,177,575	4,763,693

Mahesh Mishra
AGM- F&T and HRD

Ajay Shrestha
Chief Executive Officer

BalaRam Neupane
Director

Prof. Hem Raj Subedi, Ph. D
Director

Chop Narayan Shrestha
Director

Govinda Prasad Sharma
Director

Santa Bar Singh Thapa
Director

Ramesh Nath Dhungel
Director

Satya Narayan Manandhar
Chairman

As per our report of even date

CA. Ranjeev Shrestha
Partner
G.P. Rajbahak & Co.
Chartered Accountants

Date: September 28, 2015
Place: Kathmandu

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM JULY 17, 2014 TO JULY 16, 2015

Amount in NPR

Particulars	Share Capital	Retained Profit/(Loss)	General Reserve Fund	Capital Reserve Fund	Share Premium	Exchange Fluctuation Fund	Deferred Tax Reserve	Investment Adjustment Reserve	Bond Redemption Reserve	Other Reserves
Total	2,120,212,300	4,763,693	881,150,706	164,075	-	48,535,601	137,350,100	378,416	66,666,667	289,337,216
Opening Balance as at July 16 2014										3,548,558,774
Surplus on Revaluation of properties										
Deficit on Revaluation of Investment										
Net Gains & Losses not recognized in the Income statement										
Net profit for the period		334,569,082								334,569,082
Transfer to General Reserve		(66,913,817)	66,913,817							(29,013,432)
Proposed Dividend/Bonus	551,255,200	(580,288,632)								
Issue of Share Capital										
Deficit on evaluation of properties										
Surplus on Revaluation of Investment										
Exchange Fluctuation Reserve		(3,962,862)				3,962,862				
Capital Adjustment Fund										
Transfer from Capital Adjustment Fund										
Transfer from Bond Redemption Reserve										
Transfer to Bond Redemption Reserve		(66,666,667)							66,666,667	
Contingent Reserve		269,337,216							(269,337,216)	
Transfer From Deferred Tax Reserve		137,350,100					(137,350,100)			
Investment Adjustment Reserve								1,030,538		
Other Reserve		(1,030,538)								
Closing Balance as at July 16, 2015	2,671,467,500	27,177,575	948,064,523	164,075	-	52,498,463	-	1,408,954	133,333,334	20,000,000
										3,854,114,424

CASH FLOW STATEMENT

FOR THE PERIOD FROM JULY 17, 2014 TO JULY 16, 2015

Amount in NPR

Particulars	Current Year	Previous Year
(A) CASH FLOW FROM OPERATING ACTIVITIES	1,217,054,748	438,758,147
1. Cash Receipts	3,250,543,780	2,966,167,167
1.1 Interest Income	2,778,123,923	2,556,625,703
1.2 Commission and Discount Income	258,400,060	216,208,870
1.3 Exchange Gain	146,073,536	127,460,526
1.4 Recovery of written off Loan	2,500,000	-
1.5 Other Income	65,446,261	65,872,068
2. Cash Payments	2,404,383,328	2,423,733,576
2.1 Interest Expenses	1,385,511,425	1,393,736,505
2.2 Employee Expenses	409,703,325	380,214,438
2.3 Office Overheads	329,493,804	306,259,216
2.4 Income Tax Paid	235,942,748	251,544,597
2.5 Other Expenses	43,732,026	91,978,820
OPERATING CASH FLOW BEFORE WORKING CAPITAL ADJUSTMENTS	846,160,452	542,433,591
CHANGES IN CURRENT ASSETS	(4,997,343,908)	(5,907,348,370)
1. (Increase)/Decrease in Money at Call and Short Notice	(13,658,000)	-
2. (Increase)/Decrease in Other Short Term Investments	(323,794,363)	13,478,412
3. (Increase)/Decrease in Loans, Advances and Bills Purchase	(4,519,264,869)	(5,817,244,677)
4. (Increase)/Decrease in Other Assets	(140,626,676)	(103,582,105)
CHANGES IN CURRENT LIABILITIES	5,368,238,204	5,803,672,926
1. Increase/(Decrease) in Deposits	5,340,915,161	6,414,684,318
2. Increase/(Decrease) in Certificate of Deposits	-	-
3. Increase/(Decrease) in Short Term Borrowings	-	(618,684,000)
4. Increase/(Decrease) in Other Liabilities	27,323,043	7,672,608
(B) CASH FLOW FROM INVESTING ACTIVITIES	(1,137,807,655)	166,758,000
1. (Increase)/Decrease in Long Term Investment	(1,123,433,227)	150,869,962
2. (Increase)/Decrease in Fixed Assets	(84,046,503)	(69,969,577)
3. Interest income from Long Term Investments	65,062,689	62,338,453
4. Dividend Income	4,609,386	4,305,282
5. Others	-	19,213,880
(C) CASH FLOW FROM FINANCING ACTIVITIES	577,442,234	83,355,605
1. Increase/(Decrease) in Long Term Debt (Bonds, Debentures etc)	600,000,000	-
2. Increase/(Decrease) in Share Capital	-	-
3. Increase/(Decrease) in Other Liabilities	(17,557,766)	(32,005,595)
4. Increase/(Decrease) in Subsidies / Refinance from NRB	(5,000,000)	115,361,200
(D) INCOME/ (LOSS) FROM CHANGE IN EXCHANGE RATE IN CASH & BANK BALANCES	15,851,449	18,362,840
(E) CURRENT YEAR'S CASH FLOW FROM ALL ACTIVITIES (A+B+C+D)	672,540,776	707,234,592
(F) OPENING CASH & BANK BALANCE	4,997,836,127	4,290,601,535
(G) CLOSING CASH & BANK BALANCE (E+F)	5,670,376,903	4,997,836,127

Mahesh Mishra
AGM- F&T and HRD

Ajay Shrestha
Chief Executive Officer

BalaRam Neupane
Director

Prof. Hem Raj Subedi, Ph. D
Director

Chop Narayan Shrestha
Director

Govinda Prasad Sharma
Director

Santa Bar Singh Thapa
Director

Ramesh Nath Dhungel
Director

Satya Narayan Manandhar
Chairman

As per our report of even date

CA. Ranjeev Shrestha
Partner
G.P. Rajbahak & Co.
Chartered Accountants

Date: September 28, 2015
Place: Kathmandu

SHARE CAPITAL AND OWNERSHIP

AS AT JULY 16, 2015

Schedule 1

Amount in NPR

Particulars	Current Year	Previous Year
1. Share Capital		
1.1 Authorized Capital	3,000,000,000	2,000,000,000
A) 30,000,000 Ordinary Shares of NPR 100 each	3,000,000,000	2,000,000,000
B) Non-redeemable Shares	-	-
C) Redeemable Shares	-	-
1.2 Issued Capital	2,120,212,300	1,920,212,300
A) 21,202,123 Ordinary Shares of NPR 100 each (Previous Year 19,202,123 Ordinary Shares of NPR 100 each)"	2,120,212,300	1,920,212,300
B) Non-redeemable Shares	-	-
C) Redeemable Shares	-	-
1.3 Paid Up Capital	2,120,212,300	1,920,212,300
" A) 21,202,123 Ordinary Shares of NPR 100 each (Previous Year 19,202,123 Ordinary Shares of NPR 100 each)"	2,120,212,300	1,920,212,300
B) Non-redeemable Shares	-	-
C) Redeemable Shares	-	-
1.4 Proposed Bonus Share	551,255,200	200,000,000
1.5 Call in Advance	-	-
1.6 Total amount (1.3+1.4+1.5)	2,671,467,500	2,120,212,300

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

Particulars	Current Year		Previous Year	
	%	Share Capital	Share Capital	%
1. Local	100.00%	2,120,212,300	1,920,212,300	100.00%
1.1 Government of Nepal	-	-	-	-
1.2 "A" class Licensed Institutions	-	-	-	-
1.3 Other Licensed Institutions	-	-	-	-
1.4 Other Institutions	3.39%	71,859,700	63,905,300	3.33%
1.5 Individuals	96.61%	2,048,352,600	1,856,307,000	96.67%
1.6 Others	-	-	-	-
2 Foreign	-	-	-	-
Total	100.00%	2,120,212,300	1,920,212,300	100.00%

List of Shareholders holding more than 0.5% shares

S.N	Name of Shareholders	Paid-up Amount	%	Type
1	Ran Bahadur Shah	99,476,900	4.69	Promoter
2	Sharda Singh	83,445,000	3.94	Promoter
3	Dambar Bahadur Malla	80,413,700	3.79	Promoter
4	Rama Devi Pant	69,174,300	3.26	Promoter
5	Rita Malla	58,280,100	2.75	Promoter
6	Prem Bahadur Shrestha	41,284,100	1.95	Promoter
7	Alok Singh	36,352,500	1.71	Promoter
8	Bhubaneshwori Shrestha	32,595,600	1.54	Promoter
9	Ambika Shah	28,515,900	1.34	Promoter
10	Namrata Sharma	27,510,500	1.30	Promoter
11	Nepal Life Insurance Co.Ltd.	18,251,500	0.86	Promoter
12	Radhesh Pant	17,929,000	0.85	Promoter
13	Satya Narayan Manandhar	16,396,600	0.77	Promoter
14	Ganesh Kumar Agrawal	15,994,500	0.75	Promoter
15	Nirmal Kumar Agrawal	15,994,500	0.75	Promoter
16	Gauri Shrestha	14,676,300	0.69	Promoter
17	Parameshwar Prasad Rauniyar	13,675,800	0.65	Promoter
18	Saijan Bar Singh Thapa	11,762,100	0.55	Promoter
19	Paratap Bar Singh Thapa	11,691,800	0.55	Promoter
20	Santa Bar Singh Thapa	11,621,800	0.55	Promoter
21	Shree Bhandari	11,424,600	0.54	Promoter
22	Ramesh Nath Dhungel	10,693,400	0.50	Promoter
23	Chop Narayan Shrestha	18,519,500	0.87	Public
24	Gauri Shrestha	13,821,400	0.65	Public
25	Chetan Pradhan	12,700,200	0.60	Public

RESERVES AND SURPLUS

Schedule 2

AS AT JULY 16, 2015

Amount in NPR

Particulars	Current Year	Previous Year
1. General Reserve	948,064,523	881,150,706
2. Capital Reserve	164,075	164,075
3. Capital Redemption Reserve	-	-
4. Capital Adjustment Fund	-	-
5. Other Reserves	154,742,288	493,732,399
5.1 Contingent Reserve	20,000,000	289,337,216
5.2 Institutional Development Fund	-	-
5.3 Dividend Equalization Fund	-	-
5.4 Special Reserve	-	-
5.5 Assets Revaluation Reserve	-	-
5.6 Deferred Tax Reserve	-	137,350,100
5.7 Other Free Reserve	-	-
5.8 Other Reserves	-	-
5.9 Bond Redemption Reserve	133,333,334	66,666,667
5.10 Investment Adjustment Reserve	1,408,954	378,416
6. Retained Profit/(Loss)	27,177,575	4,763,693
7. Exchange Fluctuation Fund	52,498,463	48,535,601
Total	1,182,646,924	1,428,346,474

DEBENTURES AND BONDS

Schedule 3

AS AT JULY 16, 2015

Amount in NPR

Particulars	Current Year	Previous Year
1 8% BOK Bond - 2076 of NPR 1,000 each " Issued on May 19, 2013 and maturity at May 17, 2020 (Balance of Redemption Reserve NPR 133,333,334)"	400,000,000	400,000,000
2 8% BOK Bond - 2079 of NPR 1,000 each Issued on June 30, 2015 and maturity at June 27, 2022	600,000,000	-
Total	1,000,000,000	400,000,000

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

BORROWINGS

Schedule 4

AS AT JULY 16, 2015

Amount in NPR

Particulars	Current Year	Previous Year
A. Local		
1. Government of Nepal	-	-
2. Nepal Rastra Bank	131,000,000	136,000,000
3. Repo Obligations	-	-
4. Inter Bank and Financial institutions	-	-
5. Other Organized Institutions	-	-
6. Others	-	-
Total (A)	131,000,000	136,000,000
B. Foreign	-	-
1. Banks	-	-
2. Other	-	-
Total (B)	-	-
Total (A+B)	131,000,000	136,000,000

Schedule 5

DEPOSITS

AS AT JULY 16, 2015

Amount in NPR

Particulars	Current Year	Previous Year
1. Non Interest-bearing accounts		
A. Current Deposits	3,806,625,059	3,250,588,517
1. Local Currency	3,569,574,265	3,039,741,991
1.1 Government of Nepal	864,333,845	652,735,498
1.2 "A" Class Licensed Institutions	126,595,852	133,910,435
1.3 Other Licensed Institutions	49,904,620	181,525,785
1.4 Other Organized Institutions	2,369,963,846	1,942,011,454
1.5 Individuals	158,776,102	129,558,819
1.6 Others	-	-
2. Foreign Currency	237,050,794	210,846,526
2.1 Government of Nepal	-	-
2.2 "A" Class Licensed Institutions	-	-
2.3 Other Licensed Institutions	-	-
2.4 Other Organized Institutions	228,239,429	205,365,122
2.5 Individuals	8,811,365	5,481,404
2.6 Others	-	-
B. Margin	382,851,581	345,704,010
1. Employees Guarantee	-	-
2. Guarantee Margin	106,344,065	98,184,908
3. Letter of Credit Margin	276,507,516	247,519,102
C. Other	51,347,218	62,071,058
1. Local Currency	51,347,218	61,984,838
1.1 Financial Institutions	-	-
1.2 Other Organized Institutions	50,216,018	60,728,638
1.3 Individuals	1,131,200	1,256,200
2. Foreign Currency	-	86,220
2.1 Financial Institutions	-	-
2.2 Other Organized Institutions	-	86,220
2.3 Individuals	-	-
Total of Non-interest bearing accounts	4,240,823,858	3,658,363,585

continued

....continued

Amt. in NPR

Particulars	Current Year	Previous Year
2. Interest-bearing accounts		
A. Saving Deposits	12,685,506,787	10,957,209,010
1. Local Currency	12,482,063,638	10,645,452,861
1.1 Organized Institutions	445,043,179	333,153,448
1.2 Individuals	12,037,020,459	10,312,299,413
1.3 Others	-	-
2. Foreign Currency	203,443,149	311,756,149
2.1 Organized Institutions	100,211,041	204,761,202
2.2 Individuals	103,232,108	106,994,947
2.3 Others	-	-
B. Fixed Deposits	14,263,787,025	9,134,810,882
1. Local Currency	13,757,442,425	8,270,455,382
1.1 Organized Institutions	10,360,565,130	5,772,367,755
1.2 Individuals	3,396,877,295	2,498,087,627
1.3 Others	-	-
2. Foreign Currency	506,344,600	864,355,500
2.1 Organized Institutions	456,277,700	814,491,600
2.2 Individuals	50,066,900	49,863,900
2.3 Others	-	-
C. Call Deposits	8,266,469,070	10,365,288,102
1. Local Currency	7,959,913,664	10,062,370,457
1.1 "A" Class Licensed Institutions	-	-
1.2 Other Licensed Institutions	2,071,057,485	1,419,662,151
1.3 Other Organized Institutions	5,782,780,879	8,393,236,938
1.4 Individuals	106,075,300	249,471,368
1.5 Others	-	-
2. Foreign Currency	306,555,406	302,917,645
2.1 "A" Class Licensed Institutions	-	-
2.2 Other Licensed Institutions	-	-
2.3 Other Organized Institutions	306,555,406	302,917,645
2.4 Individuals	-	-
2.5 Others	-	-
D. Certificate of Deposit	-	-
1. Organized Institutions	-	-
2. Individual	-	-
3. Others	-	-
Total of Interest bearing accounts	35,215,762,882	30,457,307,994
TOTAL DEPOSITS	39,456,586,740	34,115,671,579

Schedule 6

BILLS PAYABLES

AS AT JULY 16, 2015

Amount in NPR

Particulars	Current Year	Previous Year
1. Local Currency	31,037,771	12,202,082
2. Foreign Currency	11,437,430	10,284,721
Total	42,475,201	22,486,803

Schedule 7

OTHER LIABILITIES

AS AT JULY 16, 2015

Amount in NPR

Particulars	Current Year	Previous Year
1. Pension/Gratuity Fund	-	-
2. Employees Provident Fund	-	-
3. Staff Welfare Fund	-	-
4. Provision for Staff Bonus	49,266,077	37,805,868
5. Interest Payable on Deposits	201,233,783	141,657,038
6. Interest Payable on Borrowings	221,556	152,222
7. Unearned Discounts and Commission	5,175,494	22,114,982
8. Sundry Creditors	51,453,603	56,887,997
9. Branch Adjustment Account	-	-
10. Deferred Tax Liability	-	-
11. Dividend Payable	24,946,379	31,977,829
12. Others	114,571,561	510,225,640
a. Audit fee / expenses	1,158,250	1,124,350
b. Interest Payable on BOK Bond	18,372,328	16,054,712
c. Accrued expenses	11,019,941	12,797,947
d. Accumulated staff leave	36,677,942	38,978,463
e. Provision for Claimed Guarantee (MWSDB)	-	408,440,213
f. Others	47,343,100	32,829,955
Total	456,868,453	800,821,576

Schedule 8

CASH BALANCE

AS AT JULY 16, 2015

Amount in NPR

Particulars	Current Year	Previous Year
1. Local Currency (including coins)	942,166,776	922,291,285
2. Foreign Currency	20,578,786	12,075,101
Total	962,745,562	934,366,386

Schedule 9

BALANCE WITH NEPAL RASTRA BANK

AS AT JULY 16, 2015

Amount in NPR

Particulars	Local Currency	Foreign Currency			Current Year	Previous Year
		INR	Convertible	Total		
1. Nepal Rastra Bank	3,278,108,687	-	21,026,701	21,026,701	3,299,135,388	2,828,232,086
a. Current Account	3,278,108,687	-	21,026,701	21,026,701	3,299,135,388	2,828,232,086
b. Other Account	-	-	-	-	-	-
Total	3,278,108,687	-	21,026,701	21,026,701	3,299,135,388	2,828,232,086

