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Annual Report 2018-2019

Driving commerce and prosperity
through our unique diversity

33rd ANNUAL GENERAL MEETING
Monday, 9 December 2019

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ABOUT US

Standard Chartered Bank Nepal Limited has been in operation in Nepal since 1987 when it was initially registered as a joint-venture operation. Today, the Bank is an integral part of Standard Chartered Group having an ownership of 70.21% in the company with 29.79% shares owned by the Nepalese public. The Bank enjoys the status of the only international bank currently operating in Nepal.

We are a leading international banking group with a 160-year history in some of the world's most dynamic markets. Our heritage and values are expressed in our brand promise, Here for good. Our operations reflect our Purpose, which is to drive commerce and prosperity through our unique diversity. We are present in 60 markets and serve clients in a further 85. Supported by our global functions, our businesses serve four client segments in four regions- Europe & Americas, Africa and Middle East, ASEAN & South Asia, Greater China & North Asia. Standard Chartered PLC is listed on the London and Hong Kong Stock Exchanges as well as the Bombay and National Stock Exchanges in India.

With 15 points of representation, 26 ATMs across the country and more than 531 local staff, Standard Chartered Bank Nepal Limited is serving its clients and customers through an extensive domestic network. In addition, the global network of Standard Chartered Group enables the Bank to provide truly international banking services in Nepal. Standard Chartered Bank Nepal Limited offers a full range of banking products and services to a wide range of clients and customers including individuals, mid-market local corporates, multinationals, large public-sector companies,

government corporations, airlines, hotels as well as the development organizations segment comprising of embassies, aid agencies, bilateral entities, multilateral entities, non-government organizations and international non-government organizations. The Bank has been the pioneer in introducing client-focused products and services and aspires to continue its leadership. It is the first Bank in Nepal to implement the Anti-Money Laundering policy and to apply the 'Know Your Customer' procedure on all the customer accounts.

The Bank believes in delivering shareholder value in a social, ethical and environmentally responsible manner. Standard Chartered throughout its long history has played an active role in supporting those communities in which its customers and staff live.

From 2003 to 2018, the Bank's Global Community Program Strategy focused on health and education with Seeing is Believing (SiB) as the flagship program to tackle avoidable blindness and visual impairment. In 2018, the Bank achieved its ambitious target to raise USD100 million globally for SiB two years ahead of schedule. In Nepal, we continue to support all existing SiB commitments until 31 December 2020.

In May 2019, the Bank's new Global Community Program Strategy "Futuremakers by Standard Chartered" was launched in Nepal subsequent to the global launch in January 2019. This initiative focuses on empowering the next generation to learn, earn and grow. There are three pillars to the strategy: education, employability and entrepreneurship. It builds on the success of our current community programs while growing our ambition to ensure that we are reaching more young people across our markets. The Bank is also actively engaged with the communities in raising awareness around Financial Literacy, Environment, Health and Education.

For further information please visit www.sc.com/np or [f /StandardCharteredNP](https://www.facebook.com/StandardCharteredNP)

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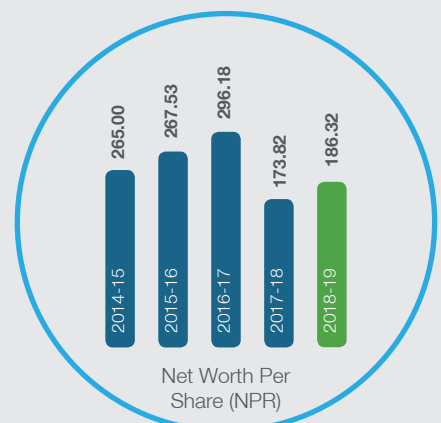
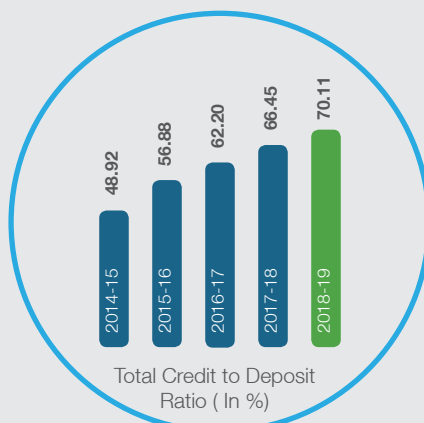
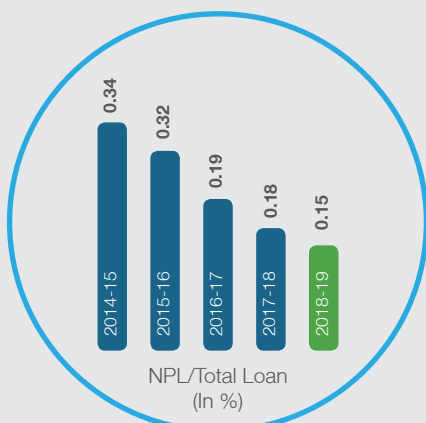
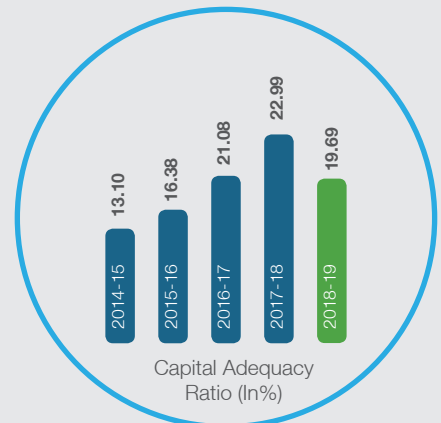
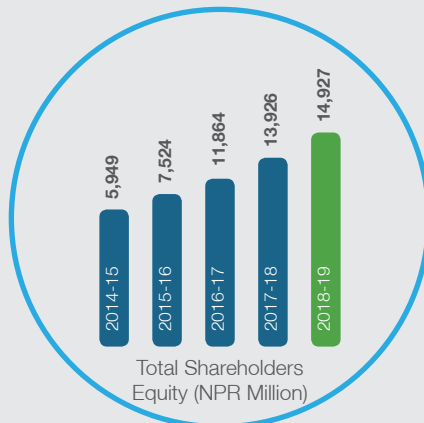
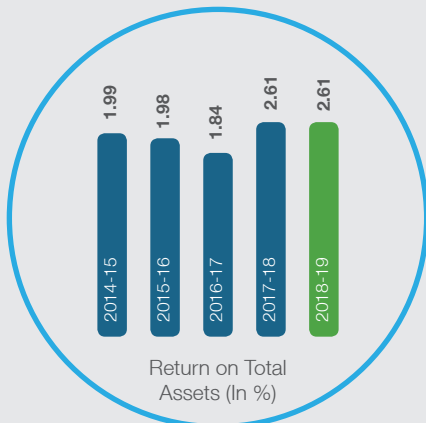
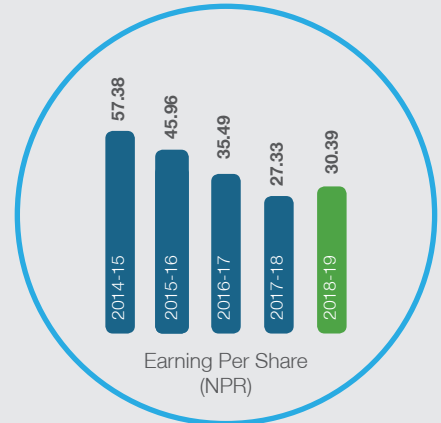
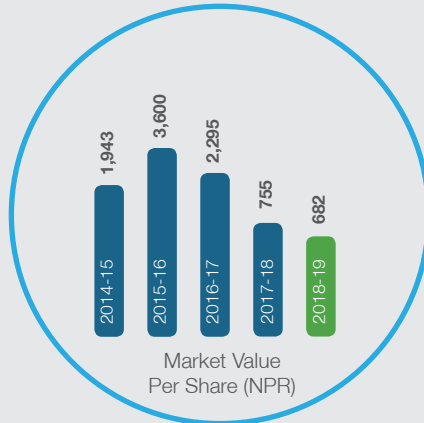
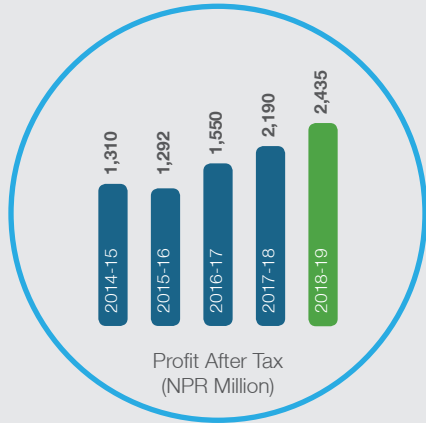
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PERFORMANCE HIGHLIGHTS



OPERATIONAL OVERVIEW

Strong foundation

Standard Chartered has continued to deliver consistent, diverse and sustained growth while investing to underpin future momentum and building balance sheet resilience.

Financial Highlights

Operating Income	Operating Profit	Total Assets
Rs. 5,212m	Rs. 3,478m	Rs. 93,264m
Capital Adequacy	Return on Equity	Dividend
19.69%	19.49%	22.50%

Non-Financial Highlights

Points of Representation	Employees
15	531

Operational Highlights

- Stable income and operating profit despite a scenario of margin compression
- Broad based and diversified income growth in both Retail Banking and Corporate & Institutional Banking
- Conscious decision to invest to underpin future growth in both the businesses
- Disciplined and proactive approach to risk management in Retail Banking and Corporate & Institutional Banking businesses
- Diverse, liquid, well capitalized and robust balance sheet composition
- Strong market capitalization of ~ Rs. 55 Billion reflecting high shareholder confidence



Jitender Arora
Chairman

REPORT OF THE BOARD OF DIRECTORS

Driving sustainable growth through our refreshed strategic priorities

On behalf of the Board of Directors, I am pleased to report that Standard Chartered Bank Nepal Limited has delivered another strong performance in the Financial Year 2075-76. The good progress we have made in our refreshed strategic priorities has enabled the Bank to deliver strong growth, safe and sustainable increase in income while maintaining both cost and capital, and, contributing to our good in the society by continuously engaging with our clients, community and people.

Our Group's refreshed priorities focus on investing to accelerate growth in our differentiated network and affluent client businesses, optimising performance in lower-returning markets, driving productivity and transforming through digital. Underpinning these is a performance-oriented and an innovative culture emphasising conduct and sustainability.

Standard Chartered Nepal has assimilated the strategic priorities as its guiding force to generate long-term sustainable shareholder value through a strong and stable business. We acknowledge the importance of payouts to shareholders and intend to maintain stable returns over time while considering the earnings outlook, regulatory capital requirements and introduction of various regulatory capital buffers as per the recently released Monetary Policy. The Board deliberated on these requirements and decided on the payout for the reported year. We prioritize maintaining a well-capitalized, highly liquid and diverse balance sheet in delivering a profitable and sustainable growth within our risk appetite. This is an important journey and we must not lose our focus from creating a foundation for a strong and sustainable business.

The Board is confident in the current Management Team to carry out the medium and long-term strategies. The diversity and talent of our people will lead us to be the best brand in our market by engaging with our communities and instilling a culture of excellence throughout

our organization. Our brand promise to be 'Here for good' signifies our commitment to operate as a bank with the highest regard to best conduct practices and ethics.

PERFORMANCE HIGHLIGHTS

	Fiscal Year 2075-76	Fiscal Year 2074-75	Increase
Net Profit	NPR 2.43 billion	NPR 2.19 billion	11%
Earnings per share	NPR 30.39	NPR 27.33	11%
Loans to Customers	NPR 53.09 billion	NPR 44.56 billion	19%
Customer Deposits	NPR 75.73 billion	NPR 67.06 billion	13%

Standard Chartered Nepal has been consistently delivering a good performance year on year. The Bank has contributed NPR 1.02 billion to the Government Exchequer as compared to Rs. 977 million last year because of corporate tax. As per the statutory and regulatory requirements, the Board recommends a transfer of NPR 29 million to the Exchange Fluctuation Reserve, transfer of Rs.487 million to the General Reserve Fund and transfer of Rs. 112 million to the Regulatory Reserve. Further, the Board has proposed a dividend of 22.50 percent for which equivalent amount will be appropriated in the current year after the required approvals.

Our Tier 1 and Tier 2 Capital Adequacy Ratios were 18.31 percent and 1.38 percent respectively with an overall ratio of 19.69 percent, before the appropriation of profits. Our capital

position is more than adequate to meet our business needs and exceeds the current Nepal Rastra Bank's capital adequacy requirement under the Basel III capital accord and international norms.