Note: As per the statements of NRB, the balance amount is NPR 3,384,712,536

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

Schedule 10

BALANCE WITH BANKS/FINANCIAL INSTITUTIONS

AS AT JULY 16, 2015

Amount in NPR

Particulars	Local Currency	Foreign Currency			Current Year	Previous Year
		INR	Convertible	Total		
1. Local Licensed Institutions	372,492,995	-	2,796,885	2,796,885	375,289,880	335,385,094
a. Current Account	372,492,995	-	2,796,885	2,796,885	375,289,880	335,385,094
b. Other Account	-	-	-	-	-	-
2. Foreign Banks	-	238,908,634	794,297,439	1,033,206,073	1,033,206,073	899,852,561
a. Current Account	-	238,908,634	794,297,439	1,033,206,073	1,033,206,073	899,852,561
b. Other Account	-	-	-	-	-	-
Total	372,492,995	238,908,634	797,094,324	1,036,002,958	1,408,495,953	1,235,237,655

Note: As per the statements of related banks, the balance amount is NPR 1,927,591,181 reconciliation report

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

Schedule 11

MONEY AT CALL AND SHORT NOTICE

AS AT JULY 16, 2015

Amount in NPR

Particulars	Current Year	Previous Year
1. Local Currency	-	-
2. Foreign Currency	13,658,000	-
Total	13,658,000	-

Schedule 12

INVESTMENTS

AS AT JULY 16, 2015

Amount in NPR

Particulars	Purpose		Current Year	Previous Year
	Trading	Others		
1. Nepal Government Treasury Bills	-	2,695,398,877	2,695,398,877	3,197,175,260
2. Nepal Government Saving Bonds	-	-	-	-
3. Nepal Government Securities - Others	-	2,791,787,270	2,791,787,270	1,218,104,580
4. Nepal Rastra Bank Bonds	-	-	-	-
5. Foreign Securities	-	-	-	-
6. Local Licensed Institutions	-	41,046,750	41,046,750	38,799,000
7. Foreign Banks	-	422,644,883	422,644,883	101,098,270
8. Corporate Shares	-	39,620,800	39,620,800	24,620,800
9. Corporate Bonds and Debentures	-	-	-	-
10. Other Investments	-	36,526,920	36,526,920	-
Total Investment	-	6,027,025,500	6,027,025,500	4,579,797,910
Provision	-	-	-	-
Net Investment	-	6,027,025,500	6,027,025,500	4,579,797,910

Schedule 12(a)

INVESTMENTS IN SHARES, DEBENTURES AND BONDS

AS AT JULY 16, 2015

Amount in NPR

Particulars	Cost Price	Market Price	Provision	Current Year	Previous Year
1. Investment in Shares	76,147,720	566,898,054	-	76,147,720	24,620,800
1.1 Madhyamanchal Gramin Bikash Bank Ltd. 30,000 Ordinary Shares of NPR 100/- paid up	3,000,000	3,930,000	-	3,000,000	3,000,000
1.2 Rural Microfinance Development Centre Ltd. [51,950 Ord.Shares of Rs.100/- paid up;18,800 right shares @ Rs.100/-paid up, bonus share 7,075]	7,075,000	50,975,375	-	7,075,000	7,075,000
1.3 Chhimek Bikash Bank Ltd "[12,000 Ordinary Shares of NPR 100/- paid up; 266,154 bonus shares & 61,801 right shares , 169,978 call in advance for right shares]"	7,380,100	475,257,090	-	7,380,100	7,380,100
1.4 Credit Information Center Ltd. 3,530 Ordinary Shares @ NPR 100/- paid up; 36,414 Bonus Shares & 16,470 Right Shares	2,000,000	Not listed	-	2,000,000	2,000,000
1.5 Nepal Clearing House Ltd. 25,000 Ordinary shares @ NPR 100/-	2,500,000	Not listed	-	2,500,000	2,500,000
1.6 National Banking Training Institute Ltd. 12,000 Ordinary shares @ NPR 100/-	1,200,000	Not listed	-	1,200,000	1,200,000
1.7 Beed B.O.K Ventures Limited1,465,700 14,657 Promoter Shares @ NPR 100/-		Not listed	-	1,465,700	1,465,700
1.8 "NMB SULAV INVESTMENT FUND-1 " 1,565,998 Ord.Shares @ Rs. 10/- paid up	15,659,980	15,659,980	-	15,659,980	-
1.9 "NIBL SAMRIDDHI INVESTMNT FUND - I 2,086,694 Ord.Shares @ Rs. 10/- paid up	20,866,940	21,075,609	-	20,866,940	-
1.10"Nepal Electronic Payment Systems Ltd. [150,000 Ord.Shares @ Rs. 100/- paid up]	15,000,000	Not listed	-	15,000,000	-
Total Investment	76,147,720	566,898,054	-	76,147,720	24,620,800
3. Provision for Loss					
3.1 Up to previous year	-	-	-	-	-
3.2 Addition/Deduction this year	-	-	-	-	-
Total Provision	-	-	-	-	-
Net Investment	76,147,720	566,898,054	-	76,147,720	24,620,800

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

1 Madhyamanchal Gramin Bikash Bank Ltd.

2 Nepal Clearing House Ltd.

3 Beed B.O.K Ventures Limited

Schedule 12(1)

Held for Trading

AS AT JULY 16, 2015

Amount in NPR

Particulars	Cost Price	Last Market Price (A)	Current Market Price (B)	Profit/Loss Current Year (A-B)	Profit/Loss Previous Year	Remarks
1. Nepal Government Treasury Bills	-	-	-	-	-	
2. Nepal Government Saving Bonds	-	-	-	-	-	
3. Nepal Government Securities - Others	-	-	-	-	-	
4. Nepal Rastra Bank Bonds	-	-	-	-	-	
5. Foreign Securities	-	-	-	-	-	
6. Shares of Local Licensed Institutions	-	-	-	-	-	
7. Debentures & Bonds of Local Licensed Institutions	-	-	-	-	-	
8. Shares, Bonds and Debentures of Local Organized Institutions	-	-	-	-	-	
9. Placement in Foreign Banks	-	-	-	-	-	
10. Interbank lending	-	-	-	-	-	
11. Other Investments	-	-	-	-	-	
Total Investments	-	-	-	-	-	

Schedule

12(2)

Held to Maturity

AS AT JULY 16, 2015

Amount in NPR

Particulars	Cost Price (A)	Impairment till Date(B)	Impairment for current year(C)	Profit/(Loss) for current year (A-B-C)	Profit/(Loss) for previous year	Remarks
1. Nepal Government Treasury Bills	2,695,398,877	-	-	-	-	
2. Nepal Government Saving Bonds	-	-	-	-	-	
3. Nepal Government Securities - Others	2,791,787,270	-	-	-	-	
4. Nepal Rastra Bank Bonds	-	-	-	-	-	
5. Foreign Securities	-	-	-	-	-	
6. Shares of Local Licensed Institutions	-	-	-	-	-	
7. Debentures & Bonds of Local Licensed Institutions	-	-	-	-	-	
8. Shares, Bonds and Debentures of Local Organized Institutions	-	-	-	-	-	
9. Placement in Foreign Banks	422,644,883	-	-	-	-	
10. Other Investments	41,046,750	-	-	-	-	
Total Investments	5,950,877,780	-	-	-	-	

Schedule 12(3)

Available for Sale

AS AT JULY 16, 2015

Amount in NPR

Particulars	Cost Price	Last Market Price(A)	Current Market Price(B)	Current Year's Fund Adjustment Amount(B-A)	Profit/(Loss) for previous	Remarks
1. Nepal Government Treasury Bills	-	-	-	-	-	
2. Nepal Government Saving Bonds	-	-	-	-	-	
3. Nepal Government Securities - Others	-	-	-	-	-	
4. Nepal Rastra Bank Bonds	-	-	-	-	-	
5. Foreign Securities	-	-	-	-	-	
6. Shares of Local Licensed Institutions	17,455,100	432,335,734	530,162,465	-	-	
7. Debentures & Bonds of Local Licensed Institutions	-	-	-	-	-	
8. Shares, Bonds and Debentures of Local Organized Institutions	22,165,700	-	-	-	-	
9. Placement in Foreign Banks	-	-	-	-	-	
10. Other Investments	36,526,920	-	36,735,589	-	-	
Total Investments	76,147,720	432,335,734	566,898,054	-	-	

CLASSIFICATION OF LOANS, ADVANCES & BILLS PURCHASE AND PROVISIONING

FOR THE PERIOD FROM JULY 17, 2014 TO JULY 16, 2015

Schedule 13
Amount in NPR

Particulars	Loans & Advances				Bill Purchased/Discounted			Current Year	Previous Year	
	Domestic		Foreign	Total	Domestic	Foreign	Total			
	Deprived Sector	Other								
	Insured	Uninsured								
1. Performing Loan	58,756,413	1,361,580,518	29,229,621,937	17,104,840	30,667,063,708	-	1,560,689,518	1,560,689,518	32,227,753,226	28,562,069,877
1.1 Pass Loan	58,506,746	1,361,037,232	25,578,476,422	17,104,840	27,015,125,239	-	1,560,689,518	1,560,689,518	28,575,814,757	28,562,069,877
1.2 Watch List	249,668	543,287	3,651,145,515	-	3,651,938,469	-	-	-	3,651,938,469	-
2. Non-Performing Loan	-	32,072,234	1,126,210,697	-	1,158,282,931	-	-	-	1,158,282,931	304,701,411
2.1 Restructured / Rescheduled	-	-	-	-	-	-	-	-	-	-
2.2 Sub-standard	-	-	26,542,410	-	26,542,410	-	-	-	26,542,410	29,695,529
2.3 Doubtful	-	-	10,393,890	-	10,393,890	-	-	-	10,393,890	11,007,297
2.4 Loss	-	32,072,234	1,089,274,397	-	1,121,346,631	-	-	-	1,121,346,631	263,998,584
(A) Total Loan	58,756,413	1,393,652,752	30,355,832,634	17,104,840	31,825,346,639	-	1,560,689,518	1,560,689,518	33,386,036,157	28,866,771,288
3. Loan Loss Provision										
3.1 Pass	585,067	13,610,372	255,784,764	171,048	270,151,252	-	15,606,895	15,606,895	285,758,148	285,620,699
3.2 Watch List	4,993	10,866	73,022,910	-	73,038,769	-	-	-	73,038,769	-
3.3 Restructured / Rescheduled	-	-	-	-	-	-	-	-	-	-
3.4 Sub-standard	-	-	6,635,602	-	6,635,602	-	-	-	6,635,602	7,423,882
3.5 Doubtful	-	-	5,196,945	-	5,196,945	-	-	-	5,196,945	5,503,649
3.6 Loss	-	32,072,234	1,089,274,397	-	1,121,346,631	-	-	-	1,121,346,631	263,998,584
(B) Total Provisioning	590,061	45,693,472	1,429,914,619	171,048	1,476,369,200	-	15,606,895	15,606,895	1,491,976,095	562,546,814
4. Provision up to earlier year										
4.1 Pass	12,445	11,525,494	254,872,518	317,131	266,727,589	-	18,893,110	18,893,110	285,620,699	227,035,124
4.2 Watch List	-	-	-	-	-	-	-	-	-	-
4.3 Restructured / Rescheduled	-	-	-	-	-	-	-	-	-	-
4.4 Sub-standard	-	-	7,423,882	-	7,423,882	-	-	-	7,423,882	8,476,737
4.5 Doubtful	-	-	5,503,649	-	5,503,649	-	-	-	5,503,649	54,011,771
4.6 Loss	-	32,068,892	231,929,693	-	263,998,584	-	-	-	263,998,584	204,083,672
(C) Total Provision Upto Last Year	12,445	43,594,386	499,729,741	317,131	543,653,704	-	18,893,110	18,893,110	562,546,814	493,607,305
(D) Previous Year's Provision Written back	(4,739)	(1,446,625)	(10,379,614)	-	(11,830,978)	-	-	-	(11,830,978)	(43,835,959)
(E) This year's additional provision	582,354	3,545,711	940,564,492	(146,083)	944,546,474	-	(3,286,215)	(3,286,215)	941,260,259	112,775,468
Net adjustment this year	577,615	2,099,086	930,184,878	(146,083)	932,715,496	-	(3,286,215)	(3,286,215)	929,429,281	68,939,509
Net Loan (A-B)	58,166,352	1,347,959,280	28,925,918,015	16,933,791	30,348,977,439	-	1,545,082,623	1,545,082,623	31,894,060,062	28,304,224,474

BANK OF KATHMANDU

Annual Report 2014/15
Financial Statements

SECURITY-WISE LOANS, ADVANCES AND BILLS PURCHASE

AS AT JULY 16, 2015

Schedule 13a

Particulars	Amount in NPR	
	Current Year	Previous Year
(A) Secured	33,375,502,494	28,857,411,116
1. Collateral of Movable/Immovable Assets	29,324,091,915	24,359,143,734
2. Guarantee of Local Licensed Institutions	1,206,356,683	944,966,407
3. Government Guarantee	358,710,292	149,856,000
4. Internationally Rated Bank Guarantee	843,777,796	-
5. Export Documents	1,527,169,695	128,489,200
6. Fixed Deposit Receipts	84,095,404	95,176,905
a. Own F.D.R.	84,095,404	95,176,905
b. F.D.R. of Other Licensed Institutions	-	-
7. Government Bonds	5,687,654	3,214,979
8. Counter Guarantee	-	-
9. Personal Guarantee	-	-
10. Other Securities	25,613,055	3,176,563,891
(B) Unsecured	10,533,663	9,360,172
TOTAL	33,386,036,157	28,866,771,288

FIXED ASSETS

AS AT JULY 16, 2015

Schedule 14

Amount in NPR

Particulars	Assets					Current Year	Previous Year
	Building	Vehicles	Furnitures	Machinery	Office Equipments	Others	
1. At Cost							
a. Previous Year Balance	88,645,040	135,728,207	40,447,585	-	237,503,948	124,998,705	627,323,485
b. Addition during the Year	264,765	43,084,000	1,787,528	-	10,453,272	4,062,510	59,652,075
c. Revaluation/Write back during the year	-	-	-	-	(403,352)	(195,976)	-
d. Sale during the Year	-	(20,350,000)	(86,005)	-	(1,937,793)	(3,707,364)	(6,699,739)
e. Write off during the Year	(15,827,551)	-	(1,321,930)	-	-	-	-
Total Cost (a+b+c+d-e)	73,082,254	158,462,207	40,827,178	-	245,616,076	125,157,875	627,323,485
2. Depreciation							
a. Up to Previous Year	27,695,359	67,799,793	28,213,361	-	176,788,358	64,479,947	364,976,818
b. For this Year	2,910,741	14,318,155	3,197,783	-	15,816,339	9,187,827	45,430,845
c. Depreciation on revaluation/write back	-	-	-	-	-	-	-
d. Depreciation adjustment/write back	(4,875,180)	(14,151,926)	(1,144,745)	-	(1,883,299)	(2,301,757)	(5,423,462)
Total Depreciation	364,976,818	25,730,920	67,966,022	30,266,399	-	190,721,398	386,050,757
3. Book Value (Written Down Value) (1-2)	47,351,334	90,496,185	10,560,779	-	54,894,678	53,791,858	262,346,667
4. Land	145,953,732	-	-	-	-	-	145,953,732
5. Pending Capitalization	76,247,736	-	-	-	-	-	46,981,730
6. Leasehold Assets	94,868,416	-	-	-	-	-	94,868,416
TOTAL (3+4+5+6)	364,421,218	90,496,185	10,560,779	-	54,894,678	53,791,858	566,830,169

BANK OF KATHMANDU

Annual Report 2014/15
Financial Statements

NON BANKING ASSETS

AS AT JULY 16, 2015

Schedule 15

Amount in NPR

S.No.	Name & Address of Borrower	Taken over date	Total Amount of Non Banking	Loss provision		Current Year	Previous Year
				%	Amount		
1	Biswas Readymade Garment, Kavre	April 22, 2004	278,425	100%	278,425	-	278,425
2	Less : Provision	-	-	-	-	-	-
Grand Total			278,425		278,425	-	278,425

OTHER ASSETS

AS AT JULY 16, 2015

Schedule 16

Amount in NPR

Particulars	Current Year	Previous Year
1. Stationery Stock	4,565,573	4,194,748
2. Income Receivable on Investments	18,940,600	17,272,427
3. Accrued Interest on Loan (Less: Interest Suspense)	161,457,474 (161,457,474)	126,580,963 (126,580,963)
4. Commission Receivable	-	-
5. Sundry Debtors (Less: Provision for loss)	107,412,458 (13,460,422)	93,952,036 (13,460,422)
6. Staff Loans and Advances	249,862,690	173,721,078
7. Prepayments	114,852,694	119,224,923
8. Cash in Transit	-	-
9. Other Transit items (including cheques)	322,000	11,061,488
10. Drafts paid without Notice	-	-
11. Expenses Not Written Off (Computer Software)	13,668,362	12,386,576
12. Branch Adjustment Account	-	-
13. Deferred Tax Assets	19,169,802	137,350,100
14. Others	275,439,311	21,420,869
(a) Advance tax	217,347,231	21,315,869
(b) Claim against interest paid on Government Bonds	-	105,000
(c) Advance of Right Share of Chimmek Bikas Bank Ltd	16,997,800	-
(d) Other Advances	41,094,280	-
TOTAL	790,773,068	585,376,368

OTHER ASSETS (Additional Statement)

AS AT JULY 16, 2015

Schedule 16(A)

Amount in NPR

Particulars	Current Year			Previous Year
	Up to 1 Year	1 to 3 Years	Above 3 Years	Total
1. Accrued Interest on Loan	53,192,631	84,513,092	23,751,751	161,457,474
2. Drafts paid without Notice	-	-	-	-
3. Branch Adjustment Account	-	-	-	-
4. Local/Foreign Agency Adjustment Account	-	-	-	-
Total	53,192,631	84,513,092	23,751,751	161,457,474

Schedule 17

CONTINGENT LIABILITIES

AS AT JULY 16, 2015

Amount in NPR

Particulars	Current Year	Previous Year
1. Claims against the Bank, not acknowledged as liabilities	43,461,032	860,341,458
2. Letter of Credit (Full amount)	2,316,292,533	2,419,422,387
a. Below 6 months	1,695,929,026	1,788,929,425
b. Above 6 months	620,363,507	630,492,962
3. Rediscounted Bills	-	-
4. Unmatured Guarantees/Bonds	1,321,558,545	1,456,177,078
a. Bid Bond	46,194,945	42,334,190
b. Performance Bond	1,275,363,600	1,413,842,888
c. Other Guarantee/Bonds	-	-
5. Unpaid Shares in Investment	-	-
6. Forward Exchange Contracts' Outstanding Liabilities	1,761,892,689	1,314,528,161
7. Bills Under Collection	58,971,363	67,402,253
8. Acceptances and Endorsements	2,028,139,169	2,473,711,480
9. Underwriting Commitments	-	-
10. Irrevocable Loan Commitments	6,865,144,045	5,150,783,197
11. Guarantee issued against Counter Guarantee of Internationally rated Banks	513,572,852	931,631,146
12. Advance Payment Guarantee	44,751,358	124,378,115
13. Financial Guarantee	-	-
14. Contingent Liabilities on Income Tax	59,088,696	35,233,464
15. Others	4,683,133	16,208,427
TOTAL	15,017,555,415	14,849,817,166

Schedule 18

INTEREST INCOME

AS AT JULY 16, 2015

Amount in NPR

Particulars	Current Year	Previous Year
A. ON LOANS, ADVANCES AND OVERDRAFT	2,748,130,298	2,489,084,349
1. Loans and Advances	1,842,624,237	1,788,188,094
2. Overdraft	905,506,061	700,896,255
B. ON INVESTMENT	93,530,730	116,829,931
1. Government Securities	93,270,339	116,824,999
a. Treasury Bills	26,041,458	52,541,310
b. Development Bond	67,228,881	64,283,689
c. National Saving Bond	-	-
2. Foreign Securities	-	-
a.	-	-
b.	-	-
3. Nepal Rastra Bank Bond	-	-
4. Debenture and Bonds	-	-
5. Interest on Inter Bank Lending	260,391	4,932
a. Local Banks/Financial institutions	260,391	4,932
b. Other Organizations	-	-
C. ON AGENCY BALANCE	-	-
1. Local Banks/Financial institutions	-	-
2. Foreign Banks	-	-
D. ON MONEY AT CALL AND SHORT NOTICE	257,849	217,235
1. Local Banks/Financial institutions	256,401	211,493
2. Foreign Banks	1,448	5,742
E. ON OTHERS	2,935,908	3,296,623
1. Certificate of Deposits	-	-
2. Inter-Bank/Financial Institutions Loan	-	-
3. Others	2,935,908	3,296,623
Total	2,844,854,785	2,609,428,138

Schedule 19

INTEREST EXPENSES

FOR THE PERIOD FROM JULY 17, 2014 TO JULY 16, 2015

Amount in NPR

Particulars	Current Year	Previous Year
A. ON DEPOSIT LIABILITIES	1,424,816,859	1,341,130,639
1. Fixed Deposits	720,216,113	704,169,124
1.1 Local Currency	708,705,271	683,689,859
1.2 Foreign Currency	11,510,842	20,479,265
2. Saving Deposits	315,538,754	341,100,052
2.1 Local Currency	313,223,482	338,669,600
2.2 Foreign Currency	2,315,272	2,430,452
3. Call Deposits	389,061,992	295,861,463
3.1 Local Currency	386,562,862	293,813,105
3.2 Foreign Currency	2,499,130	2,048,358
4. Certificate of Deposits	-	-
B. ON BORROWINGS	38,689,260	49,366,088
1. Debentures and Bonds	34,235,616	32,000,000
2. Loan from Nepal Rastra Bank	708,166	557,720
3. Inter Bank/Financial Institutions Borrowing	3,745,478	1,055,485
4. Other Organized Institutions	-	-
5. Other Loans	-	15,752,883
C. ON OTHERS	-	-
1.	-	-
Total	1,463,506,119	1,390,496,727

Schedule 20

COMMISSION AND DISCOUNT

FROM THE PERIOD FROM JULY 17, 2014 TO JULY 16, 2015

Amount in NPR

Particulars	Current Year	Previous Year
A. BILLS PURCHASED AND DISCOUNTED	1,197,269	1,866,754
1. Local Currency	1,166,803	1,559,668
2. Foreign Currency	30,466	307,086
B. COMMISSION	111,268,122	100,638,815
1. Letter of Credit	35,222,217	33,460,154
2. Guarantee	29,894,365	22,665,743
3. Collection Fee	2,115,465	3,069,700
4. Remittance Fee	34,462,707	31,505,877
5. Credit Cards	-	-
6. Share Underwriting/Issues	-	-
7. Government Transaction	-	-
8. E.Pra. Commission	-	-
9. Exchange Fee (INR only)	9,573,368	9,937,341
C. OTHERS	52,874,157	120,396,412
1. Commission on bills discounting	39,830,071	46,872,531
2. Others	113,044,086	73,523,881
Total	265,339,548	222,901,981

OTHER OPERATING INCOME

FOR THE PERIOD FROM JULY 17, 2014 TO JULY 16, 2015

Schedule 21

Amount in NPR

Particulars	Current Year	Previous Year
1. Rent on Safe Deposit Lockers	2,159,800	1,973,424
2. Issue and Renewal of Credit Cards	1,118,650	940,584
3. Issue and Renewal of ATM Cards	27,456,842	23,631,522
4. Telex/T.T.	-	-
5. Service Charges	14,089,483	21,235,631
6. Renewal Fees	-	-
7. Others	20,621,486	18,090,907
Total	65,446,261	65,872,068

EXCHANGE GAIN/LOSS

FOR THE PERIOD FROM JULY 17, 2014 TO JULY 16, 2015

Schedule 22

Amount in NPR

Particulars	Current Year	Previous Year
A. Revaluation Gain	15,851,449	18,362,840
B. Trading Gain (Except INR Exchange Fee)	146,073,536	127,460,526
Total Income/(Loss)	161,924,985	145,823,366

Schedule 23

EMPLOYEES EXPENSES

FOR THE PERIOD FROM JULY 17, 2014 TO JULY 16, 2015

Amount in NPR

Particulars	Current Year	Previous Year
1. Salary	182,359,252	168,664,825
2. Allowances	137,580,571	115,641,362
3. Contribution to Provident Fund	15,701,229	14,209,828
4. Training	2,581,984	2,137,735
5. Uniform	-	4,952,868
6. Medical	19,803,377	18,543,404
7. Insurance	356,371	360,218
8. Gratuity	28,979,700	34,974,361
9. Others	20,040,320	22,572,689
a. Staff leave expenses	19,211,660	21,812,164
b. Others	828,660	760,525
TOTAL	407,402,804	382,057,290

Schedule 24

OTHER OPERATING EXPENSES

FOR THE PERIOD FROM JULY 17, 2014 TO JULY 16, 2015

Amount in NPR

Particulars	Current Year	Previous Year
1. House Rent	44,722,993	42,861,917
2. Electricity and Water	24,856,022	25,447,056
3. Repairs and Maintenance	9,788,353	9,816,444
(a) Building	3,297,617	3,484,354
(b) Vehicles	3,546,639	2,749,870
(c) Others	2,944,097	3,582,220
4. Insurance	15,835,169	15,734,818
5. Postage, Telex, Telephone, Fax, Swift, Internet, V-Sat etc.	22,023,858	25,674,882
6. Office Equipment and Furniture -Repairs	5,239,625	6,658,764
7. Travelling Allowances and Expenses	4,832,521	6,844,220
8. Printing & Stationery	15,986,835	16,610,504
9. Periodicals and Books	436,275	720,139
10. Advertisement	18,027,744	13,546,934
11. Legal Expenses	19,108,400	2,049,856
12. Donations	2,505,800	15,100
13. Expenses Relating to Board of Directors	3,573,555	3,789,384
(a) Meeting Allowance	1,622,000	1,730,000
(b) Other expenses	1,951,555	2,059,384
14. Annual General Meeting Expenses	1,510,779	1,621,413
15. Expenses Relating to Audit	1,158,250	1,124,350
(a) Audit Fees	327,700	310,750
(b) Other expenses	830,550	813,600
16. Commission on Remittance	-	-
17. Depreciation on Fixed Assets	59,700,297	61,923,109
18. Amortization of Preliminary Expenses	-	-
19. Share Issue Expenses (Deferred)	-	-
20. Technical Service Fee	2,576,650	7,000
21. Entertainment	7,309,174	7,148,801
22. Written off Expenses (incl computer software ammortization)	4,717,832	7,947,218
23. Security Expenses	49,498,683	50,708,567

continued

Schedule 24

OTHER OPERATING EXPENSES

FOR THE PERIOD FROM JULY 17, 2014 TO JULY 16, 2015

Amount in NPR

Particulars	Current Year	Previous Year
24. Credit Guarantee Premium	1,051,044	673,489
25. Commission and Discount	6,382,703	6,695,690
26. Others	72,995,911	68,464,353
(a) Fuel, Transportaion & Rent Expenses	7,616,188	7,186,909
(b) Professional Fee, Association Fee & Others	41,090,115	37,993,205
(c) Premises Expenses - Utility, Cleaning & Others	8,195,166	7,987,523
(d) Rates & Taxes	4,582,018	4,363,259
(e) ATM & Card Expenses	10,882,070	10,657,497
(f) Deposit Scheme	630,354	275,960
TOTAL	393,838,473	376,084,008

Schedule 25

PROVISION FOR POSSIBLE LOSS

FOR THE PERIOD FROM JULY 17, 2014 TO JULY 16, 2015

Amount in NPR

Particulars	Current Year	Previous Year
1. Increase in Loan Loss Provision	941,260,259	112,775,468
2. Increase in Provision for Loss on Investment	-	-
3. Increase in Provision for Non-Banking Assets	-	-
4. Increase in Provisions for Other Assets	-	10,706,026
5. Increase in Provisions for Claimed Guarantee (MWSDB)	-	408,440,213
Total	941,260,259	531,921,707

Schedule 26

NON-OPERATING INCOME/LOSS

FOR THE PERIOD FROM JULY 17, 2014 TO JULY 16, 2015

Amount in NPR

Particulars	Current Year	Previous Year
1. Profit/(Loss) on Sale of Investment	-	5,489,680
2. Profit/(Loss) on Sale of Assets	(54,898)	(1,232,194)
3. Dividend	4,609,386	4,305,282
4. Subsidies received from Nepal Rastra Bank	-	-
a. Reimbursement of losses of specified branches	-	-
b. Interest Subsidy	-	-
c. Exchange Counter	-	-
5. Others	-	-
Total Non-Operating Income/(Loss)	4,554,488	8,562,768

LOSS PROVISION WRITTEN BACK

FOR THE PERIOD FROM JULY 17, 2014 TO JULY 16, 2015

Schedule 27

Amount in NPR

Particulars	Current Year	Previous Year
1. Loan Loss Provision Written Back	11,830,978	43,835,959
2. Non Banking Assets Provision Written Back	-	-
3. Investment Provision Written Back	-	-
4. Claimed Guarantee Provision Written Back	408,440,213	-
Total	420,271,191	43,835,959

PROFIT/LOSS FROM EXTRA ORDINARY ACTIVITIES

FOR THE PERIOD FROM JULY 17, 2014 TO JULY 16, 2015

Schedule 28

Amount in NPR

Particulars	Current Year	Previous Year
1. Recovery of Written off Loan	2,500,000	-
2. Voluntary Retirement Scheme Expenses	-	-
3. Loans Written-Off [28 (a)]	-	-
4. Other expenses/Income	-	-
5. Fixed Assets Written Off	(16,956,760)	-
Total	(14,456,760)	-

STATEMENT OF LOANS WRITTEN-OFF

FOR THE PERIOD FROM JULY 17, 2014 TO JULY 16, 2015

Schedule 28(A)

Amount in NPR

S.N	"Types of Loan"	"Written off Amount"	Type and Amount of Security Valuation	"Basis of Loan Approving Authority/ Designation"	Initiations made for recovery	Remarks
1	-	-				
2	-	-				
3	-	-				
4	-	-				
Total Loan -						

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

FOR THE PERIOD FROM JULY 17, 2014 TO JULY 16, 2015

Schedule 29

Amount in NPR

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

Capital Adequacy Table

FOR THE PERIOD FROM JULY 17, 2014 TO JULY 16, 2015

Schedule 30

Amount in NPR

1.1 RISK WEIGHTED EXPOSURES

	" Current Year (Asadh 31, 2072)	"Previous Year (Asadh 32, 2071)
a Risk Weighted Exposure for Credit Risk	35,670,323,281	32,890,368,431
b Risk Weighted Exposure for Operational Risk	2,431,344,290	2,358,157,987
c Risk Weighted Exposure for Market Risk	469,344,334	155,828,128
Total (a+b+c)	38,571,011,905	35,404,354,546
Adjustments under Pillar II		
SRP 6.4a (5) ALM policies & practices are not satisfactory, add 1% of net interest income to RWE	-	-
SRP 6.4a (6) Add% of the total deposit due to insufficient Liquid Assets	-	-
SRP 6.4a (7) Add RWE equivalent to reciprocal of capital charge of 3 % of gross income.	505,411,044	474,006,008
SRP 6.4a (9) Overall risk management policies and precedures are not satisfactory. Add 2% of RWE	771,420,238	708,087,091
SRP 6.4a (10) If desired level of disclosure requirement has not been achieved, Add% of RWE	-	-
Total Risk Weighted Exposures (After Bank's adjustment for Pillar II)	39,847,843,187	36,586,447,645

1.2 CAPITAL

	" Current Year (Asadh 31, 2072)	"Previous Year (Asadh 32, 2071)
Core Capital (Tier 1)	3,758,571,505	3,210,307,541
a Paid up Equity Share Capital	2,120,212,300	1,920,212,300
b Irredeemable Non-cumulative preference shares	-	-
c Share Premium	-	-
d Proposed Bonus Equity Shares	551,255,200	200,000,000
e Statutory General Reserves	948,064,523	881,150,706
f Retained Earnings	27,177,575	4,763,693
g Current Year's profit/loss	-	-
h Capital Redemption Reserve	-	-
i Capital Adjustment Reserve	-	-
j Dividend Equalization Reserves	-	-
k Bond Redemption Reserve	133,333,334	66,666,667
l Deferred Tax Reserve	-	137,350,100
m Other Free Reserve 164,075	164,075	-
n Less: Goodwill	-	-
o Less: Deferred Tax Asset	(19,169,802)	-
p Less: Fictitious Assets	-	-
q Less: Investment in equity in licensed Financial Institutions	-	-
r Less: Investment in equity of institutions with financial interests	(1,465,700)	-
s Less: Investment in equity of institutions in excess of limits	(1,000,000)	-
t Less: Investments arising out of underwriting commitments	-	-
u Less: Reciprocal crossholdings	-	-
v Less: Purchase of land & building in excess of limit and unutilized	-	-
x Less: Other Deductions	-	-

Capital Adequacy Table

FOR THE PERIOD FROM JULY 17, 2014 TO JULY 16, 2015

Schedule 30

Amount in NPR

Adjustments under Pillar II

SRP 6.4a(1) Less: Shortfall in Provision

SRP 6.4a(2) Less: Loans & Facilities extended to Related

Parties and Restricted Lending

Supplementary Capital (Tier 2)	1,419,992,005	1,023,871,932
a Cumulative and/or Redeemable Preference Share	-	-
b Subordinated Term Debt	987,287,671	400,000,000
c Hybrid Capital Instruments	-	-
d General loan loss provision	358,796,917	285,620,699
e Exchange Fluctuation Reserve	52,498,463	48,535,601
f Investment Adjustment Reserve	1,408,954	378,416
g Assets Revaluation Reserve	-	-
h Other Reserves	20,000,000	289,337,216
Total Capital Fund (Tier I and Tier II)	5,178,563,510	4,234,179,473

1.3 CAPITAL ADEQUACY RATIOS

	" Current Year (Asadh 31, 2072)	"Previous Year (Asadh 32, 2071)
Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustment of Pillar II)	9.43%	8.77%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures (After Bank's adjustment of Pillar II)	13.00%	11.57%

Risk Weighted Exposure for Credit Risk

FOR THE PERIOD FROM JULY 17, 2014 TO JULY 16, 2015

A. Balance Sheet Exposures	AS AT JULY 16, 2014					AS AT JULY 16, 2014		
	" Book Value a"	" Specific Provision b"	" Eligible CRM c"	" Net Value d=a-b-c"	" Risk Weight Weighted Exposures	Net Value	Risk Weighted Exposures	
Cash Balance	962,745,562	-	-	962,745,562	0%	934,366,386	-	
Balance With Nepal Rastra Bank	3,299,135,388	-	-	3,299,135,388	0%	2,828,232,087	-	
Gold	-	-	-	-	0%	-	-	
Investment in Nepalese Government Securities	5,487,186,147	-	-	5,487,186,147	0%	4,415,279,840	-	
All Claims on Government of Nepal	149,856,000	-	-	149,856,000	0%	149,856,000	-	
Investment in Nepal Rastra Bank securities	-	-	-	-	0%	-	-	
All claims on Nepal Rastra Bank	-	-	-	-	0%	-	-	
Claims on Foreign Government and Central Bank (ECA 0-1)	-	-	-	-	0%	-	-	
Claims on Foreign Government and Central Bank (ECA -2)	-	-	-	-	20%	-	-	
Claims on Foreign Government and Central Bank (ECA -3)	-	-	-	-	50%	-	-	
Claims on Foreign Government and Central Bank (ECA-4-6)	-	-	-	-	100%	-	-	
Claims on Foreign Government and Central Bank (ECA -7)	-	-	-	-	150%	-	-	
Claims On BIS, IMF, ECB, EC and on Multilateral Development Banks (MDB's) recognized by the framework	-	-	-	-	0%	-	-	
Claims on Other Multilateral Development Banks	-	-	-	-	100%	-	-	
Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	20%	-	-	
Claims on Public Sector Entity (ECA 2)	-	-	-	-	50%	-	-	
Claims on Public Sector Entity (ECA 3-6)	-	-	-	-	100%	-	-	
Claims on Public Sector Entity (ECA 7)	369,325,000	-	-	369,325,000	150%	389,266,000	583,899,000	
Claims on domestic banks that meet capital adequacy requirements	365,234,014	-	-	365,234,014	20%	71,573,240	14,314,648	
Claims on domestic banks that do not meet capital adequacy requirements	64,760,616	-	-	64,760,616	100%	302,610,853	302,610,853	
Claims on foreign bank (ECA Rating 0-1)	1,181,561,679	-	-	1,181,561,679	20%	795,204,386	159,040,877	
Claims on foreign bank (ECA Rating 2)	172,162,357	-	-	172,162,357	50%	123,568,919	61,784,459	