MAKING PROGRESS ON OUR STRATEGIC PRIORITIES

Leveraging on our unparalleled network, Standard Chartered Nepal has been providing invaluable service to international corporates especially from China and India, who are in the process of entering Nepal as a part of their international expansion. We have won several banking mandates that have enabled us to build a robust project pipeline to build a foundation for healthy returns in the coming years.

To drive productivity through digitization, the Bank has invested significantly in the implementation of Big Data analytics which provides an interactive data visualization tool to ease business reporting, manage information systems and client portfolio management which will enhance overall client experience. We are also looking forward to introducing state of the art mobile application later in 2019 including latest features to provide convenience to clients at their fingertips.

At the Bank, we are committed to embed a performance-oriented and innovative culture emphasising conduct and sustainability that would help achieve our refreshed strategies.

ECONOMIC OUTLOOK FOR NEPAL

Globally, 2019 began with pessimism; slowing growth, lower-than-expected inflation and rising downside risks have caused central banks around the world to turn increasingly accommodative. We see three broad factors determining headwinds or tailwinds for global growth: US trade tensions with major partners, the policy outlook for major central banks and oil prices. All three factors affect sentiment and economic activities, both investment and consumption. Trade tensions are dominating market attention and lower inflation outcomes are enabling major central banks to respond. Crude oil remains in the 'Goldilocks' range of USD 55-80/barrel and both current and expected inflation are generally low.

In Nepal, we expect GDP growth to slow to 6.2% in FY20 (year starting 16 July 2019) from 6.8% in FY19 (2075-76), driven by slower consumption and investment. On the medium-term outlook, we remain positive given the structural reforms being undertaken. The establishment of the Nepal Infrastructure Bank, the signing of a transit agreement with China, the establishment of a 'one-stop shop' for foreign investors, and the the Public-Private Partnership Act are steps in the right direction to increase foreign direct investment.

FOCUSING ON GOVERNANCE AND SUSTAINABILITY

Governance across the Bank is robust and integral to our long-term success. We highly value the relationships that we have with our clients, regulators, employees and other stakeholders; and will continue to further deepen this bond.

We are committed to ensuring the integrity and quality of our governance. We believe good governance provides clear accountabilities, ensures strong controls, instills the right behaviors and reinforces good performance.

Besides complying with the Risk Management Guidelines and Directives from Nepal Rastra Bank, the Bank has been following Risk Management Principles and practices of Standard Chartered Group which are in line with the latest international best practices in the area of risk management in banks.

One of our major priorities other than growth also includes enhancing resilience and the strengthening of our risk management framework and capabilities in areas such as cyber security. Our business resilience has also been confirmed by our performance in the recent past. We are committed to investing in appropriate technologies to battle financial crime, which remains one of our top priorities.

The risk management process involves active engagement and participation from the Board right down to business/operational levels ensuring an effective system of risk management in the Bank.

The Bank recognizes principal risks in the areas of Credit, Market, Capital and Liquidity, Operational, Country, Reputational, Compliance, Conduct, Information & Cyber Security and Financial Crime. These risks are managed through Risk Type Frameworks (RTF) and respective Risk Framework Owners are appointed. The risk management principles followed by the Bank also include balancing risk and return, responsibility and accountability, anticipation of risk and competitive advantage from effective risk management. Similarly, the Bank follows risk management governance structure as per Standard Chartered Group policies and NRB Directives.

In addition, apart from reviewing the Bank's performance and the execution of our refreshed priorities, the Board also has focused on other issues such as diversity and inclusion, health and safety, and community partnership.

STRUCTURE OF OUR BOARD

Ms. Karen De Alwis and Mr. Anirvan Ghosh Dastidar represent Standard Chartered Grindlays Australia in the Board. Mr. Krishna Kumar Pradhan represents as Independent Director and Mr. Bharat Kunwar, shareholder of the Bank, represents in the Board as Public Director. I, Jitender Arora, am assuming the Chairman's role representing Standard Chartered Bank, U.K. in the Board of Standard Chartered Bank Nepal Limited.

As on the date of this report, the Board is made up of the Non-Executive Chairman, one Executive Director and three Non-Executive Directors of which one is Independent Director appointed as per the regulatory requirement and one of them is the Public Director representing General Public shareholders as per the provisions of the Bank and Financial Institutions Act and the Company Act.

THE YEAR AHEAD

The political stability in the country and government focus to promoting economic growth is very encouraging. Government initiatives to attract foreign direct investment by making regulatory changes and positive initiatives to engage Nepal with global markets like conducting a sovereign credit rating and introducing a currency hedging mechanism is also indeed exciting.

With this direction to engage Nepal with global markets, the Bank is in good shape to support our clients who are positioned to leverage our cross-border capabilities and network. Moreover, the technology changes being adopted in the financial service landscape also has changed client expectations and needs. The Bank has already started numerous initiatives under its digital delivery model to cater to the young digital savvy customers in Nepal.

We remain optimistic that our liquid balance sheet and strong capital position, along with our diverse business portfolio will overcome

major external shocks in the future. We also have prioritized increasing the Banks resilience to any potential challenge or risks by introducing advanced processes into our existing systems.

Nepal remains an attractive market with strong macroeconomic indicators, a large working population, a young median age and a huge trade potential being placed between two of the fastest growing economies in the world. Our unique business model makes us well-equipped to capture Nepal's growth story; even more so since we are one of the top trade banks in the world. The Bank continues to identify new opportunities as they arise, prioritize digital and technological changes to adapt to the growth of digital opportunities in the country and to develop attractive propositions for our clients.

The contribution of international banks in accelerating growth in emerging market economies also has been widely acknowledged. Our global presence and the strong network relationships gives us a comparative advantage in enabling trade and investment around the globe. We are committed to leverage our global network and relationships to benefit Nepal's economic growth by supporting our clients in various ways.

Lastly, we also expect a rise in fiscal expenditures and increased investments to propel economic growth. Similarly, remittance income from the Middle East and South East Asian nations will play a key role in aiding the economic growth and keeping the economy resilient since

most important indicators including the National Savings Rates, Capital Formation and the closing of Deficit Gaps are directly related to the remittance inflow. Government initiatives to promote and increase tourism by improving infrastructure also would contribute to the steady growth of Nepal's economy.

IN CONCLUSION

Our key businesses are growing well and we are encouraged by our start to the financial year 2076-77. There are still significant untapped opportunities in Nepal and we believe that our franchise is capable of much more here.

Due to the stable economic growth and a young population, we remain excited over the prospects for Nepal given that our international network across markets helps Nepal's cross border business. Moreover, the rapid growth in urbanization and wealth has increased the opportunities in Retail Banking.

Our major focus however remains in revenue growth, improving our efficiency through the cost management process and exploring digital solutions. Our capital and liquidity positions remain strong and our risk appetite is properly calibrated with a greater front-line ownership. We also plan to streamline costs to help investments fully mature to maximize economic benefits.

In addition to these changes, the culture of the organization has been realigned to value excellence. Our valued behaviors: Do the Right Thing, Never Settle and Better

Together help us continuously challenge the way we make better decisions, hold each other accountable for delivery and continuously improve. We are committed to putting the client first and with a continued focus on excellence and quality, and we have witnessed these values materialize in terms of client satisfaction, goodwill and loyalty across the globe. Lastly, we also strongly believe in solving market problems and creating a legacy.

The manifestation of our values and priorities can be seen in the positive feedback we receive from our clients and well-wishers. We are valued for our product and digital capabilities including our presence in the cities we serve in. In addition, after the increase in paid up capital requirements, we also have a strong balance sheet which makes us resilient against economic volatility and positions us better to reap future opportunities.

The valuable support and guidance from the Ministry of Finance, Nepal Rastra Bank and other regulatory bodies also have helped us tremendously. We would like to express gratitude on their efforts to elevate the standard of the Nepalese financial industry.

Thank you,



Jitender Arora
Chairman

Date: Monday, 9 December 2019
Kathmandu, Nepal



Anirvan Ghosh Dastidar
Director & CEO

CHIEF EXECUTIVE OFFICER'S REPORT

I am pleased to report that in the financial year 2075-76, we have been able to deliver good overall performance. Our key investment areas have grown well and we are encouraged by our start to the new financial year.

OUR PURPOSE

Standard Chartered is a unique bank. We have deep roots in, and a non-replicable network across, many of the world's most dynamic markets, where half of the global GDP growth is expected to be generated over the next five years. Throughout our history, our purpose to drive commerce and prosperity through our unique diversity— has always guided our decisions, behaviours and everything that we

do. Just as in the past, our purpose will continue to enable our success in the future. It therefore, underpins the refreshed priorities.

With the refreshed strategic priorities, we have a clear and reinforced focus on our aspirations. Being the only international bank in Nepal with rich network and relationships across the globe, we have various resources at our disposal to embark on our intended growth trajectory. We are

determined to build a culture of excellence, grow sustainably and build long-term returns. We are doubling-down on what we have done well and focusing on how we build partnerships with others to deliver better outcomes.

We understand the franchise is capable of much more. I would like to update you in the work we have done so far and set out how we intend to build upon our successes to capture our full potential.



Do the right thing



Never settle



Better together

PROSPEROUS NEPAL

Due to the unique geographic advantage, excellent macroeconomic performance, young demographics and our strategic advantage in Nepal, the prospects continue to be exciting:



Network

Standard Chartered's network and brand strength gives tremendous opportunity for cross border business, placed between two of the largest economies in the world.



Young country and rapidly rising affluent

Low median age, high digital penetration and increasing practise of entrepreneurship in Nepal.



Only international bank in the country

Gives Standard Chartered a competitive edge being the leading correspondence banking service provider.



Stable growth

Attractive earnings per share and healthy financial ratios contributing to a historically stable growth trend.



Best practices

Standard Chartered continues to engage closely with both the Central Bank and the Government on matters of strategic importance for Nepal including attracting FDI, creating a viable capital / financial market and bringing the best in class practices from across the globe.

OVERALL PERFORMANCE

There is an increase in the volume of risk assets by 19% percent to Rs 56 billion compared to Rs. 47 billion last year. Nevertheless, the Bank has been able to manage its credit portfolio better because of which the non-performing credit to total credit is 0.15% per cent. The provisions made are adequate to cover all the potential credit losses as of the balance sheet date.

After transfer of Rs 487 million to General Reserve, Rs. 29 million to Exchange Fluctuation Reserve, Rs. 112 million to regulatory reserves, the net retained earnings as at 16 July 2019 stood at Rs. 1,808 million. The Bank has proposed cash a dividend of 22.50 per cent out of this amount. This performance reflects a good momentum in the underlying businesses and disciplined management of risks and costs.

REPRESENTATION

As of 16 July 2019, the Bank maintained 15 points of representation which included 12 branches and 3 extension counters. In addition to these, services were also extended to our clients and customers through 26 ATMs located across the country.

CORPORATE AND INSTITUTIONAL BANKING, AND COMMERCIAL BANKING

Segment overview and prospects

Corporate & Institutional Banking, and Commercial Banking supports clients with transaction banking, corporate finance, financial markets and borrowing requirements. We also serve international clients coming to Nepal for project financing and investment advisory providing them a one stop solution with the help of our global network, local presence and technical expertise across various specialized services.

The growing international attention around Nepal due to the strong and stable economic performance brings in a lot of prospects for

Corporate and Institutional Banking, and Commercial Banking. As an International Bank present in 45 of the Belt and Road Initiative markets, Standard Chartered is well positioned to play an important role in the investment inflows which Nepal sees today under the various infrastructure projects lined up across Hydropower, Railroads, Road and Tourism.

Strategic Priorities

- Remain as the bank of choice for network clients and leverage on corridor engagements
- Work closely to support inbound business to deliver sustainable growth for international clients by understanding their business needs, providing trusted advice and data-driven insights
- Generate high quality returns by focusing on OPAC, and delivering on sub-optimal targets by improving portfolio indicators, fund quality and maintaining risk controls
- Partner with clients and strategically selected third parties to expand capabilities and to address emerging client needs while driving innovation and efficiency

Corporate and Institutional Banking, and Commercial Banking has made good progress against our strategic objectives and we plan to continue our focus on trade corridors and network businesses with the objective of growing capital-light income and improving Return on Risk Weighted Assets.

Under Commercial Banking, we continue to engage with clients with the objective of bringing them to international standards. As Nepal opens to the global arena, we play an important role by facilitating trade and payments to meeting the international banking needs of our Commercial Banking clients. Commercial Banking segment income increased by 21% in the year.