Risk Weighted Exposure for Credit Risk

FOR THE PERIOD FROM JULY 17, 2014 TO JULY 16, 2015

FOR THE PERIOD FROM JULY 17, 2014 TO JULY 16, 2015							Amount in NPR	
Claims on foreign bank (ECA Rating 3-6)	12,480,159	-	-	12,480,159	100%	12,480,159	7,268,626	7,268,626
Claims on foreign bank (ECA Rating 7)	-	-	-	-	150%	-	-	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	89,646,760	-	-	89,646,760	20%	17,929,352	74,908,901	14,981,780
Claims on Domestic Corporates	21,810,649,798	-	29,639,954	21,781,009,844	100%	21,781,009,844	19,274,800,317	19,274,800,317
Claims on Foreign Corporates (ECA 0-1)	-	-	-	-	20%	-	-	-
Claims on Foreign Corporates (ECA 2)	-	-	-	-	50%	-	-	-
Claims on Foreign Corporates (ECA 3-6)	-	-	-	-	100%	-	-	-
Claims on Foreign Corporates (ECA 7)	-	-	-	-	150%	-	-	-
Regulatory Retail Portfolio (Not Overdue)	6,030,424,987	-	8,468,619	6,021,956,368	75%	4,516,467,276	5,121,972,121	3,841,479,090
Claims fulfilling all criterion of regularity retail except granularity	-	-	-	-	100%	-	-	-
Claims secured by residential properties	2,020,528,423	-	2,020,528,423	-	60%	1,212,317,054	1,762,602,321	1,057,561,393
Claims not fully secured by residential properties	-	-	-	-	150%	-	-	-
Claims secured by residential properties (Overdue)	48,701,873	14,476,473	-	34,225,399	100%	34,225,399	22,688,188	22,688,188
Claims secured by Commercial real estate	303,284,328	-	-	303,284,328	100%	303,284,328	399,992,800	399,992,800
Past due claims (except for claims secured by residential properties)	1,212,141,153	1,118,702,705	300,000	93,138,447	150%	139,707,671	111,615,755	167,423,633
High Risk claims	1,441,124,595	51,224,089	1,389,900,506	-	150%	2,084,850,759	1,264,419,114	1,896,628,672
Investments in equity and other capital instruments of institutions listed in stock exchange	50,982,020	-	50,982,020	-	100%	50,982,020	10,380,100	10,380,100
Investments in equity and other capital instruments of institutions not listed in the stock exchange	25,165,700	-	25,165,700	-	150%	37,748,550	14,240,700	21,361,050
Staff Loan secured by Residential Properties	141,723,038	-	141,723,038	-	60%	85,033,823	101,410,848	60,846,509
Interest Receivable/Claim on Government Securities	18,085,365	-	18,085,365	-	0%	-	17,270,668	-
Cash in Transit and other cash items in the process of collection	322,000	-	322,000	-	20%	64,400	11,061,488	2,212,298
Other Assets (as per attachment)	1,380,003,703	175,196,321	-	1,204,807,382	100%	1,204,807,382	1,022,463,534	1,022,463,534
TOTAL (A)	46,637,230,665	1,308,375,499	89,632,662	45,239,222,503	-	32,495,096,451	39,227,053,192	28,921,737,827

Risk Weighted Exposure for Credit Risk as per BASEL II

FOR THE PERIOD FROM JULY 17, 2014 TO JULY 16, 2015

Schedule 30(A)

Amount in NPR

B. Off Balance Sheet Exposures	AS AT JULY 16, 2014				AS AT JULY 16, 2014			
	"Book Value a"	"Specific Provision b"	"Eligible CRM c"	"Net Value d=a-b-c"	"Risk Weight Exposures	Risk Weighted Exposures	Net Value	Risk Weighted Exposures
Bills Under Collection	58,971,363	-	-	58,971,363	0%	-	67,402,253	-
Forward Exchange Contract Liabilities	1,761,892,689	-	-	1,761,892,689	10%	-	1,314,528,161	131,452,816
LC Commitments With Original Maturity Upto 6 months	1,695,929,026	175,483,178	-	1,520,445,847	20%	-	1,669,013,239	333,802,648
domestic counterparty								
foreign counterparty (ECA Rating 0-1)			-	-	20%	-	-	-
foreign counterparty (ECA Rating 2)			-	-	50%	-	-	-
foreign counterparty (ECA Rating 3-6)			-	-	100%	-	-	-
foreign counterparty (ECA Rating 7)			-	-	150%	-	-	-
LC Commitments With Original Maturity Over 6 months	203,182,613	-	6,600,564	196,582,049	50%	-	224,105,057	112,052,528
domestic counterparty								
LC Commitments With Original Maturity Over 6 months	417,180,895	-	-	417,180,895	0%	-	394,335,764	-
domestic counterparty								
foreign counterparty (ECA Rating 0-1)			-	-	20%	-	-	-
foreign counterparty (ECA Rating 2)			-	-	50%	-	-	-
foreign counterparty (ECA Rating 3-6)			-	-	100%	-	-	-
foreign counterparty (ECA Rating 7)			-	-	150%	-	-	-
Bid Bond, Performance Bond and Counter guarantee	1,321,558,545	-	46,617,261	1,274,941,284	50%	-	1,418,155,604	709,077,802
domestic counterparty								
foreign counterparty (ECA Rating 0-1)	325,253,528	255,939,556	-	68,313,971	20%	-	13,662,794	11,492,521
foreign counterparty (ECA Rating 2)	-	-	-	-	50%	-	-	-
foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-	-	-
foreign counterparty (ECA Rating 7)	-	-	-	-	150%	-	-	-
Underwriting commitments	-	-	-	-	50%	-	-	-
Lending of Bank's Securities or Pledging of Securities as collateral	-	-	-	-	100%	-	-	-
Repurchase Agreements, Assets sale with recourse	-	-	-	-	100%	-	-	-
Advance Payment Guarantee	131,201,084	-	70,808,196	60,392,888	100%	-	204,494,868	204,494,868
Advance Payment Guarantee	-	-	-	-	0%	-	164,366,279	-

Risk Weighted Exposure for Credit Risk as per BASEL II

FOR THE PERIOD FROM JULY 17, 2014 TO JULY 16, 2015

Schedule 30(A)

Amount in NPR

Financial Guarantee	-	-	-	-	100%	-	-	-
Other Guarantee	-	-	-	-	100%	-	-	-
Acceptances and Endorsements	467,449,651	-	59,322,854	408,126,797	100%	-	526,434,970	526,434,970
Unpaid portion of Party paid Shares and Securities	-	-	-	-	100%	-	-	-
Irrevocable Credit commitments (short term)	6,865,144,045	-	-	6,865,144,045	20%	-	5,150,783,197	1,030,156,639
Irrevocable Credit commitments (long term)	-	-	-	-	50%	-	-	-
Claims on foreign bank incorporated in SAARC region	101,869,598	-	-	101,869,598	20%	-	107,569,041	21,513,808
operating with a buffer of 1% above their respective regulatory capital requirement								
Other Contingent Liabilities	63,771,829	-	-	63,771,829	100%	-	51,441,890	51,441,890
Unpaid Guarantee Claims	43,461,032	33,546,188	-	9,914,843	200%	-	418,355,056	836,710,113
TOTAL (B)	13,456,865,897	-	649,317,798	12,807,548,099	3,175,226,829	11,768,447,983	3,968,630,603	3,968,630,603
Total RWE for Credit Risk before adjustment (A) +(B)	60,094,096,562	1,308,375,499	738,950,460	58,046,770,602	35,670,323,281	50,995,501,175	32,890,366,431	32,890,366,431
Adjustments under Pillar II								
Add: 10% of the loans & facilities in excess of Single					-	-	-	-
Obligor Limits (6.4 a 3)					-	-	-	-
Add: 1% of the contract (sale) value in case of the sale of credit with recourse (6.4 a 4)					-	-	-	-

Total RWE for Credit Risk after Bank's adjustments under**Pillar II**

Note: The risk weight for discounted usance letter of credit is calculated on net basis by deducting the value of discounted bills from book value of acceptances and endorsements. NPR 1,560,689,518 has been deducted as the value of discounted bills from book value of acceptance and endorsement, please refer to Schedule 13.

60,094,096,562 1,308,375,499 738,950,460 58,046,770,602 35,670,323,281 50,995,501,175 32,890,366,431

Schedule 30(B)

Eligible Credit Risk Mitigants

FOR THE PERIOD FROM JULY 17, 2014 TO JULY 16, 2015

Amount in NPR

Credit exposures	Deposits with bank	Deposits with other banks/ FI	Gold	Govt. & NRB Securities	Govt. of Nepal	Sec/G'tee of other Sovereigns	G'tee of domestic banks	G'tee of MDBs	Sec/G'tee of Foreign Banks	Total
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
Balance Sheet Exposures										-
Cash Balance										
Balance With Nepal Rastra Bank										
Gold										
Investment in Nepalese Government Securities										
All Claims on Government of Nepal										
Investment in Nepal Rastra Bank securities										
All claims on Nepal Rastra Bank										
Claims on Foreign Government and Central Bank (ECA 0-1)										
Claims on Foreign government and Central Bank (ECA -2)										
Claims on Foreign government and Central Bank (ECA -3)										
Claims on Foreign government and Central Bank (ECA-4-6)										
Claims on Foreign government and Central Bank (ECA -7)										
Claims on Other Multilateral Development Banks										
Claims on Public Sector Entity (ECA 0-1)										
Claims on Public Sector Entity (ECA 2)										
Claims on Public Sector Entity (ECA 3-6)										
Claims on Public Sector Entity (ECA 7)										
Claims on domestic banks that meet capital adequacy requirements										
Claims on domestic bank that do not meet capital adequacy requirements										

Schedule 30(B)

Eligible Credit Risk Mitigants

FOR THE PERIOD FROM JULY 17, 2014 TO JULY 16, 2015

Amount in NPR

	Deposits with bank	Deposits with other banks/ FI	Gold	Govt. & NRB Securities	Govt. of Nepal	Sec/G'tee of other Sovereigns	G'tee of domestic banks	G'tee of MDBs	Sec/G'tee of Foreign Banks	Total
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
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	26,645,400	-	-	2,994,554						29,639,954
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)	8,468,619			-						8,468,619
Claims fulfilling all criterion of regulatory retail except granularity										
Claims secured by residential properties										
Claims not fully secured by residential properties										
Claims secured by residential properties (Overdue)										
Claims secured by Commercial Real Estate										
Past due claims (except for claim secured by residential properties)	300,000			-						300,000
High Risk claims	48,681,385	-	-	2,542,704						51,224,089
Investments in equity and other capital instruments of institutions listed in the stock exchange										
Investments in equity and other capital instruments of institutions not listed in the stock exchange										
Other Assets (as per attachment)										
Total (A)	84,095,404	-	-	5,537,258	-	-	-	-	-	89,632,662

Eligible Credit Risk Mitigants

FOR THE PERIOD FROM JULY 17, 2014 TO JULY 16, 2015

Off Balance Sheet Exposures			
Revocable Commitments			175,483,178
Bills Under Collection			-
Forward Exchange Contract Liabilities			-
LC Commitments With Original Maturity Upto 6 months domestic counterparty	175,483,178		-
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	6,600,564		6,600,564
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	46,617,261		46,617,261
Foreign counterparty (ECA Rating 0-1)		256,939,556	256,939,556
Foreign counterparty (ECA Rating 2)		-	-
Foreign counterparty (ECA Rating 3-6)		-	-
Foreign counterparty (ECA Rating 7)		-	-
Underwriting commitments			-
Lending of Bank's Securities or Posting of Securities as collateral			-
Repurchase Agreements, Assets sale with recourse			-
Advance Payment Guarantee	1,648,415	69,159,781	70,808,196
Financial Guarantee			-
Other Guarantees			-
Acceptances and Endorsements			-
Unpaid portion of Party paid shares and Securities			-
Irrevocable Credit commitments (short term)	59,322,854		59,322,854
Irrevocable Credit commitments (long term)			-
Other Contingent Liabilities			-
Claimed Guarantee	33,546,188		33,546,188
Total (B)	323,218,461	326,099,337	649,317,798
Grand Total	407,313,865	326,099,337	738,950,460

Schedule 30(C)

Form No. 6 Risk Weighted Exposure for Operational Risk

FOR THE PERIOD FROM JULY 17, 2014 TO JULY 16, 2015

Amount in NPR

Particulars	FY 2070/71	FY 2069/70	FY 2068/69	FY 2071/72
	Year 1	Year 2	Year 3	
Net Interest Income	1,218,931,411	1,230,743,106	1,136,356,825	1,381,348,666
Commission and Discount Income	222,901,981	205,861,876	193,412,979	265,339,548
Other Operating Income	65,872,068	68,131,140	67,803,390	65,446,261
Exchange Fluctuation Income	145,823,366	125,715,287	137,740,078	161,924,985
Addition/Deduction in Interest Suspense during the period	31,174,655	(50,431,381)	62,651,798	34,876,511
Gross income (a)	1,684,703,481	1,580,020,028	1,597,965,070	1,908,935,971
Alfa (b)	15%	15%	15%	
Fixed Percentage of Gross Income [c=(a×b)]	252,705,522	237,003,004	239,694,760	
Capital Requirement for operational risk (d) (average of c)	243,134,429			
Risk Weight (reciprocal of capital requirement of 10%) in times (e)	10			
Equivalent Risk Weight Exposure [f=(d×e)]	2,431,344,290			
Adjustments under Pillar II				
If Gross Income for the last three years in negative (6.4 a 8)	NA			
Total Credit and Investment (net of Specific Provision)	NA			
Capital Requirement for Operational Risk (5%)				
Risk Weight (reciprocal of capital requirement of 10%) in times	10			
Equivalent Risk Weight Exposure (g)	-			
Equivalent Risk Weight Exposure [h=f or g]	2,431,344,290			

RISK WEIGHTED EXPOSURE FOR MARKET RISK

FOR THE PERIOD FROM JULY 17, 2014 TO JULY 16, 2015

Schedule 30(D)

Amount in NPR

S.No.	Currency	Open Position (FCY)	Open Position (NPR)	" Relevant Open Position" (As at July 16, 2015)	" Relevant Open Position" (As at July 16, 2014)
1	USD	292,453	29,640,126	29,640,126	50,573,979
2	GBP	4,871	767,462	767,462	1,161,409
3	CHF	527	55,624	55,624	1,091,057
4	AUD	10,755	797,512	797,512	1,483,965
5	CAD	11,563	901,371	901,371	744,655
6	SGD	62,039	4,571,644	4,571,644	3,331,983
7	JPY	(77,102)	(62,839)	62,839	457,248
8	SAR	84,637	2,277,582	2,277,582	868,751
9	QAR	28,840.00	798,580	798,580	350,524
10	AED	13,700	370,585	370,585	179,246
11	THB	237,020	687,358	687,358	71,540
12	MYR	46,224	1,223,087	1,223,087	258,382
13	KRW	10,000	864	864	-
14	CNY	250,400	4,006,399	4,006,399	3,901,489
15	EUR	(5,863)	(645,881)	645,881	2,273,161
16	HKD	96,598	1,256,744	1,256,744	1,098,123
17	DKK	27,477	405,290	405,290	540,121
18	SEK	20	233	233	27,480
19	KWD	30	9,983	9,983	8,442
20	BHD	-	-	-	-
21	INR	556,380,941	890,209,505	890,209,505	243,234,701
Total Open Position (a)			937,271,228	938,688,668	311,656,256
Fixed Percentage (b)				5%	5%
Capital Charge for Market Risk [c=(a×b)]				46,934,433	15,582,813
Risk Weight (reciprocal of capital requirement of 10%) in times (d)				10	10
Equivalent Risk Weight Exposure [e=(c×d)]				469,344,334	155,828,128

Schedule 31

PRINCIPAL INDICATORS

FOR THE PERIOD FROM JULY 17, 2014 TO JULY 16, 2015

Amount in NPR

Particulars	Indicators	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15
1 Percent of Net Profit/Gross Income	Percent	41.42%	37.93%	39.34%	39.58%	37.85%	15.39%	17.85%
2 Earning Per Share	NPR	54.68	43.08	44.51	37.88	36.64	13.25	15.78
3 Market Value Per Share	NPR	1825.00	840.00	570.00	628.00	553.00	564.00	571.00
4 Price Earning Ratio	Ratio	33.37	19.50	12.81	16.58	15.09	42.56	36.19
5 Dividend (including bonus) on Share Capital	Percent	47.37%	30.00%	34.75%	26.32%	14.74%	10.96%	27.37%
6 Cash Dividend on Share Capital	Percent	7.37%	15.00%	16.75%	21.32%	0.74%	0.55%	1.37%
7 Interest Income/ Loan and Advances	Percent	8.02%	10.02%	12.08%	12.01%	10.02%	8.62%	8.23%
8 Staff Expenses/ Total Operating Expenses	Percent	14.99%	11.35%	10.58%	11.63%	14.61%	14.25%	12.71%
9 Interest Expenses/ Total Deposit & Borrowing	Percent	3.06%	4.34%	5.62%	5.85%	4.24%	4.01%	3.61%
10 Exchange Gain/ Total Income	Percent	8.12%	6.02%	4.24%	4.58%	4.40%	4.78%	4.84%
11 Staff Bonus/ Total Staff Expenses	Percent	45.14%	43.43%	44.10%	35.27%	30.88%	9.90%	12.09%
12 Net Profit/ Total Assets	Percent	3.09%	2.99%	3.37%	3.15%	2.68%	0.88%	1.00%
13 Net Profit/ Total Assets	Percent	2.25%	2.18%	2.44%	2.10%	1.90%	0.65%	0.74%
14 Total Credit/ Deposit	Percent	82.65%	83.90%	85.43%	77.30%	83.21%	84.61%	84.61%
15 Total Operating Expenses/ Total Assets	Percent	4.77%	6.35%	7.49%	7.40%	6.02%	6.87%	7.13%
16 Adequacy of Capital Fund on Risk Weighted Assets								
(a) Core Capital	Percent	9.81%	9.41%	10.37%	10.11%	9.50%	8.77%	9.43%
(b) Supplementary Capital	Percent	1.88%	1.44%	1.24%	0.96%	3.07%	2.80%	3.56%
(c) Total Capital Fund (a + b)	Percent	11.68%	10.85%	11.62%	11.07%	12.58%	11.57%	13.00%
17 Liquidity (CRR)	Percent	7.58%	8.32%	8.10%	8.72%	9.41%	6.82%	9.98%
18 Non-performing credit/ Total Credit	Percent	1.27%	1.52%	1.82%	2.30%	1.50%	1.06%	3.47%
19 Base Rate	Percent	4.72%	5.07%	5.45%	4.67%	8.75%	7.49%	7.20%
20 Weighted Average Interest Rate Spread	Percent	206.25	175.40	179.13	168.36	196.19	184.80	181.78
21 Book Net-worth per share	NPR	8,443,979	11,821,571	13,594,807	16,041,873	16,843,967	19,202,123	21,202,123
22 Total Shares	No.	489	475	484	456	494	556	526
23 Total Staff	No.							