We also are one of the major providers of correspondent banking services to the local banks as

well as the Central Bank, we have been covering all major clearing requirements and important trade corridors.

RETAIL BANKING

Segment overview and prospects

Retail Banking constitutes of Priority Banking, Business Banking and Personal Banking where we serve over one hundred and twenty thousand individuals and businesses. We provide banking services to our clients spanning across deposits, payments, financing products and wealth management, as well as supporting their Business Banking needs.

Retail Banking always has been a segment contributing to our growth due to the healthy deposit mix and the vibrant entrepreneurship culture in Nepal. Due to Nepal's low median age and a high digital penetration we are excited at the possibilities in the digital space to bank aspiring affluent and affluent customers and support them with our services. We expect a high growth in Priority Banking due to the changing market spectrum and the macroeconomic performance of the country.

Strategic Priorities

- Continue to focus on affluent and emerging affluent clients and their wealth needs along with building on our client ecosystem
- Focus on Business Banking to create an ecosystem that supports other retail segments and deliver value through low cost liabilities
- Grow the wealth management business and focus on priority and employee banking to increase the existing customer base
- Improve our clients' experience through an enhanced end-to-end digital offering, best-in-class products and service responding to the change in digital habits of clients in our markets
- Focus on exploring to create partnerships and alliances in the digital space to increase offerings and digital solutions



Belt and Road Relay at Kathmandu where 8 international staff and 32 local staff members participated in a 10 km run. The Belt and Road Relay passed through Nepal as one of the 45 markets that overlap with the Belt and Road territories.

Our Employee Banking proposition is driving our focused strategy of banking the ecosystem of our International Corporates, Commercial Banking and Business Banking clients. As a result, we are seeing a strong momentum in onboarding new-to-bank clients.

Our Business Banking (erstwhile SME Business) segment has been delivering complete financial solution while addressing banking needs of small and medium sized entities in Nepal. We have sustainably grown our Business Banking portfolio over the last several years which will continue to remain a focus area for the Bank to create an ecosystem to feed in business to other segments including Priority and Employee Banking.

CLIENT EXPERIENCE

We believe in delivering high-quality client experience which will enable us to be Here for clients and help demonstrate how we are Here for good. Treating our Customer Fairly (TCF) is important in helping Bank deliver our Customer Charter and is consistent with our brand promise “Here for good”.

With an aim to drive superior service delivery, the Bank has established various client experience service standards viz Client Care Centre service level, Online Banking and ATM uptime service level, Complaint

Resolution, Client Centric/ Treating Clients Fairly approach, Performance Measurement metrics and Standard Processing Turnaround Times, etc. The Bank leverages on the set service standards, complaint metrics, client interactions and surveys to understand client’s needs, trends, and drive improvement opportunities. Focused group discussions are held with the frontline and support staff to understand their pain points and actions are taken to address these issues to deliver service excellence. The Bank continues to focus on improving productivity by improving the processes, digitization initiatives and by standardizing the operating rhythm.

Our global policies and procedures on complaint management help us to ensure that complaints are identified and resolved quickly in a fair manner. Root Cause Analysis (RCA) of the complaints are conducted to understand the actual cause for occurrence of the issue and actions are taken to prevent recurrence of similar complaints and issues.

Annual Loyalty Surveys and Mystery Shopping are being conducted on alternate years. Loyalty survey on one hand is to gauge whether our clients are our true advocates on overall banking relationship across the Bank, Segments and Products through Net Promoter Score (NPS).

Whereas Mystery Shopping aims at identifying actionable insights for SCB in particular, in order to ensure better quality service delivery and increased satisfaction of its existing and potential customers in the long run. Based on the feedback received, the Bank has been driving initiatives to enhance overall client experience.

The Bank believes that each staff owns and is accountable for client experience; keeping this in mind it continues to focus on trainings on products, systems, soft skills, and client experience for our staff to ensure we are heading on the right direction with our client focused strategy.

The table below shows the number of complaints received, and redressed during FYE 2018/19.

S.No.	Particulars	No. of Complaints
1	Cases pending at the beginning of the year	2
2	Cases received during the year	1593
3	Cases redressed during the year	1594
4	Cases pending at the end of the year	1

LEVERAGING ON TECHNOLOGY TO BETTER SERVE OUR CLIENTS

Our world class digital platform solution, Straight2Bank (S2B) provides a cutting-edge solution to our corporate clients for their cash management and trade service requirements. S2B is fully integrated with Nepal Clearing House Limited and enabled to provide seamless and straight-through-payment processing via Inter-bank Payment System (IPS). We have also made good progress in integrating our payment systems with RTGS (Real Time Gross Settlement) system. These end-to-end integration of our payment systems with the national payment switches will provide our corporate clients better liquidity and risk management through our efficient payment tools.

Other digital capabilities introduced include Virtual Account for collection, client ERP integrations with banking payment system, enriched and customized statement reporting, multi banking MT 940 reporting, inter alia, that will improve our corporate clients' working capital cycle by driving productivity and efficiency.

Retail clients have benefitted from digital initiatives such as free and/or lower fees on ATM withdrawal within Nepal, banking with convenience through the SC Mobile app, discovering deals through The Good Life (TGL) app, notification through a complete SMS alert solution, and the ability to make online purchases (eCommerce transactions) through the Bank issued Debit and Credit Cards.

The launch of Mobile 2.0, Service Journey and bill payment capability by the end of current calendar year 2019 will also help offer holistic and differentiated digital experience to our clients. We have set several milestones for our Service Journey initiative wherein the unique and differentiated capabilities will be added under our digital offerings.

CREDIT ENVIRONMENT

Nepal's real GDP growth rate has

been estimated to be 6.8 percent (at basic constant prices) in fiscal year 2075-76. The Electricity, Gas and Water sector expanded significantly during last fiscal year owing to higher investments in hydroelectricity projects. Similarly, there was a higher growth in sectors like Transport, Storage and Communications, Mining and Real Estate as compared to the previous year. Overall, Agriculture, Wholesale and Retail Trade, Transport, Storage and Communications, and Real Estate remain the larger contributors to the country's GDP by composition.