SIGNIFICANT ACCOUNTING
POLICIES

Schedule 32

1. General Information

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

The accompanied financial statements have been approved for publication by the Board of Directors of the Bank in its meeting held on September 28, 2015. The Board of Directors acknowledges the responsibility of preparation of financial statements of the Bank.

2. Basis of Preparation

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

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

3. Use of estimates

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

counting estimates is recognized prospectively in current and future periods.

4. Significant accounting policies

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

4.1. Fixed Assets and Depreciation

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

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

Nature of Assets	Depreciation Rate
	%
Building	5
Vehicles	20
Office Equipment	25
Furniture & Fixtures	25
Other Assets	15

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

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

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

are capitalized and are amortized over a period of five years from the date of acquisition.

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

4.2. Stationery Stock

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

4.3. Investments

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

(i) Investment Held for Trading (HFT): These are the marketable investments and held with the primary intention of resale over a short period of time. These investments are initially measured at cost and subsequently recognized at market value. Gains and losses arising from trading/revaluation in Profit or Loss Account (Income Statement).

(ii) Investment Available for Sale (AFS): These are investment held with the primary intention to recover value of investment through sale rather than continuing to hold. These investments are initially measured at cost and subsequently recognized at market value. Investment Adjustment reserve are created on 2 percent of the investment classified as available for sale (AFS) except on investment on shares specially allowed by Nepal Rastra Bank.

(iii) Investment Held till Maturity (HTM): These are investment are primarily intended to hold until the maturity and are stated at cost and carried at these values in the balance sheet until maturity. Any impairment losses arising in such investment are provisioned and charged in the Profit and Loss Account (Income Statement). Premium paid while acquiring HTM investments is recognized as the part of initial cost and subsequently amortized on proportionate basis until maturity.

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

Loans and Advances including Bills Purchased are stated at net of provision made for loan loss in Balance Sheet. All loans, advances including bills purchased are disbursed to the customers as per the Bank's policy. The outstanding loans, advances and bills purchased are classified into performing loan (pass loan) and non – performing loan (restructured/rescheduled, sub-standard, doubtful and bad loan) in accordance with the directives issued by Nepal Rastra Bank and adequate provision as prescribed by the said directives has been made for Loan Loss.

4.5. Loan Write offs

The Bank has "Loan Write off By-Laws, 2062" approved by NRB that provides guidelines for effective and transparent process for writing off non-performing assets. Specific non-performing asset that meets the write off eligibility are written off after the approval of the Board of Directors without prejudice to the Bank's right of recovery and shown under Schedule 28 as extra-ordinary item as per the directive of Nepal Rastra Bank. Impairment provisions held for the loss accounts are written back immediately after the loans are written-off and recognized in Profit and Loss account.

4.6. Staff Loans and Advances

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

4.7. Non Banking Assets

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

Non Banking Assets are fully provided in accordance with the directives issued by Nepal Rastra Bank. Non Banking Assets are derecognized at the time of its disposal through sale or transfer for its own use by the bank.

4.8. Income Taxes

Some expenses charged to the Profit and Loss Account may not be allowable in full or part under the Income

Tax Act and Rules. Similarly, some income may be tax exempt. Accordingly, the net profit as reported in the Profit and Loss Account and taxable profit may vary. Provision for current tax is made with reference to the profit of the financial year based on the provision of the Income Tax Act, 2058.

Deferred Tax is recognized and provided for timing differences between taxable income and accounting income.

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

Deferred tax liabilities are recognized for all taxable temporary differences.

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

4.9.Foreign Exchange Transaction

Monetary Foreign currency assets and liabilities are translated at the buying rates as on the Balance Sheet date. Gain or loss realized on the foreign exchange transactions is recognized on the date of transaction and included under Exchange Gain/ (Loss) as Trading Gain/(Loss).

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

4.10. Interest Income

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

4.11. Commission Income

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

4.12. Interest Expenses

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

4.13. Dividend Income

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

4.14. Employee Benefits

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

4.15. Staff Bonus

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

4.16. Provisions, Contingent Liabilities and Contingent Assets

Bank creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

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

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

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

4.17.Impairment of Assets

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

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

4.18.Dividend and Proposed Bonus Shares

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

5. Comparatives

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

NOTES TO ACCOUNTS

Schedule 33

1. Dividend and Proposed Bonus Shares

The Board of Directors has proposed cash dividend of NPR 29,013,432 (1.3684211% of paid up capital of Ashadh end 2072) and stock dividend (bonus share) of NPR 551,255,200 (26% of paid up capital of Ashadh end 2072).

2. Staff Housing Fund

Since the Bank has been extending housing loan to the employees under the "Bank of Kathmandu Ltd. Employee By-Laws", provision for staff housing as required by the Labour Act has not been made.

3. General Reserve

As required by the BAFIA, 20% of the current year's net profit amounting to NPR 66,913,817 has been transferred to General Reserve through Profit and Loss Appropriation Account.

4. Exchange Fluctuation Fund

As required by NRB directive, 25% of Revaluation Gain amounting to NPR 3,962,862 has been transferred to Exchange Fluctuation Reserve through Profit and Loss Appropriation Account.

5. Bond Redemption Reserve

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

The bank has issued 8% BOK Bond – 2079 worth NPR 600 million on June 30, 2015 having a maturity period of 7 years. As per the provision of NRB directives, appropriation need not be made for bond redemption reserve in the year of bond issue and maturity. Accordingly, redemption reserve for this bond will be created from FY 2072-73 by transferring an amount equivalent to the bond value divided by the debenture period (excluding the year of bond issue and maturity) through

profit and loss appropriation account to the bond redemption reserve.

6. Investment Adjustment Reserve

As required by NRB directive, 2% of Investment Portfolio under Available for Sale category has to be maintained as Investment Adjustment Reserve. As per NRB directive, Investment Adjustment Reserve for investment made in shares of Credit Information Center (CIC), Nepal Banking Institute Ltd (NBI), and Nepal Clearing House Ltd (NCHL) need not be maintained NPR 1,030,538 has been appropriated as Investment Adjustment Reserve which has been accounted as supplementary capital.

7. Accumulated Leave

Accumulated Leave payable to staff has been accounted on accrual basis. In this regard, NPR 36,677,942 has been accounted for accumulated leave payable.

8. Deferred Tax**a. Component of Deferred Tax Assets**

The component of Deferred Tax as on July 16, 2015 (Ashad 31, 2072) is as follows:

	Previous Year	Current Year
Deferred Tax Asset		
On fiscal allowance of fixed assets	8,082,891	3,040,969
On other temporary differences	11,086,911	134,309,131
Deferred Tax Asset	19,169,802	137,350,100

b. Deferred tax reserve

Deferred Tax Reserve balance as on July 16, 2014 was NPR 137,350,100 this amount has been transferred from Deferred Tax Reserve to Other Reserve. Further the amount in Other Reserve has been transferred to Profit and Loss Appropriation Account. All these transfers have been routed through Profit and Loss Appropriation Account as under:

i. Transfer of Deferred tax reserve to other reserves

Particulars	Dr./Cr.	Amount
Deferred Tax Reserve	Dr.	137,350,100
Other Reserves	Cr.	137,350,100

ii. Transfer of Other reserve to Profit and Loss appropriation (P/L Appropriation) account:

Particulars	Dr./Cr.	Amount
Other Reserves	Dr.	137,350,100
P/L Appropriation	Cr.	137,350,100

C. Explanation of relationship between tax expense and accounting profit

Particulars	Amount in NPR
Profit before tax and adjustments	492,660,766.00
Corporate Tax Rate	30%
Corporate Tax	147,798,230.00
Tax effect on Permanent Difference	
Less:-	
Dividend Income	1,382,815.80
Opening Balance Adjustment of Fixed Assets	523.27
Add:-	
Insurance and tax of QYVS vehicle	539,191.26
Depreciation QYVS	3,130,926.10
Prior Period Expense	576,380.77
Write Offs	22,038.00
Donation	301,740.00
Disallowed Expenses	2,160,756.94
Total Accounting Tax Expenses	153,145,924.00
Total accounting tax expenses in Profit and Loss Account	
A. Current Year Tax	34,965,626.00
B. Deferred Tax	118,180,298.00
Total Tax Expense (A+B)	153,145,924.00

9. Related Parties**Key Management Personnel**

Key Management Personnel of the Bank include Chief Executive Officer and members of the Board of Directors of the Bank as at Ashad end 2072 are as follows:

Mr. Satya Narayan Manandhar	- Chairman
Mr. Ramesh Nath Dhungel	- Director
Mr. Santa Bar Singh Thapa	- Director
Mr. Govinda Prasad Sharma	- Director
Mr. Chop Narayan Shrestha	- Director
Prof. Hem Raj Subedi, Ph.D	- Director
Mr. BalaRam Neupane	- Director
Mr. Ajay Shrestha	- Chief Executive Officer

Compensation to Key Management Personnel of the Bank
Categories**Amount in NPR**

a) Short-term employee benefits	13,647,840.15
b) Post-employment benefits	Nil
c) Other long-term benefits	Nil
d) Termination benefits	Nil
e) Share-based benefits	Nil
Total	13,647,840.15

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

Transaction with Key Management Personnel of the Bank

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

Nature of Transaction	Current Year
Meeting Allowances	1,622,000
Telephone, Mobile & Newspapers/Magazines	1,260,000

10. Contingent Liability

Beneficiaries of the bank guarantees issued by the Bank have claimed NPR 43,461,032 (Previous Year NPR 860,341,458), which the Bank has not accepted as liability. There is a legal proceeding for the said claims with appropriate authority and the bank would provide and honor the claim on final disposal of the legal proceeding.

Final tax assessment has been carried out by Inland Revenue Department up to F/Y 2067-68. As the bank has filed cases for tax assessment from FY 2063-64 to FY 2067-68, an income tax liability for the mentioned periods amounting to NPR 59,088,696 has been shown in Schedule 17.

11. Settlement of Claim under Guarantee No : 09CG002 and 09CG003

During this year, the bank had to book loan amounting to NPR 843,777,796.34 for the amount debited by Nepal Rastra Bank for payment of Guarantee Claim to Melamchi Water Supply Development Board. As directed by NRB the loan was classified under Bad Category and 100 percent provision was booked for this amount.

Further during FY 2070-71 NPR 408,440,213 was booked as provision for claimed guarantee of Melamchi Water Supply Development Board which has been written back in FY 2071-72. In addition, in FY 2069-70 contingent reserve amounting to NPR 269,337,216 was created as one third of the total amount of claimed guarantee of Melamchi Water Supply Development Board. This amount has been transferred back from Contingent reserve through Profit and loss appropriation account.

12. Reconciliation Status

Transaction	Up to 1 year	1 to 3 years	Above 3 years	Total
Branch Account	-	-	-	-
Agency Account (NRB)	85,577,148	-	-	85,577,148
Agency Account (Others)	519,095,229	160	-	519,095,389

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

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

Opening Balance	Disbursement	Recovery	Written off	Closing Balance
28,866,771,288	17,351,139,902	12,831,875,033	-	33,386,036,157

14. Summary of Changes in Deposit Liability*Amount in NPR*

Particulars	Previous Year	Current Year	Changes
Government of Nepal	652,735,498	864,333,845	211,598,347
Commercial Banks	133,910,435	126,595,852	(7,314,583)
Financial Institutions	1,601,187,936	2,120,962,104	519,774,168
Other Organizations	18,029,120,023	20,099,852,629	2,070,732,606
Individuals	13,353,013,677	15,861,990,729	2,508,977,052
Others	0	0	0
Guarantees Margins	98,184,908	106,344,065	8,159,157
LC Margins	247,519,102	276,507,516	28,988,414
Total Deposits	34,115,671,579	39,456,586,740	5,340,915,161

15. Weighted Average Interest Rate Spread**Deposit, Borrowing and Interest Expenses**

Previous Year		Current Year	
Average Deposit & Borrowing	Interest Expenses	Average Deposit & Borrowing	Interest Expenses
3,470,767,581	-	3,500,940,286	-
10,123,246,965	341,100,052	11,630,291,234	315,538,754
6,818,665,215	295,861,463	9,805,931,774	389,061,992
9,135,850,923	704,169,124	11,133,487,971	720,216,113
1,452,406,031	49,366,088	862,228,276	38,689,260
31,000,936,715	1,390,496,727	36,932,879,541	1,463,506,119
Average Int. Rate	4.49%	Average Int. Rate	3.96%

Loans & Investment and Income

Previous Year		Current Year	
Average Loan & Investment	Interest Income	Average Loan & Investment	Interest Income
25,193,825,145	2,489,084,349	30,742,597,043	2,748,130,298
5,069,718,327	120,343,789	5,309,407,203	96,724,487
30,263,543,472	2,609,428,138	36,052,004,246	2,844,854,785
Average Int. Rate 8.62%		Average Int. Rate	7.89%
	4.14%	Spread	3.93%

16. Structural Liquidity Table

Structural Liquidity Table

FOR THE PERIOD FROM JULY 17, 2014 TO JULY 16, 2015

Particulars	Amount in NPR					
	1-90 days	91-180 days	181-270 days	271-365 days	Above 1 Yr.	Total Amount
Assets						
1 Cash Balance	962,745,562	-	-	-	-	962,745,562
2 Balance at Bank & Financial Institutions	4,707,631,341	-	-	-	-	4,707,631,341
3 Investment in Foreign Banks	375,314,433	-	47,330,450	-	-	422,644,883
4 Call Money	13,658,000	-	-	-	-	13,658,000
5 Government Instruments	681,140,865	207,562,596	695,030,153	571,665,263	2,781,787,270	4,937,186,147
6 Central Bank Bond	-	-	-	-	-	-
7 Inter-bank & Financial Institution Lending	-	41,046,750	-	-	-	41,046,750
8 Loans & Advances	13,505,598,843	4,924,780,563	2,206,818,162	1,037,576,252	11,711,262,336	33,386,036,157
9 Interest Receivable	93,234,594	4,308,847	959,407	495,172	62,459,454	161,457,474
10 Reverse Repo	550,000,000	-	-	-	-	550,000,000
11 Receivable under commitment from other organizations	-	-	-	-	-	-
12 Payment of facilities under S.No.20, 21 & 22	11,050,619,202	1,518,515,058	98,681,022	63,871,451	78,014,250	12,809,701,073
13 Others	133,594,920	23,158,122	23,158,122	31,145,846	579,716,059	790,773,069
Total Financial Assets	32,073,537,760	6,719,371,937	3,071,977,315	1,704,754,075	15,213,239,368	58,782,880,455

Structural Liquidity Table

FOR THE PERIOD FROM JULY 17, 2014 TO JULY 16, 2015

Particulars	Amount in NPR					
	1-90 days	91-180 days	181-270 days	271-365 days	Above 1 Yr.	Total Amount
Liabilities						
Current Deposits	1,736,084,493	-	-	-	2,070,540,566	3,806,625,059
Saving Deposits	11,721,776,989	-	-	-	9,230,198,868	20,951,975,857
Fixed Deposits	1,521,444,792	1,579,842,112	6,058,617,709	4,366,279,924	737,602,488	14,263,787,025
BOK Bond	-	-	-	-	1,000,000,000	1,000,000,000
Borrowings:	91,000,000	40,000,000	-	-	-	131,000,000
Money at Call/ Short Notice	-	-	-	-	-	-
Inter Bank/Financial Institution	-	-	-	-	-	-
Refinance	91,000,000	40,000,000	-	-	-	131,000,000
Others	-	-	-	-	-	-
Other Liabilities	1,443,934,157	148,560,778	116,966,419	80,901,780	214,695,462	2,005,058,596
Sundry Creditors	22,133,216	29,128,048	-	-	192,338	51,453,603
Bills Payable	42,475,201	-	-	-	-	42,475,201
Interest Payable	21,768,543	40,650,554	85,435,910	61,571,321	10,401,339	219,827,667
Provisions	1,208,900,115	63,858,840	24,194,921	11,994,870	196,766,196	1,505,714,942
Others	148,657,082	14,923,335	7,335,588	7,335,588	7,335,588	185,587,183
Payable under commitment to other organizations	891,793,622	992,699,963	42,636,590	41,686,050	-	1,968,816,315
Irrevocable Credit Commitment	6,865,144,045	-	-	-	-	6,865,144,045
Letters of Credit/Guarantee [Net]	3,293,681,535	525,815,095	56,044,432	22,185,401	78,014,250	3,975,740,713
Repo	-	-	-	-	-	-
Payment of facilities under S.No.11	-	-	-	-	-	-
Others	228,105,537	27,056,661	15,692,945	41,321,142	122,022,514	434,198,799
Total Financial Liabilities	27,792,965,170	3,313,974,609	6,289,958,095	4,552,374,387	13,453,074,148	55,402,346,409
Net Financial Assets	4,280,572,590	3,405,397,328	(3,217,980,780)	(2,847,620,312)	1,760,165,221	3,380,534,046
Cumulative Net Financial Assets	4,280,572,590	7,685,969,917	4,467,989,137	1,620,368,825	3,380,534,046	-

17. Summary of concentration of exposure

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

Particulars	Total Exposure	Maximum concentration to a single customer	Amount in NPR
			Percentage
Loans & Advances	33,386,036,157	843,777,796	2.53%
Deposits	39,456,586,740	2,021,349,358	5.12%
Off Balance Sheet Items	15,017,555,415	878,363,896	5.85%

18. Details of Non Banking Assets

Opening Balance	Taken over during the year	Sold during the year	Closing Balance
278,425	-	-	278,425

19. Details of Software Application

Opening Balance	Additions during the year	Amortization during the year	Closing Balance
12,386,576	5,926,158	4,644,372	13,668,362

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

20. Fixed Assets Written Off

In FY 2071-72, due to earthquake fixed assets of few branches were damaged. Due to which NPR 16,821,064.79 has been written off. The insurance claim of these fixed assets is under process.