Remittances continued to remain resilient, grew steadily contributing to about 25 percent of the country's GDP. In the US dollar terms, the workers' remittances increased by 7.8 percent year on year during the fiscal year 2075-76 which amounts to USD 7.79 billion. The workers' remittance is one of the major pillars of the economy and remains a key factor for the financial sector stability closing the Balance of Payment (BOP) gap. The BOP remained at a deficit during the year, a large merchandise deficit also contributing significantly to the same.

During fiscal year 2075-76, country's total exports increased by 11.6 percent and imports rose by 5.2 percent in USD terms. Exports and imports had increased 16.0 percent and 27.6 percent respectively in the previous year. However, the export base is very small and share of export stood at less than 9% in the total trade bill during the year. Imports continue to grow due to higher domestic demand. The increased reliance on imports and weak export competitiveness are the reasons for high import to export ratio which has increased trade deficit. The widening trade deficit far exceeds the workers' remittances and the external sector stability remains vulnerable, particularly when Nepalese Rupee is sharply depreciating against US Dollar or when oil prices are increasing. Oil remains as one of the largest contributors to the import bill for Nepal.

The principal uncertainties impacting the overall credit environment in fiscal year 2075-76 was vulnerability in the external sector, liquidity constraint or inadequate supply of lendable funds, slow government expenditure and a decreased demand in consumption. The rising imports and trade deficit outpacing the workers' remittances, increased government borrowing, slowdown in government expenditures contributing to long term fixed capital formation, a slowdown of growth in remittance inflows and foreign direct investments resulted in slower growth of deposits vis-à-vis credit growth during the year and impacted the demand side contributors for consumption. The credit crunch for the current and the last three years, volatility in foreign exchange and interest rates also impacted the business confidence despite a stable political situation.

NAVIGATING EXTERNAL FACTORS AND REGULATORY REQUIREMENTS

Credit growth of commercial banks surpassed deposit collections in fiscal year 2075-76. Banks continue to focus on growing business supported by capital growth, hence credit off-take picked up steadily. Owing to constraints in local currency deposit growth, Nepal Rastra Bank has now allowed banks to borrow up to 100 percent of their core capital in foreign currency with an aim to bring more liquidity in the system.

The low and almost stable inflation rates, satisfactory foreign exchange reserves, low debt to GDP ratio and stable political environment were some of the reassuring factors for the economy during the year. Loan impairment position of banks and financial institutions continued to remain low.

We are committed to growing a strong and sustainable business. During fiscal year 2075-76, the Bank remained successful in achieving disciplined growth in loans and advances and in effectively

maintaining the credit quality of the loan portfolios notwithstanding a weak external sector performance and increased refinancing risk due to repeat lendable fund crunch. Our portfolios remained sound and resilient because of our risk management practices, proactive portfolio management and adherence to the risk appetite levels.

We continue to manage risk with an objective to maximize the risk-adjusted returns while remaining within the Bank's risk appetite. Embedding a healthy risk culture remains one of our key priorities. The fundamentals of our risk culture remain unchanged, particularly consistency of strategy and disciplined and focused approach, strong client relationship, rigors around portfolio quality, debate on risk-return dynamics, vigilance and timely actions.

FUTURE

As the only international bank in Nepal with rich network and relationships across the globe, we have various resources and are well positioned to serve the growth aspiration of Nepal, our clients and stakeholders. We have been excited with the recent policy discussions pursuing last year's announcement of the country's intent to conduct

the debut Sovereign Credit Rating. From the recent efforts to streamline investment procedures and new regulations that have been in discussion including the Foreign Investment and Technology Transfer and the Public Private Partnership Investment Act, we believe, also will act as key enablers to attract additional private funds and capital to boost long term infrastructure projects in Nepal.

We are continuously playing our part also by meeting the Priority Sector lending requirements. Our key strengths in addition to the network and global expertise at our disposal includes Advisory Structuring, Financing and Strategy.

A refreshed retail strategy is underway to align our retail business with respective market opportunities in Nepal. The recent spurt in digital adoption gives rise to potential innovative solutions in Nepal and we are confident that our experience in other countries would make us well equipped to customize solutions for Nepal. In addition, we will further enhance our digital platform to S2B NextGen - an improved version that simplifies the banking experience for corporate users. The upgrade of digital channels along with driving the digital revolution in banking

remains one of our major priorities for the future.

AUDITORS

M/S SAR Associates, Chartered Accountants, was appointed as Statutory Auditors for FY 2018/19 by the 32nd Annual General Meeting of the Bank held on 21st January 2019. The firm has completed three consecutive years as the Statutory Auditors of the Bank hence are not eligible for re-appointment. As per the recommendation of the Audit Committee, this meeting will decide on the appointment of the auditor for next financial year.

PROPOSED DIVIDEND

The 387th Meeting of the Board of Directors of the Bank has proposed cash dividend to the shareholders of the Bank for the year ended 31 Ashadh 2076 at the rate of 22.50 percent.



Anirvan Ghosh Dastidar
Director & CEO

OUR APPROACH TO CORPORATE GOVERNANCE

A SYNOPSIS

Following are the steps taken by the Bank for strengthening the corporate governance:

- The Board of Standard Chartered Bank Nepal Limited is responsible and accountable to the shareholders and ensures that proper corporate governance standards are maintained.
- The Audit Committee meets quarterly to review the internal and external inspection / audit reports, control and compliance issues and provides feedback to the Board as appropriate.
- The Board Risk Committee meets on a quarterly basis to review overall risks of the Bank. Necessary guidance/suggestions and directions are given by the Committee to the management as appropriate.
- The Executive Committee (EXCO) represented by all Business and Function Heads is the apex body managing the day to day operations of the Bank. Chaired by the CEO, it meets at least once a month for formulating and reviewing strategic decisions.
- The Executive Risk Committee represented by senior business and risk staff is directly responsible for overseeing and managing all the risks of the Bank except for Capital and Liquidity which is managed by Assets Liability Committee.
- The Financial Crime Risk Committee meets at least six times a year and is responsible to ensure appropriate governance of financial crime risk and to oversee the implementation of the risk type framework applicable to financial crime.
- The Credit issue Committee ("CIC") is responsible for reviewing the existing Early Alert ("EA") and Group Special Assets Management (GSAM) portfolio in CIB and CB and stress account management (SAM) portfolio in Business Banking as well as new accounts presented to the Committee. It also reviews Retail Portfolio to ensure credit issues / adverse trends in the portfolio are identified and addressed through appropriate actions.
- The Annual General Meeting is used as an opportunity to communicate with all our shareholders.
- The Bank adheres to the applicable laws, regulations and directives to meet the local regulatory requirements. In addition to this, the Board has also adopted Standard Chartered Group policies and procedures relevant to business segments and functions.
- Ultimate responsibility of effective Risk Management rests with the Board supported by Audit Committee, Board Risk Committee, Executive Committee (EXCO), Executive Risk Committee, Credit Issue Committee, Financial Crime Risk Committee and

Asset & Liability Committee.