21. Tax Assessment

Final Tax Assessment has been carried out up to F/Y 2067-68. The bank has appealed at Supreme Court for the tax assessment of F/Y 2063-64, Revenue Tribunal for the tax assessment for F/Y 2064/65 and FY 2065/66 and Inland Revenue Department for FY 2066/67 and FY 2067/68.

22. The Bank has not pledged any of its securities/assets as collateral for any purpose.**23. The Bank has forfeited 4,505 numbers of shares and the same has not been re-issued.****24. All figures are rounded off to the nearest rupee.****Disclosures under Basel II - Asadh 2072****A. Capital Structure & Capital Adequacy as per Basel II****1. Tier 1 Capital and Breakdown of its Components :**

SN	Particulars	Amount in NPR
		Amount
A	Core Capital (Tier 1)	3,758,571,505
1	Paid Up Capital	2,120,212,300
2	Irredeemable Non-cumulative preference shares	-
3	Share Premium	-
4	Proposed Bonus Shares	551,255,200
5	General Reserve Fund	948,064,523
6	Retained Earnings	27,177,575
7	Un-audited current year cumulative profit	-
8	Capital Redemption Reserve	-
9	Capital Adjustment Reserve	-
10	Dividend Equalization Reserves	-
11	Bond Redemption Reserve	133,333,334
12	Deferred Tax Reserve	-
13	Other Free Reserve	164,075
14	Deductions	-
	Less: Deferred Tax Asset	(19,169,802)
	Less: Investment in Equity of Institutions with Financial Interest	(1,465,700)
	Less: Investment in Equity of Institutions with excess limit	(1,000,000)

2. Tier 2 Capital and Breakdown of its Components

SN	Particulars	Amount
		Amount
B	Supplementary Capital (Tier 2)	1,419,992,005
1	Cumulative and/or Redeemable Preference Share	-
2	Unsecured Subordinated Term Debt	987,287,671
3	Less: discounted for lesser tenure	-
4	Hybrid Capital Instruments	-
5	General Loan Loss Provision	358,796,917
6	Exchange Fluctuation Reserve	52,498,463
7	Investment Adjustment Reserve	1,408,954
8	Assets Revaluation Reserve	-
9	Other Reserves	20,000,000

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

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

Annual Report 2014/15

Financial Statements

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

Amount in NPR

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

A cumulative amortization factor of 20% per annum shall be applied to determine the amount to be recognized under Tier II capital during the last 5 years to maturity. Redemption reserve for this bond will be created from FY 2072-73.

4. Total deductions from Capital

SN Particulars	Amount
From Core Capital	
1 Deferred Tax Asset	19,169,802
2 Investment in Equity of Institutions with Financial Interest	1,465,700
3 Investment in equity of institutions in excess of limits	1,000,000
TOTAL	21,635,502

5. Total Qualifying Capital

SN Particulars	Amount
1 Core Capital (Tier 1)	3,758,571,505
2 Supplementary Capital (Tier 2)	1,419,992,005
TOTAL	5,178,563,510

6. Capital Adequacy Ratio: 13.00%

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

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

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

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

Annual Report 2014/15

Financial Statements

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

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

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

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

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

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

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

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

RISK WEIGHTED EXPOSURES	Amount
a. Risk Weighted Exposure for Credit Risk	35,670,323,281
b. Risk Weighted Exposure for Operational Risk	2,431,344,290
c. Risk Weighted Exposure for Market Risk	469,344,334
Total (a+b+c)	38,571,011,905
Adjustment under Pillar II	
Add: 3% of the Total RWE due to non compliance to Disclosure Requirement	
Add: ...% of the total deposit due to insufficient Liquid Assets	
Add: RWE equivalent to reciprocal of capital charge of 3% of gross income	505,411,044
Add: 2% of the total Risk Weighted Exposure due to overall risk factor	771,420,238
Total Risk Weighted Exposures (a+b+c)	39,847,843,187

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

SN Particulars	Amount
1 Claims on government & central bank	-
2 Claims on other official entities	553,987,500
3 Claims on banks	490,610,444
4 Claims on domestic corporate and securities firms	21,781,009,844
5 Claims on regulatory retail portfolio	4,516,467,276
6 Claims secured by residential properties	1,212,317,054
7 Claims secured by commercial real estate	303,284,328
8 Past due claims	173,933,071
9 High risk claims	2,173,581,329
10 Other assets	1,289,905,606
11 Off balance sheet items	3,175,226,829
TOTAL	35,670,323,281

3. Total Risk Weighted Exposures calculation table

SN Particulars	Amount
1 Total Risk Weighted Exposure	39,847,843,187
2 Total Core Capital Fund (Tier 1)	3,758,571,505
3 Total Capital Fund (Tier 1 & Tier 2)	5,178,563,510
4 Total Core Capital to Total Risk Weighted Exposures	9.43%
5 Total Capital to Total Risk Weighted Exposures	13.00%

4. Amount of NPAs

SN Loan Classification	Gross Amount	Provision Held	Net Amount
1 Restructured/ Rescheduled Loan	-	-	-
2 Substandard Loan	26,542,410	6,635,602	19,906,808
3 Doubtful Loan	10,393,890	5,196,945	5,196,945
4 Bad Loan	1,121,346,631	1,121,346,631	-
TOTAL	1,158,282,931	1,133,179,178	25,103,753

5. NPA Ratios

Amount in NPR

Gross NPA to Gross Advances	3.47%
Net NPA to Net Advances	0.08%

** Restructured/Rescheduled have been treated as non-performing loans.

6. Movement of Non-Performing Assets (Asadh 2071 vs Asadh 2072)

SN Non Performing Loan	Opening Balance	Increment during the year	Reduction during the year	Closing Balance
1 Restructured/Rescheduled Loan	-	-	-	-
2 Sub-Standard Loan	29,695,529	(847,455)	(2,305,664)	26,542,410
3 Doubtful Loan	11,007,297	(199,717)	(413,690)	10,393,890
4 Bad Loan	263,998,585	862,482,968	(5,134,922)	1,121,346,631
Total	304,701,411	861,435,796	(7,854,276)	1,158,282,931

7. Write Off of Loans & Interest Suspense (Asadh 2071 vs Asadh 2072)

NA

8. Movement in Loan Loss Provision & Interest Suspense**i. Movement in Loan Loss Provision (Asadh 2071 vs Asadh 2072)**

Figures in NPR

SN Non Performing Loan	Opening Balance	Increment during the year	Reduction during the year	Closing Balance
1 Pass Loan	285,620,699	6,079,621	(5,942,173)	285,758,148
2 Watch List	-	73,009,392	29,378	73,038,769
3 Restructured/Rescheduled Loan	-	-	-	-
4 Sub-Standard Loan	7,423,882	(211,864)	(576,416)	6,635,602
5 Doubtful Loan	5,503,649	(99,859)	(206,845)	5,196,945
6 Bad Loan	263,998,584	862,482,969	(5,134,922)	1,121,346,631
Total	562,546,814	941,260,259	11,830,978	1,491,976,095

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

SN Non Performing Loan	Opening Balance	Increment during the year	Reduction during the year	Closing Balance
Interest Suspense	126,580,963	343,406,622	308,530,111	161,457,474

9. Details of Additional Loan Loss Provisions

Nil.

10. Segregation of Investment Portfolio

SN Investment Category	Amount as on Asadh end 2072
1 Held for Trading	-
2 Held to Maturity	5,950,877,780
3 Available for Sale	76,147,720
Total	6,027,025,500

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

SN Particulars	Amount in NPR
1 Deposits with Bank	407,313,865
2 Deposits with other Banks/Financial institutions	-
3 Govt. & NRB Securities	5,537,258
4 Guarantee of Foreign Banks	326,099,337
TOTAL	738,950,460

C. Risk Management Functions

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

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

I. Credit Risk Management

Credit risk is one of the major risks of the bank. The main function of Credit Risk Management is to optimize return while adjusting risks within pre-determined limit. For effective management of credit risk the Bank has developed BOK Credit Policy, various internal credit circulars and product papers, credit authority structure to delegate credit approval authority properly; which are reviewed on periodic basis to incorporate required changes. Credit risk is managed by various units at different levels (pre and post credit disbursement) in order to address and report perceived and anticipated credit risk at various levels:

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

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

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

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

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

II. Operational Risk Management

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

such guidelines and circulars are also being conducted to communicate the processes and risks at all levels.

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

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

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

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

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

III. Market Risk Management

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

i. Interest Rate Risk

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

ii. Foreign Exchange Risk

Devaluation and revaluation of foreign currencies against each other and local currency are the major risks associated with foreign exchange management. The Treasury department constantly monitors the foreign currencies rates in foreign exchange markets through Reuters and buy/sell accordingly to avoid exchange loss and optimize exchange gains.

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

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

IV. Liquidity Risk Management

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

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

Bank closely monitors Total Credit Deposit Ratio, Local Currency Credit Deposit Ratio, Local Currency Credit to Core Capital & Local Currency Deposit Ratio, Net Liquidity Ratio, Deposit Concentration, Loan Concentration and Investment in Government Securities to en-

sure that Bank is operating within the prescribed limit and ascertains maintenance of comfortable liquidity position. Further, ALCO of the Bank regularly monitors Credit Deposit portfolio and takes feasible steps if the CD ratio exceeds the prescribed limits. It also takes ratification from the Board for higher CD ratio.

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

V. ICAAP Review

The Bank has ICAAP Policy approved by the Board, to ensure the Bank possess adequate capital resources in commensuration with all the material risks posed to

it by its operating activities and evaluate its ability to hold capital in excess of the minimum regulatory capital adequacy ratio. To this regard, the Risk Management Committee of the Bank reviews ICAAP on quarterly basis to ascertain the adequacy of current available capital in relation to the regulatory requirement, current risk profile and growth prospect of the Bank.

VI. Stress Testing

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

Mahesh Mishra
AGM- F&T and HRD

Ajay Shrestha
Chief Executive Officer

BalaRam Neupane
Director

Prof. Hem Raj Subedi, Ph. D
Director

Chop Narayan Shrestha
Director

Govinda Prasad Sharma
Director

Santa Bar Singh Thapa
Director

Ramesh Nath Dhungel
Director

Satya Narayan Manandhar
Chairman

As per our report of even date

CA. Ranjeev Shrestha
Partner
G.P. Rajbahak & Co.
Chartered Accountants

Date: September 28, 2015
Place: Kathmandu

Principal Indicator Definition

FOR THE PERIOD FROM JULY 17, 2014 TO JULY 16, 2015

Amount in NPR

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

Principal Indicator Definition

FOR THE PERIOD FROM JULY 17, 2014 TO JULY 16, 2015

Schedule 34

Amount in NPR

S	Names of Promoters/ No. Promoter Shareholders	Shares registered in the name of Promoters /Promoter Shareholders			Loan Details	Remarks
		Total no. of shares	total paid up capital	Name of Bank/ Financial Institutions providing loans	Loan Limit / Loan Outstanding	No. of shares Pledged
1	Bhubaneshwori Shrestha	325,956	1.54	Janata Bank Nepal Ltd	Limit: NA Outstanding: NPR 8,828,320.59 Limit: NA Outstanding: NPR 9,527,664.99	73,135 43,358
2	Prabhu Krishna Shrestha	23,537	0.11	Janata Bank Nepal Ltd		17,808
3	Praniti Shrestha	15,595	0.07	Janata Bank Nepal Ltd		11,800
4	Gauri Shrestha	146,763	0.69	NMB Bank Ltd. NIC Asia Bank Ltd	Limit: NPR 10,000,000.00 Outstanding: NIL Limit: NA Outstanding: NPR 14,222,208.00 Limit: NPR 21,000,000.00 Outstanding: NPR 20,989,082.42 Limit: NA Outstanding: NPR 6,395,208.12 Limit: NPR 5,000,000.00 Outstanding: NA	41,750 91,168
5	Ganesh Kumar Agrawal	159,945	0.75	Clean Energy Development Bank Ltd. Century Commercial Bank Ltd. Prabhu Bank Ltd.		127,068 17,789 15,088
6	Nirmal Kumar Agrawal	159,945	0.75	Prabhu Bank Ltd. Clean Energy Development Bank Ltd. Century Commercial Bank Ltd.	Limit: NPR 21,000,000.00 Outstanding: NPR 20,989,168.81 Limit: NA Outstanding: NPR 2,894,754.85	15,088 127,068 17,789
7	Nepal Mentha Products P. Ltd.	98,425	0.46	Gurkha Development Bank (Nepal) Ltd Prime Commercial Bank Ltd	Limit: NA Outstanding: 0.00 Limit: NPR 28,021,422.23 Outstanding: NPR 44,340,212.95 Limit: NPR 261,000,000.00 Outstanding: NPR 259,224,518.87	33,450 40,439
8	Dambar Bahadur Malla	804,137	3.79	Laxmi Bank Ltd.		363,606
9	Rita Malla	582,801	2.75	Laxmi Bank Ltd.		86,987

Principal Indicator Definition

FOR THE PERIOD FROM JULY 17, 2014 TO JULY 16, 2015

Schedule 34

Amount in NPR

10	Pawan Putra Industries Pvt. Ltd.	10,090	0.05	Himalayan Bank Ltd.	Limit: NPR 900,000.00 Outstanding:	10,090	
11	Deepak Bohara	102,465	0.48	Union Finance Ltd.	NPR 1,324,000.00 Limit: 10,500,000.00 Outstanding:	64,245	
12	Sanjay Pradhan	10,506	0.05	Caliber Savings & Credit	NPR 10,500,000.00 Limit: NPR 1,000,000.00 Outstanding:	2,552	
13	Phanindra Kumari Aryal	17,707	0.08	Co-operative Ltd. NIC Asia Bank Ltd	NPR 484,000.00 Limit: NA Outstanding:	16,036	
14	Ram Hari Adhikari	1,982	0.01	NIC Asia Bank Ltd	NPR 2,501,616.00 Limit: NA Outstanding:	1,575	
15	Alok Singh	363,525	1.71	Kumari Bank Ltd.	NPR 245,700.00 Limit: 15,000,000.00 Outstanding:	160,318	
16	Pramod Prasad Shrestha	755	0.00	NIC Asia Bank Ltd	NPR 14,043,178.88 Limit: NA Outstanding:	684	
17	Suman Babu Baniya	5,947	0.03	Global IME Bank Ltd.	NPR 98,516.52 Limit: NA Outstanding:	5,386	
18	Bal Krishna Shrestha	72,231	0.34	Himalayan Bank Ltd.	NPR 1,295,000.00 Limit: NA Outstanding: NPR 37,985,376.17	72,231	

Comparison of Unaudited and Audited Financial Statements as of FY 2071-72

FOR THE PERIOD FROM JULY 17, 2014 TO JULY 16, 2015

Amount in NPR

S. N. Particulars	As per Unaudited Financial Statement	As per Audited Financial Statement	Variance	Reasons for Variance
	In Amount	In Amount	In %	
1 Total Capital & Liabilities (1.1 to 1.7)	46,475,094	46,475,773	(679)	0.0%
1.1 Paid-up Capital	2,120,212	2,671,468	(551,255)	-26.0%
1.2 Reserves and Surplus	1,762,236	1,182,647	579,589	32.9%
1.3 Debiture and Bond	1,000,000	1,000,000	-	0.0%
1.4 Borrowings	131,000	131,000	-	0.0%
1.5 Deposits (a+b)	39,456,587	39,456,587	0	0.0%
a Domestic Currency	38,076,398	38,076,398	0	0.0%
b Foreign Currency	1,380,189	1,380,189	(0)	0.0%
1.6 Income Tax Liabilities	-	-	-	0.0%
1.7 Other Liabilities	2,005,059	2,034,072	(29,013)	-1.4%
2 Total Assets (2.1 to 2.7)	46,475,094	46,475,773	(679)	0.0%
2.1 Cash & Bank Balance	5,670,377	5,670,377	(0)	0.0%
2.2 Money at call and short Notice	13,658	13,658	-	0.0%
2.3 Investments	6,027,026	6,027,026	0	0.0%
2.4 Loans & Advances (a+b+c+d+e+f)	33,386,036	33,386,036	0	0.0%
a. Real Estate Loan	839,466	839,466	-	
1. Residential Real Estate Loan				
(Except Personal Home Loan upto Rs.1 crore)	45,422	45,422	-	
2. Business Complex & Residential Apartment				
Construction Loan	89,500	89,500	-	
3. Income generating Commercial				
Complex Loan	312,263	312,263	-	
4. Other Real Estate Loan (Including Land				

Comparison of Unaudited and Audited Financial Statements as of FY 2071-72

FOR THE PERIOD FROM JULY 17, 2014 TO JULY 16, 2015

Amount in NPR

	As per Unaudited Financial Statement	As per Audited Financial Statement	Variance	Reasons for Variance
	In Amount	In Amount	In %	
3 Profit and Loss Account				
Purchase & Plotting)	392,281	392,281	-	
b. Personal Home Loan of Rs. 1 crore or less	2,079,625	2,079,625	-	
c. Margin Type Loan	60,415	60,415	-	
d. Term Loan	4,747,838	4,747,838	-	
e. Overdraft Loan / TR Loan / WC Loan	18,701,095	18,701,095	-	
f. Others	6,957,597	6,957,597	-	
2.5 Fixed Assets	587,833	574,165	13,668	2.3%
2.6 Non Banking Assets	278	278	-	0.0%
2.7 Other Assets	789,886	804,233	(14,348)	-1.8%
3 Profit and Loss Account				
3.1 Interest income	2,844,855	2,844,855	0	0.0%
3.2 Interest Expense	1,463,506	1,463,506	(0)	0.0%
A. Net Interest Income (3.1-3.2)	1,381,349	1,381,349	0	0.0%
3.3 Fees Commission and Discount	255,766	265,340	(9,573)	-3.7%
3.4 Other Operating Income	65,446	65,446	0	0.0%
3.5 Foreign Exchange Gain/Loss (Net)	171,498	161,925	9,573	5.6%
B. Total Operating Income (A+3.3+3.4+3.5)	1,874,059	1,874,059	0	0.0%
3.6 Staff Expenses	407,403	407,403	0	0.0%
3.7 Other Operating Expenses	393,838	393,838	0	0.0%
C. Operating profit Before Provision (B-3.6-3.7)	1,072,818	1,072,818	(0)	0.0%
3.8 Provision for Possible Loss	941,260	941,260	0	0.0%
D. Operating profit (C-3.8)	131,558	131,558	(0)	0.0%