- Embracing exemplary standards of governance and ethics wherever we operate is an integral part of our Strategic Intent. The Standard Chartered Group Code of Conduct is adopted to help us meet this objective by setting out the standards of behaviour we must follow with each other and with our clients, communities, investors and regulators.

ANALYSIS

The Board of Standard Chartered Bank Nepal Limited is responsible for the overall management of the Bank and for ensuring that proper corporate governance standards are maintained. The Board is also responsible and accountable to the shareholders. The Board has complied with the principles and provisions of Nepal Rastra Bank Directives on Corporate Governance and the provisions of Companies Act, 2063 and Banks and Financial Institutions Act, 2073 (the "Corporate Governance Code"). The Bank confirms that:

- Throughout FY 2075/76, all the provisions of Corporate Governance has been complied with by the Directors. The Company complied with the listing rules of Nepal Stock Exchange Limited.
- Throughout FY 2075/76, the Bank was in compliance with the Securities Registration and Issuance Regulation, 2073
- The Bank has adopted a Code of Conduct regarding securities transactions by Directors on further terms no less than required by Nepal Rastra Bank Directives and the Company Act and that all the Directors and Staff of the Bank complied with the Code of Conduct throughout FY 2075/76

THE BOARD

As on the date of this report, the Board is made up of the Non-Executive Chairman, one Executive Director and three Non-Executive Directors of which one is Independent Director appointed as per the legal requirement and one of them is the Public Director representing General Public shareholders as per the provisions of the Bank & Financial Institutions Act & Company Act.

The Board composition complied with the legal and regulatory requirements. Three Directors including the Non- Executive Chairman are nominated by the Standard Chartered Group to represent it in the Board in proportion to its shareholding. The Board meets regularly and has a formal schedule of matters specifically reserved for its decision. These matters

include determining and reviewing the strategy of the Bank, annual budget and performance oversight, overseeing statutory and regulatory compliance, risk and governance, people, culture and values and the Bank's capital. The Board is collectively responsible for the success of the Bank.

During the year under review, 13 board meetings were held. The Directors are given accurate, timely and clear information so that they can maintain full and effective control over strategic, financial, operational, compliance and governance issues.

The following table illustrates the number of Board meetings held during the FY 2075/76 and sitting fees paid to the directors:

Board Members	Meeting attendance	Meeting fees paid
Jitender Arora Chairman	12	Nil- Does not take meeting fee
Karen De Alwis Director	12	Nil- Does not take meeting fee
Krishna Kumar Pradhan Independent Director	13	NPR 273,000 /- (inclusive of tax)
Joseph Silvanus Director ₁	5	Nil- Does not take meeting fee
Anirvan Ghosh Dastidar Director ₂	8	Nil- Does not take meeting fee
Amrit Kumari Thapa Public Director ₃	5	NPR 105,000/- (inclusive of tax)
Bharat Kunwar Public Director ₄	7	NPR 147,000/- (inclusive of tax)

1. Director Joseph Silvanus stepped down as a Director on 21st January 2019.

2. Director Anirvan Ghosh Dastidar joined the Board on 21st January 2019.

3. Public Director Amrit Kumari Thapa stepped down as a Director on 21st January 2019.

4. Public Director Bharat Kunwar joined the Board on 21st January 2019.

DIRECTOR INTRODUCTION AND ONGOING ENGAGEMENT PLANS

All new Board Directors receive an extensive, formal and tailored induction program to enable them to function effectively as quickly as possible, while building a deep understanding of our business and markets. Their induction is supplemented with a handbook, which includes information on a broad range of matters relating

to the role of a director as well as details of applicable procedures. The induction programmes are usually completed within the first six weeks to nine months of a director's appointment.

BOARD EFFECTIVENESS

The effective operation of the Board and the collaborative and open relationship between the Executive Directors and the independent Non-Executive Directors is crucial and well understood at Standard Chartered Bank Nepal.

This year's Board effectiveness review took the form of a self-assessment questionnaire, completed by each independent Non-Executive Director and shared with the Chairman ahead of Board meeting. This is an opportunity for Board members to offer their insight into the effectiveness of the Board and highlight areas where its effectiveness could be enhanced. A final report incorporating the feedback and observations from the Directors, including recommendations for action, was presented to the Board meeting for its consideration. The overall conclusion from this year's Board effectiveness review was that the Board operates effectively.

BOARD COMMITTEES

The Board is accountable for the long-term success of the Bank and for providing leadership within a framework of effective controls. The Board is also responsible for setting strategic targets and for ensuring that the Bank is suitably resourced to achieve those targets. The Board delegates certain responsibilities to its Committees to assist it in carrying out its function of ensuring independent oversight. Committees play key role in supporting the Board.

The Bank has two Board Level Committees namely Audit Committee and Risk Committee constituted as required by the local law and regulation.

The Bank's Board has made a conscious decision to delegate broader range of issues to the Board Committees. The linkages between the committees and the Board are critical, given that it is impractical for all non-executive directors to be members of all the committees.

In addition to there being common committee membership, the Board receives the minutes of each of the committees' meetings. In addition to the minutes, the Committee Chairs provide regular updates to the Board throughout the year.

We have effective mechanisms in place to ensure that there are no gaps or unnecessary duplications between the remit of each committee. The Bank also has clear guidance for the committees in fulfillment of their oversight responsibilities.

AUDIT COMMITTEE

As mandated by the local regulations, the Board has formed an Audit Committee with clear Terms of Reference (ToR). The duties and responsibilities of the Audit Committee are in congruence with the framework defined by Nepal Rastra Bank Directives, Banks and Financial Institution Act and Companies Act.