Comp Software booked under other assets in audited financial statements

Comp Software booked under other assets in audited financial statements and change in tax

Schedule 35

Comparison of Unaudited and Audited Financial Statements as of FY 2071-72

FOR THE PERIOD FROM JULY 17, 2014 TO JULY 16, 2015

Amount in NPR	
3.9 Non Operating Income/Expenses (Net)	4,554 (0) 0.0%
3.10 Write Back of Provision for Possible Loss	420,271 (0) 0.0%
E. Profit From Regular Activities (D-3.9+3.10)	556,384 (0) 0.0%
3.11 Extraordinary Income Expenses (Net)	(14,457) (14,457) -
F. Profit Before Bonus and Taxes (E+3.11)	541,927 (0) 0.0%
3.12 Provision For Staff Bonus	49,266 (0) 0.0%
3.13 Provision For Tax	158,771 679 0.4%
G. Net Profit/Loss (F-3.12 -3.13)	333,890 (679) -0.2%

679

Note:

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

Schedule 35(A)

UNAUDITED FINANCIAL RESULTS (QUARTERLY)

'As at Fourth Quarter (31/03/2072) of the Fiscal Year 2071/2072 (2014/2015)

Amount in NPR

S. N. Particulars	This Quarter Ending 31/03/2072 (16/07/2015)	Previous Quarter Ending 30/12/2071 (13/04/2015)	Corresponding Previous Year Quarter Ending 32/03/2071 (16/07/2014)
1 Total Capital & Liabilities (1.1 to 1.7)	46,475,094	44,355,467	39,610,350
1.1 Paid-up Capital	2,120,212	2,120,212	2,120,212
1.2 Reserves and Surplus	1,762,236	1,908,768	1,428,346
1.3 Debenture and Bond	1,000,000	400,000	400,000
1.4 Borrowings	131,000	522,000	136,000
1.5 Deposits (a+b)	39,456,587	37,861,240	34,115,671
a. Domestic Currency	38,076,398	36,311,696	32,361,975
b. Foreign Currency	1,380,189	1,549,544	1,753,696
1.6 Income Tax Liabilities	-	-	-
1.7 Other Liabilities	2,005,059	1,543,247	1,410,120
2 Total Assets (2.1 to 2.7)	46,475,094	44,355,467	39,610,350
2.1 Cash & Bank Balance	5,670,377	4,820,846	4,997,836
2.2 Money at call and short Notice	13,658	18,758	-
2.3 Investments	6,027,026	5,314,995	4,579,798
2.4 Loans & Advances (a+b+c+d+e+f)	33,386,036	32,900,960	28,866,771
a. Real Estate Loan	839,466	882,870	903,940
1. Residential Real Estate Loan (Except Personal Home Loan upto Rs 1 crore)	45,422	48,050	75,320
2. Business Complex & Residential Apartment Construction Loan	89,500	89,542	78,716
3. Income generating Commercial Complex Loan	312,263	319,997	228,848
4. Other Real Estate Loan (Including Land Purchase & Plotting)	392,281	425,281	521,056
b. Personal Home Loan of Rs. 1 crore or less	2,079,625	2,079,438	1,810,588
c. Margin Type Loan	60,415	60,655	113,774
d. Term Loan	4,747,838	4,590,660	3,850,037
e. Overdraft Loan / TR Loan / WC Loan	18,701,095	18,982,101	16,357,789
f. Others	6,957,597	6,305,236	5,830,643
2.5 Fixed Assets	587,833	576,513	566,830
2.6 Non Banking Assets	278	278	278
2.7 Other Assets	789,886	723,117	598,837
3 Profit and Loss Account	Upto This Quarter	Upto Previous Quarter	Upto Corresponding Previous Year Quarter
3.1 Interest income	2,844,855	2,062,146	2,609,428
3.2 Interest Expense	1,463,506	1,012,454	1,390,497
A. Net Interest Income (3.1-3.2)	1,381,349	1,049,692	1,218,931
3.3 Fees, Commission and Discount	255,766	200,878	222,902
3.4 Other Operating Income	65,446	49,490	65,872
3.5 Foreign Exchange Gain/Loss (Net)	171,498	125,276	145,822

UNAUDITED FINANCIAL RESULTS (QUARTERLY)

'As at Fourth Quarter (31/03/2072) of the Fiscal Year 2071/2072 (2014/2015)

Schedule 35(A)

Amount in NPR

	B. Total Operating Income (A+3.3+3.4+3.5)	1,874,059	1,425,336	1,653,529
3.6Staff Expenses	407,403	315,270	382,057	
3.7Other Operating Expenses	393,838	297,491	376,085	
C. Operating profit Before Provision (B-3.6-3.7)	1,072,818	812,575	895,387	
3.8Provision for Possible Loss	941,260	67,406	531,921	
D. Operating profit (C-3.8)	131,558	745,169	363,466	
3.9Non Operating Income/Expenses (Net)	4,554	3,347	8,563	
3.10Write Back of Provision for Possible Loss	420,271	9,902	43,836	
E. Profit From Regular Activities (D+3.9+3.10)	556,384	758,418	415,865	
3.11Extraordinary Income/Expenses (Net)	(14,457)	2,500	-	
F. Profit Before Bonus and Taxes (E+3.11)	541,927	760,918	415,865	
3.12Provision For Staff Bonus	49,266	69,174	37,806	
3.13Provision For Tax	158,771	211,323	123,617	
G. Net Profit/Loss (F-3.12 -3.13)	333,890	480,421	254,442	
4 Ratios	At the End of	At the End of	At the End of	
	This Quarter	Previous Quarter	Corresponding Previous Year Quarter	
4.1Capital Fund to RWA	13.07%	11.57%	11.57%	
4.2Non Performing Loan (NPL) to Total Loan	3.47%	1.08%	1.06%	
4.3Total Loan Loss Provision to total NPL	128.81%	175.04%	184.62%	
4.4Cost of Funds (Local Currency)	4.26%	4.04%	4.91%	
4.5CD Ratio (Calculated as per NRB Directives)	76.46%	77.71%	75.75%	
4.6Base Rate	7.20%	7.52%	7.58%	
4.7Average Interest Spread (Calculated as per NRB)	4.23%	4.14%	4.31%	
Additional Information				
Average Yield (Local Currency)	8.20%	8.08%	9.00%	
Net Interest Spread (Local Currency)	3.94%	4.04%	4.09%	
Return on Equity (Annualised)	8.67%	16.76%	7.16%	
Return on Assets (Annualised)	0.78%	1.53%	0.71%	

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

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

Balance Sheet

AS AT JULY 16, 2015

Capital and Liabilities	Actual (In '000)	Projected (In'000)	Variance
1. Share Capital	2,671,468	1,955,891	36.59%
2. Reserves and Surplus	1,182,647	1,975,667	-40.14%
3. Debentures and Bonds	1,000,000	400,000	150.00%
4. Deposits	39,456,587	29,303,961	34.65%
5. Proposed Dividend	29,013	267,906	-89.17%
6. Other Liabilities	456,868	581,185	-21.39%
Assests	Actual (In '000)	Projected (In'000)	Variance
7. Cash Balance	962,746	677,404	42.12%
8. Balance with Nepal Rastra Bank (NRB)	3,299,135	1,896,730	73.94%
9. Balance with Banks/Financial Institutions (BFIs)	1,408,496	712,526	97.68%
10. Money at Call and Short Notice	13,658	-	100.00%
11. Loans, Advances and Bills Purchase	31,894,060	23,722,580	34.45%
12. Fixed Assets	574,165	726,216	-20.94%
13. Other Assets	790,773	498,194	58.73%
Total	44,970,058	34,683,670	29.66%

REASON FOR VARIANCE

Share Capital and Reserves and Surplus: With regards to regulatory requirement to increase the Paid- Up Capital to NPR 8 bio by NPR 2073-74, Share Capital has increased more than projected figure as focus was to inject more capital by issuing bonus share on one hand and reserve and surplus decreased due to reduction in retained earnings amount on the other hand. Further as per NRB regulation as deferred tax reverse had to be reduced hence creating a varinace in reserve and surplus amount as compared to projected amount.

Debenture and Bond: As net interest income has been declining due to shrinkage in margins which has reduced net profit, additional bond had to be added in order to manage the growth of loans and advances.

Deposits: Deposits have increased because of the excess liquidity situation . Synergy effect due to established of regional offices also helped in increasing overall deposits

Proposed Dividend: As per regulatory requirement, all "A" class financial institutions need to have paid up capital of NPR 8 billion by FY 2073-74. In order to comply with the regulation, majority portion of dividend declared in FY 2071-72 was in form of bonus share whereas while making projections only cash dividend was taken into account.

Other Liabilities: In FY 2070-71, the bank had to make provision for claimed guarantee of Melamchi Water Supply Development Board (MWSDB) of NPR 408 million. In FY 2071-72, the bank had to book the entire claimed guarantee related to MWSDB as forced loan and create loan loss provision for the entire. Due to NPR 408 million created in previous fiscal year was reversed back and hence the other liabilities figure has reduced significantly compared to projected amount.

Cash, Balance with NRB and Balance with BFIs: Lack of profitable investment opportunities, excess liquidity position of the market and increase in deposits are the main reason for increase in cash, balance with NRB and balance with BFIs.

Loans and Advances: As mentioned above due to the synergy effect of regional branch concept and due to our aggressive growth strategy in loan and advances has caused an increase in loans and advances from projected figure.

Others Assets: Increase in staff loans and advances, advance tax and interest receivable are major factors for increase in Others assets compared to the projected figure.

Profit and Loss Account

AS AT JULY 16, 2015

Particulars	Actual ('000)	Projected ('000)	Variance
14. Employees Expenses	407,403	336,776	20.97%
15. Provision for Possible Losses	941,260	67,572	1292.97%
16. Operating Profit	131,558	1,123,453	-88.29%
17. Non Operating Income /(Expense)	4,554	-	100.00%
18. Provision Written Back	420,271	-	100.00%
19. Profit from Ordinary Activities	556,384	1,123,453	-50.48%
20. Income/(Expense) from extra-ordinary Activities	(14,457)	-	100.00%
21. Net profit after incorporating all Activities	541,927	1,123,453	-51.76%
22. Provision for Staff Bonus	49,266	102,132	-51.76%
24. Net Profit/(Loss)	334,569	714,925	-53.20%

REASON FOR VARIANCE

Employee Expenses: Revision in employee salary, benefits and facilities based on market conditions resulted in increase in employee expenses.

Provision for Possible losses: Loan loss Provision of NPR 843.78 million with regards to claimed guarantee of Melamchi Water Supply Development Board (MWSDB) was created because of this provision for possible losses has increased more than projected amount.

Operating Profit: Higher employee expensess and loan loss provision of NPR 843.78 million with regards to claimed guarantee of MWSDB are the main reason for decrease in operating profit from the projected amount.

Non Operating Income/(Expenses): Actual non operating income/(expense) includes dividend received from various investments and loss on sale of fixed assets. These were not included in the projections

Provision Write Back : In FY 2070-71, the bank had to make a provision for 50 percent of claimed guarantee of MWSDB amounting to NPR 408 million. As the entire claimed guarantee has been booked under loan loss provision in fiscal year 2071-72, the 50 percent provision for claimed guarantee amount of NPR 408 million has been written back. This factor was not envisaged while making projections.

Profit from Ordinary Activities and Net profit after incorporating all activities: Increase in employee expenses as compared to projected amount and loan loss provision of amounting to NPR 843.78 million relating to claimed guarantee of MWSDB are the major factors for decrease in Profit from Ordinary Activities and Net Profit after incorporating all activities.

Income/(Expense) from extra-ordinary Activities: Due to the earthquake fixed assets like compute, equipment, building etc of few branches were damaged. The damaged fixed assets of the branches have been written off as per prevailing accounting standards due to which extra ordinary expense has increased. This was not foreseen at the time of making projections.

Provision for Staff Bonus: As actual net profit after incorporating all activities is less than the projected amount hence staff bonus has decreased compared to the projected figures.

Income Tax Expenses: As net profit after incorporating all activities is lesser than the projected amount hence Income tax expenses has also decreased.

Net Profit and Current year's profit (PL Appropriation): Decrease in Profit from ordinary activities and net profit after incorporating all activities from more than projected amount is the main reason for decrease in Net Profit.

Profit and Loss Appropriation

AS AT JULY 16, 2015

Particulars	Actual ('000)	Projected ('000)	Variance
INCOME			
25. Retained Profit upto Previous Year	4,764	394,185	-98.79%
26. Current Year's Profit	334,569	714,925	-53.20%
27. Transfer from Deferred Tax Reserve	137,350	-	100.00%
28. Transfer from contingent reserve	269,337	-	100.00%
EXPENSES			
29. General Reserve	66,914	142,985	-53.20%
30. Proposed Dividend	29,013	267,906	-89.17%
31. Proposed Bonus Shares	551,255	169,850	100.00%
32. Investment Adjustment Reserve	1,031	-	100.00%
33. Retained Profit/(Loss)	27,178	457,228	-94.06%

REASON FOR VARIANCE

Retained Profit upto previous year, Proposed Dividend and Proposed Bonus Share: As per NRB regulation, "A" Class financial institutions are required to increase the capital to NPR 2 billion. In this context in order to increase the capital base the bank had to provide 10.415515 percent bonus share and 0.548185 percent cash dividend in FY 2070/71 due to which the retained profit upto previous period differs from projected amount. Further more as per Monetary policy "A" class financial institutions have to increase the capital to NPR 8 billion by FY 2073-74. In order to increase the capital base the bank had to provide majority amount of dividend in form of bonus share and remaining amount as cash dividend. Since the regulatory change was not taken into account while making projections the proposed dividend and bonus shares amount are different from projected amounts.

Investment Adjustment Reserve: In FY 2071-72, investments were made in mutual fund of NMB Suluv and NIBL Samriddhi and equity of Nepal Electronic Payment System. These investments were not foreseen at the time of making projections.

Transfer from Contingent Reserve: In FY 2069/70, One-third amount of claimed guarantee of MWSDB was transferred as contingent reserve. However in FY 2071-72, as the entire claimed guarantee amount related to MWSDB has been provisioned as loan loss provision in the profit and loss account, the one- third amount created as contingent reserve has been transferred backed through PL appropriation account. This change of scenario with respect to claimed guarantee amount related to MWSDB was not taken into consideration while making financial projections.

General Reserve: As actual net profit is less than the projected amount the actual general reserve amount differs from the projected amount of general reserve.

Transfer from Deferred Tax: The deferred tax reserve of NPR 137.35 million that was created in FY 2070-71 has been transferred back through profit and loss appropriation account. This was not taken into consideration at the time of making projections.

Balance Sheet

AS AT JULY 16, 2015

Capital and Liabilities	Actual (In '000)	Projected (In'000)	Variance
1. Share Capital	2,671,468	2,120,212	26.00%
2. Reserves and Surplus	1,182,647	1,596,694	-25.93%
3. Borrowings	131,000	100,000	31.00%
4. Bills Payables	42,475	28,503	49.02%
5. Proposed Dividend	29,013	212,021	-86.32%
6. Other Liabilities	456,868	1,209,262	-62.22%
Assests	Actual (In '000)	Projected (In'000)	Variance
7. Balance with Banks/Financial Institutions (BFIs)	1,408,496	943,198	49.33%
8. Money at Call and Short Notice	13,658	-	100.00%
9. Fixed Assets	574,165	725,238	-20.83%

REASON FOR VARIANCE

Share Capital and Reserves and Surplus: With regards to regulatory requirement to increase the Paid-Up Capital to NPR 8 billion by FY 2073-74, Share Capital has increased more than projected figure as focus was to inject more capital by issuing bonus share on one hand and reserve and surplus decreased due to reduction in retained earnings amount on the other hand. Further as per NRB regulation as deferred tax reverse had to be reduced hence creating a variance in reserve and surplus amount as compared to projected amount.

Borrowings: Level of borrowing is determined by the bank balance available with NRB and the level of Deposit. As both these figures are higher than the projected figures the actual borrowings tend to be higher than projected amount.

Bills Payable: Bills payable included items like unpresented draft, manager cheque outstanding etc. As these draft and cheques were not encashed/presented the actual bills payable amount is higher than projected amount.

Proposed Dividend: As per regulatory requirement, all "A" class financial institutions need to have paid up capital of NPR 8 billion by FY 2073-74. In order to comply with the regulation, majority portion of dividend declared in FY 2071-72 was in form of bonus share whereas while making projections only cash dividend was taken into account.

Other Liabilities: In FY 2070-71 as directed by NRB, 50 percent provision amounting to NPR 408 million related to claimed guarantee of Melamchi Water Supply Development Board (MWSDB) was created and remaining provision was to be created in FY 2071-72. At the time of making projections remaining provision amount related to claimed guarantee of MWSDB was taken into consideration. However by the end of FY 2071-72, the bank had to book force loan related to MWSDB and create 100 percent provision as loan loss provision and write back the 50 percent provision booked as claimed guarantee of MWSDB. These events were not foreseen while making projections and hence the other liabilities amount shows significant variance as compared to the projected figure.

Balance with BFIs: Lack of profitable investment opportunities, excess liquidity position of the market and increase in deposits are the main reason for increase balance with BFIs.

Money at call : At the time of making projections short term investments like money at call was not taken into consideration hence there has been a difference in actual and projected figure.

Fixed Assets: Due to the earthquake few of our branches were damaged and hence had to be de-recognized from the books of accounts by charging in profit and loss account. This was not taken into consideration while making projections.

Profit and Loss Account

AS AT JULY 16, 2015

Particulars	Actual ('000)	Projected ('000)	Variance
10. Provision for Possible Losses	941,260	498,440	88.84%
12. Operating Profit	131,558	597,722	-77.99%
13. Non Operating Income /(Expense)	4,554	-	100.00%
14. Provision Written Back	420,271	-	100.00%
15. Income/(Expense) from extra-ordinary Activities	(14,457)	-	100.00%

REASON FOR VARIANCE

Provision for Possible losses: Loan loss Provision of NPR 843.78 million with regards to claimed guarantee of Melamchi Water Supply Development Board (MWSDB) was created because of this provision for possible losses has increased more than projected amount.

Operating Profit: Increase in loan loss provision of NPR 843.78 million with regards to claimed guarantee of MWSDB is the main reason for decrease in operating profit from the projected amount.

Non Operating Income/(Expenses): Non operating income/(expense) includes dividend received from various investments and loss on sale of fixed assets. These were not included while making projections as they are difficult to ascertain.

Provision Write Back : In FY 2070-71, the bank had to make a provision for 50 percent of claimed guarantee of MWSDB amounting to NPR 408 million. As the entire claimed guarantee has been booked as forced loan and 100 percent loan loss provision has been made in fiscal year 2071-72, the 50 percent provision for claimed guarantee amount of NPR 408 million has been written back. This factor was not envisaged while making projections.

Income/(Expense) from extra-ordinary Activities: Due to the earthquake fixed assets like compute, equipment, building etc of few branches were damaged. The damaged fixed assets of the branches have been written off as per prevailing accounting standards due to which extra ordinary expense has increased. This was not foreseen at the time of making projections.

Profit and Loss Appropriation

AS AT JULY 16, 2015

Particulars	Actual ('000)	Projected ('000)	Variance
INCOME			
15. Transfer from Deferred Tax Reserve	137,350	-	100.00%
EXPENSES			
16. Proposed Dividend	29,013	212,021	-86.32%
17. Proposed Bonus Shares	551,255	-	100.00%
18. Investment Adjustment Reserve	1,031	114	803.98%
19. Deferred Tax Reserve	-	122,532	100.00%
20. Retained Profit/(Loss)	27,178	172,174	-84.22%

REASON FOR VARIANCE

Transfer from Deferred Tax Reserve: The deferred tax reserve of NPR 137.35 million that was created in FY 2070-71 has been transferred back through profit and loss appropriation account. This was not taken into consideration at the time of making projections.

Proposed Dividend and Proposed Bonus Share: As per Monetary policy "A" class financial institutions have to increase the capital to NPR 8 billion by FY 2073-74. In order to increase the capital base the bank had to provide majority amount of dividend in form of bonus share and remaining amount as cash dividend. Since the regulatory change was not taken into account while making projections the proposed dividend and bonus shares amount are different from projected amounts.

Investment Adjustment Reserve: In FY 2071-72, investments were made in mutual fund of NMB Suluv and NIBL Samridhhi and equity of Nepal Electronic Payment System. These investments were not foreseen at the time of making projections.

Deferred Tax Reserve: Based on projected figure a deferred tax reserve of NPR 122.53 million was created for FY 2071-72. However due to change in regulation as directed by NRB, deferred tax reserve was not created in audited financial statement of FY 2071-72, this regulatory change was not foreseen at the time of making projection.

Retained Profit/(Loss): Changes in Proposed dividend, proposed bonus share, investment adjustment reserve and deferred tax reserve the retained profit differs from the projected figure.





WE ARE AT 56 LOCATIONS

KAMAL POKHARI BRANCH

Bank of Kathmandu Limited
Kamalpokhari, Kathmandu
Tel: (977 1) 4414541
Fax: (977 1) 4418990
BM: Ms. Girija Mallia

THAMEL BRANCH

Thamel, Kathmandu, Nepal
Tel: (977 1) 4701201, 4701202
Fax: (977 1) 4410143
BM: Ms. Aradhana Mallia

NEW ROAD BRANCH

New Road, Kathmandu, Nepal
Tel: (977 1) 4231556, 4231557
Fax: (977 1) 4223279
BM: Mr. Chiranjivi Bista

BUTWAL BRANCH

Durga Mandir Line, Traffic Chowk,
Butwal, Rupandehi, Nepal
Tel: (977 71) 541692/541571
Fax: (977 71) 541642
BM: Mr. Manish Pandey

HETAUDA BRANCH

Main Road, Hetauda, Makawanpur
Tel: (977 57) 521331
Fax: (977 57) 523018
BM: Mr. Naresh Banskota

NEPALGUNJ BRANCH

Nepalgunj, Dhamboji, Banke
Tel: (977 81) 523185, 523484
Fax: (977 81) 523187
BM: Mr. Karna Bhandari

DHANGADHI BRANCH

Dhangadhi, Kailali
Tel: (977 91) 523386
Fax: (977 91) 522853
BM: Mr. Deepak Khanal

POKHARA BRANCH

Newroad, Pokhara, Gandaki
Tel: (977 61) 539150
Fax: (977 61) 539151
BM: Mr. Pratick Shrestha

BIRATNAGAR BRANCH

Main Road, Biratnagar, Koshi,
Tel: (977 21) 536904, 536905
Fax: (977 21) 536906
BM: Mr. Bibhu Bikram Pant

BIRGUNJ BRANCH

Adarsha Nagar, Parsa, Birgunj
Tel: (977 51) 534025, 534026
Fax: (977 51) 534027
BM: Mr. Pravakar Jha

AMLEKHGUNJ BRANCH

Mainroad, Bara, Amlekhgunj
Tel: (977 53) 570033
BM: Mr. Santosh Thapa

JAWALAKHEL BRANCH

Bank of Kathmandu Limited
Lalitpur, Nepal
Tel: (977 1) 5524624, 5526228
Fax: (977 1) 5523632
BM: Ms. Anupa Rajbhandari

JANAKPUR BRANCH

Station Road, Dhanusha, Janakpur
Tel: (977 41) 527372
Fax: (977 41) 527373
BM: Mr. Dinesh Koirala

ITAHARI BRANCH

Paschim Line, Itahari-1, Sunsari
Tel: (977 25) 586710, 586711
Fax: (977 25) 586712
BM: Mr. Suresh Yadav

GONGABU BRANCH

Gongabu, Samakhushi Chowk,
Kathmandu
Tel: (977 1) 4385711, 4385712
Fax: (977 1) 4385573
BM: Ms. Ishwari Rai

KOHALPUR BRANCH

Main Bazaar, Kohalpur, Banke
Tel: (977 81) 541343
Fax: (977 81) 541344
BM: Ms. Sarita Joshi

TATOPANI BRANCH

Liping, Tatopani, Sindhupalchowk
Tel: (977 011) 480001, 480002
Fax: (977 19) 633026
BM: Mr. Dilip Kumar Lamsal

SURKHET BRANCH

Birendra Chowk Birendranagar-6,
Surkhet, Nepal
Tel: (977 83) 523663, 523664
Fax: (977 83) 523665
BM: Mr. Arun Hamal

GHORAH BRANCH

Bank of Kathmandu Limited
Naya Sadak, Ghorahi, Dang
Tel: (977 82) 561951, 561952
Fax: (977 82) 561953
BM: Mr. Aman Joshi

TULSI PUR BRANCH

Ka Line BP Chowk, Tulsipur, Dang
Tel: (977 82) 522691, 522692
Fax: (977 82) 522693
BM: Mr. Virat Bikram Verma

JUMLA BRANCH

Bank of Kathmandu Limited
Chandan Nath VDC 6, Jumla, Karnali
Tel: (977 87) 520298
Fax: (977 87) 520300
BM: Mr. Mukesh Shrestha

BALAJU BRANCH

Balaju, Kathmandu, Nepal
Tel: (977 1) 4357713, 4380554
Fax: (977 1) 4357284
BM: Mr. Amin Shakya

ATTARIYA BRANCH

Bank of Kathmandu Limited
Dhangadhi Road, Attariya, Kailali
Tel: (977 91) 550921
Fax: (977 91) 550969
BM: Mr. Kiran Prasad Panday

NEW BANESHWOR BRANCH

New Baneshwor, Kathmandu, Nepal
Tel: (977 1) 4460699
BM: Ms. Binni Banu

GYANESHWOR BRANCH

Bank of Kathmandu Limited
Gyaneshwor, Kathmandu
Tel: (977 1) 4411181
Fax: (977 1) 4412278
BM: Ms. Sarita Khadka

TRIPURESHWOR BRANCH

Tripureshwor, Kathmandu, Nepal
Tel: (977 1) 4229271, 4229272
Fax: (977 1) 4229279
BM: Ms. Helen Bhatta

CHABAHIL BRANCH

Chabahil Chowk, Kathmandu, Nepal
Tel: (977 1) 4499744
Fax: (977 1) 4490955
BM: Mr. Surendra Madhikarmi

BHAKTAPUR BRANCH

Suryabinayak, Bhaktapur, Nepal
Tel: (977 1) 6619334, 6619335
Fax: (977 1) 6619336
BM: Ms. Prakriti K.C

TIKAPUR BRANCH

Jamara Pari, Tikapur, Nepal
Tel: (977 091) 561181
Fax: (977 091) 561182
BM: Mr. Anjani Subedi

GULERIYA BRANCH

Radha Krishna Chour, Guleria, Nepal
Tel: (977 084) 421215
Fax: (977 084) 421214
BM: Mr. Harish Badu

DADELHURA BRANCH

Tuphandada, Amargadi-05,
Dadelhura, Nepal
Tel: (977 096) 420094
Fax: (977 096) 420093
BM: Mr. Prashant Shrestha

URLABARI BRANCH

Urlabri-4, Itahara Road, Urlabari, Nepal
Tel: (977 021) 541881, 541882
Fax: (977 021) 541883
BM: Mr. Rupesh Neupane

SANKHU BRANCH

Pukulachhi-09, Sankhu
Kathmandu, Nepal
Tel: (977 1) 01-4451395, 01-4451393
Fax: (977 1) 01-4450930
BM: Mr. Bipul Pradhan

KHAIRENITAR BRANCH

Kharenitar Bazar, Khairnitar VDC,
Ward No 8, Tanahu, Nepal
Tel: (977 065) 570772/773
Fax: (977 065) 570774
BM: Ms. Ganga Aryal

PANAUTI BRANCH

Panauti Bus Park, Namobuddha Road,
Ward No 11, Nepal
Tel: (977 1) 011-441261
Fax: (977 1) 011-441262
BM: Mr. Dipendra K.C.

BALKHU BRANCH

Balkhu, Kathmandu, Nepal
Tel: (977 1) 4277631/4277662
Fax: (977 1) 4277486
BM: Ms. Prasamsa Shrestha

NARAYANGADH BRANCH

Lions Building, Lions Chowk, Narayangadh,
Chitwan
Tel: (977 056) 523078 / 056-523430
Fax: (977 056) 523181
BM: Mr. Pravesh Raut

TAMGHAS BRANCH

Hospital Line, Tamghas 1, Gulmi, Nepal
Tel: (977 079) 520758
Fax: (977 079) 520759
BM: Mr. Arjun Prasad Sapkota

SANDHIKHARKA BRANCH

Sandhikharka 6, Arghakhanchi,
Shanti Bagaicha Chowk
Tel: (977 077) 420806
Fax: (977 077) 420807
BM: Mr. Nabin Panthi

BAGLUNG BRANCH

Kalikapath, Baglung, Nepal
Tel: (977 068) 522721
Fax: (977 068) 522958
BM: Mr. Ramesh Khadka

BENI BRANCH

New Road, Beni, Nepal
Tel: (977 069) 520018
Fax: (977 069) 521029
BM: Mr. Ganesh Paudel

BIRTAMODE BRANCH

Bhadrapur Road, Birtamode
Jhapa, Mechi, Nepal
Tel: (977 023) 544582
Fax: (977 023) 544581
BM: Mr. Sachin Ratna Tuladhar

KHANDBARI BRANCH

Sajag Tol Khandbari, 1
Sankhuwasabha, Koshi, Nepal.
Tel: (977 029) 560982
Fax: (977 029) 560983
BM: Mr. Janga Magar

OLD BANESHWOR BRANCH

Battispatali, Old Baneshwor
Kathmandu, Nepal
Tel: (977 1) 4487818
BM: Ms. Sharmila Pathak

MAHARAJGUNJ BRANCH

Narayangopal Chowk, Maharajgunj
Tel: (977 1) 4378437
Fax: (977 1) 4375331
BM: Ms. Deepa Shree Prajapati

LAHAN BRANCH

Main Road, Lahan
Siraha, Nepal
Tel: (977 033) 562119
Fax: (977 033) 562120
BM: Mr. Bishwo Shrestha

DHARAN BRANCH

Deshi Line, Dharan
Sunsari, Nepal
Tel: (977 025) 526561
Fax: (977 025) 526562
BM: Mr. Hafiz Ulla Ansari

GAUR BRANCH

Maithan Chowk, Gaur Municipality-07,
Rautahat, Nepal
Tel: (977 055) 521541
Fax: (977 055) 521542
BM: Mr. Santosh K Shah

DAILEKH BRANCH

Nayabazar Chowk,
Narayan Municipality Dailekh-01
Tel: (977 089) 420596
Fax: (977 089) 420597
BM: Mr. Dipak K.C.

DIKTEL BRANCH

Taicha Bari Chowk,
Diktal VDC-03, Nepal
Tel: (977 036) 420653
Fax: (977 036) 420654
BM: Mr. Rudra Raj Ghalan

BELAURI BRANCH

Shreepur Tole, Belauri Bazaar, Kanchanpur
Tel: (977 099) 580415
Fax: (977 099) 580416
BM: Mr. Sagar Ojha

RAJAPUR BRANCH

Bank of Kathmandu Limited
Rajapur, Bardiya
Tel: (977 084) 460128
Fax: (977 084) 460057
BM: Mr. Prashant K Sharma

LAMKI BRANCH

Bank of Kathmandu Limited
Lamki Chuha Municipality 2
Mukesh Complex, Kailali
Tel: (977 091) 540228
Fax: (977 091) 540229
BM: Mr. Prakash Tiwari

BIJUWAR BRANCH

Bank of Kathmandu Limited
Pyuthan, Rapti
Tel: (977 086) 460708
Fax: (977 086) 460709
BM: Mr. Keshab Joshi

BHALUBANG BRANCH

Bank of Kathmandu Limited
Lalmatia VDC 3, Pulchowk Dang
Tel: (977 082) 580194
BM: Mr. Praveen Shah

DEVDAHA BRANCH

Bank of Kathmandu Limited
Devdaha Municipality 8, Khairni Chowk,
Rupandehi
Tel: (977 071) 577394
Fax: (977 071) 577359
BM: Mr. Dipak K Koirala

57 ATM LOCATIONS

Head Office	Gongabu Branch	Dadeldhura Branch	Lahan Branch
Thamel Branch	Kohalpur Branch	Urlabari Branch	Dharan Branch
Newroad Branch	Tatopani Branch	Sankhu Branch	Civil Mall
Butwal Branch	Surkhet Branch	Khairaitar Branch	Kumaripati Lounge
Hetauda Branch	Ghorahi Branch	Panauti Branch	Balaju
Nepalgunj Branch	Tulsipur Branch	Balkhu Branch	Supreme Court
Dhangadhi Branch	Attariya Branch	Narayanghat Branch	Chaudhary Gram
Pokhara Branch	New Baneshwor Branch	Tamghas Branch	Bluebird Mall
Biratnagar Branch	Gyaneshwor Branch	Sandhikharka Branch	Baneshwor Lounge
Birgunj Branch	Chabahil Branch	Baglung Branch	Newroad Lounge
Jawalakhel Branch	Suryabinayak Branch	Beni Branch	Nobel Medical College
Janakpur Branch	Tikapur Branch	Birtamode Branch	Kamal Pokhari Branch
Itahari Branch	Guleriya Branch	Maharajgunj Branch	

7 EXTENSION COUNTERS

Kathmandu Medical College, Sinamangal
Bir Hospital, Ratnapark
Kohalpur Medical College, Kohalpur
Nepal Oil Corporation Office, Thankot

Nepal Oil Corporation Office, Biratnagar
Supreme Court, Singadurbar-Ramshahpath
Inland Revenue Office, Pokhara

33 BRANCHLESS BANKING CENTERS

POT LOCATIONS

Paiyumpata VDC-5
Singana VDC-5
Chaumala Bazar, Chaumala VDC-7
Gulariya Bazar, Krishnapur VDC-5
Sitta Bazar, Kalika VDC-5
Jayanagar, Magragadhi VDC-2
Jutepani VDC-5
Dhakery, Mahadevpuri VDC-5
Baniyabhar, Naubasta VDC-8
Furkechaur, Harnamadhi VDC-5
Belidanda, Padampokhari VDC-4
Cheda, Gadi VDC-3
F Gaun, Fulbari VDC-6
Bhatkanda, Ashigram VDC-7
Bagarkot, Bagarkot VDC-7
Dudhe Bazar, Satasidham VDC-7
Rajapur, Rajapur VDC-6

DISTRICT

Baglung
Baglung
Kailali
Kanchanpur
Bardiya
Bardiya
Chitwan
Banke
Banke
Makwanpur
Makwanpur
Surkhet
Kailali
Dadeldhura
Dadeldhura
Jhapa
Bardiya

POT LOCATIONS

Dumarwana, Dumarwana VDC-4
Sarpalo Bazar, Sarpalo VDC-3
Barangja, Barangja VDC-4
Sarankot VDC-2 Khapaudi
Bhotechaur-2
Nanglebhare-7
Dhangadhi, Dhangadhi VDC -2, Siraha
Buipa Bazar, Buipa-5, Khotang
Pratappur, Pratappur VDC -2
Darbhan, Bangesal VDC-7
Sisahaniya, Sisahaniya VDC-5
Baddada, Dhungegadi VDC-3
Shantibazaar, Patabhar VDC-9
Parsenibazzar, Manau VDC-5
Basabasai, Tilakpur VDC-6
Shankharpur, Siktan VDC-6

DISTRICT

Bara
Mahottari
Myagdi
Kaski
Sindhupalchowk
Kathmandu
Siraha
Khotang
Kailali
Pyuthan
Dang
Pyuthan
Bardiya
Bardiya
Nawalparasi
Rupendehi

NEPAL RASTRA BANK APPROVAL AND DIRECTIONS

Nepal Rastra Bank has approved to publish financial statement of the bank for the fiscal year 2014/2015 along with following directions:

1. Comments made by auditor to be rectified and ensure that such remarks are not repeated in the future.

Response from the bank:

1. Comments made by auditor will be rectified and it will be ensured that such shortcomings are not repeated in the future.

NOTE:

ABOUT US

Bank of Kathmandu Limited (BOK) has become a prominent name in the Nepalese banking sector. We would also like to state that Bank of Kathmandu is committed to delivering quality service to customers, generating good return to shareholders, providing attractive incentives to employees and serving the community through stronger corporate social responsibility endeavor. BOK has today become a landmark in the Nepalese banking sector by being among the few commercial banks which is entirely managed by Nepalese professionals and owned by the general public.

www.bok.com.np



बैंक अफ काठमाण्डू लिमिटेड

BANK OF KATHMANDU LTD.

We make your life easier