The Audit Committee is chaired by a Non-Executive Director. All other members of the Audit Committee excluding the Head of Internal Audit are also Non-Executive Directors thus ensuring complete independence. The last Audit Committee meeting for FY 2074-75 was held on 16 Baishakh 2076. The Composition of the Audit Committee as on that date was as below:

Ms. Karen De Alwis, Chairman
Mr. Bharat Kunwar, Member
Mr. Sriprasad Bhandari, Head of Internal Audit, Member Secretary

The Audit Committee meets at least on quarterly basis and reviews internal and external audit reports, control and compliance issues, bank's financial condition etc. Audit Committee provides feedback to the Board of Directors by tabling Audit Committee meeting minutes at the subsequent Board meeting for review.

The Audit Committee also liaises with Group Internal Audit to the extent necessary to ensure that the conduct of Committee's business is consistent with and complementary to the practice and requirement of Standard Chartered Group in this regard.

The following table illustrates the Audit Committee's attendance and meeting fees paid during FY 2075/76. A total of 5 meetings were held during the period.

Audit Committee members	Scheduled Meetings- 5	Meeting fee paid
Karen De Alwis ¹ , Chairman	5	Nil – Does not take meeting fee
Amrit Kumari Thapa ² , Member	4	NPR 50,000 (Inclusive of tax)
Bharat Kunwar ³ , Member	1	NPR 12,500 (Inclusive of tax)
Sriprasad Bhandari Member Secretary	5	Nil – Does not take meeting fee

1. Attended two meetings through Video Conferencing.
2. Joined Standard Chartered Bank Nepal Board on 11 July 2018 and remained till 21 January 2019
3. Joined Standard Chartered Bank Nepal Board on 21 January 2019

During the financial year 2075/76 (2018/19) Audit Committee performed the following tasks, among others.

- Reviewed and reported to the Board on the Bank's internal control system;
- Reviewed the issues raised in the Internal Audit Reports and directed the management for resolution;
- Reviewed the work performed by Internal Audit against the country audit plan;
- Reviewed and approved the Audit Committee's Terms of Reference;
- Reviewed and approved significant changes to the Audit Methodology;
Reviewed and approved the revised Audit Charter;
- Reviewed the annual audit plan based on the risk assessment and regulatory requirements;
- Reviewed the audit team resourcing and development activities;
- Reviewed the findings of NRB Inspection Team and Statutory Auditor, and directed the management for resolution of the issues raised;
- Reviewed the status of audit issues raised in Internal Audit Reports, Statutory Audit Report and Nepal Rastra Bank Inspection Report;
- Recommended to the Bank's Annual General Meeting through the Board for appointment of Statutory Auditor and fixation of remuneration;
- Reviewed quarterly and annual financial statements, comparison of key financial indicators and adequacy of loan loss provisions;
- Reviewed and discussed top risks, emerging risks and themes of the country and the appropriateness of the management action plan to mitigate these risks;
- Reviewed the Compliance Monitoring Report to understand the regulatory developments, emerging regulatory hotspots, regulatory breaches and state of compliance of the Bank;
- Reviewed the Financial Crime Compliance Report;
- Reviewed the cases of fraud and loss to the Bank;
- Reviewed the Pillar 3 disclosure comprising of capital structure, capital adequacy, risk exposures and risk management function in the annual financial statements of the Bank.

BOARD RISK COMMITTEE

Ultimate responsibility for setting our risk appetite boundaries and for the effective management of risk rests with the Board.

Under Nepal Rastra Bank Directive on Corporate Governance, the Board has established a Board Risk Committee with clear Terms of Reference. The Board Risk Committee is chaired by an Independent Non-Executive Director (INED), Chairman of the Audit Committee is a member and Chief Risk Officer & Senior Credit Officer (CRO & SCO) is the member/Secretary. The Committee meets minimum four times annually.

The Committee oversees and reviews the fundamental prudential risks including credit, market/traded, capital and liquidity, operational, conduct, compliance, financial crime, reputational and information and cyber security risk. The Board Risk Committee receives periodic



32nd Annual General Meeting

reports on risk management, including our portfolio trends, policies and standards, stress testing, liquidity and capital adequacy, and is authorized to seek and review any information relating to an activity within its terms of reference.

At the strategic level, risk in any business, but most especially in Banking Business, is clearly owned by the Board. The Board Risk Committee's role is to review and advise, diving deeply into risk issues so that the Board is well placed to perform its role as the ultimate owner of risk appetite.

The Composition of the Board Risk Committee as on 31 Ashadh 2076 BS was as below:

- Krishna Kumar Pradhan, Chairman
- Karen De Alwis, Member
- Gopi K. Bhandari, Member Secretary

The following table illustrates the number of Board Risk Committee meetings held during the FY 2075/76 and fees paid:

Board Risk Committee Members	Scheduled Meeting	Meeting fee paid
Krishna Kumar Pradhan Chairman	4	NPR 60,000 (inclusive of tax)
Karen De Alwis Member	3	Nil – Does not take meeting fee
Gopi K Bhandari Member Secretary	4	Nil – Does not take meeting fee

EXECUTIVE COMMITTEE (EXCO)

The Executive Committee (EXCO) represented by all key Business and Function Heads of the Bank is the apex body that manages the Bank's operation on a day to day basis. EXCO meets formally at least once a month and informally as and when required. The strategies for the Bank are decided and monitored on a regular basis and decisions are taken collectively by this Committee. The CEO chairs the EXCO. As of the date of this report,

the Bank's Core Executive Committee comprised of the following:

Mr. Anirvan Ghosh Dastidar
Chief Executive Officer and Head Retail Banking

Mr. Bimal Singh
Head, Legal and Company Secretary

Mr. Gopi K. Bhandari
Chief Risk Officer and Senior Credit Officer

Mr. Gorakh Rana
Head, Global Banking and Commercial Banking

Mr. Michael Siddhi
Head, Transaction Banking

Mr. Rajan Udas
Head, Human Resources

Mr. Sanjay Pant
Head, Conduct, Financial Crime and Compliance

Mr. Sujit Shrestha
Chief Operating Officer

Mr. Suraj Lamichhane
Financial Controller

RISK GOVERNANCE

Effective Risk management is essential to consistent and sustainable performance for all of our stakeholders and is therefore a central part of the Bank's financial and operational performance. The Bank adds value to clients and therefore the communities in which it operates, generating returns for shareholders by taking and managing risks.

The Enterprise Risk Management Framework (ERMF) adopted by the Bank sets out a refreshed risk culture and clear control framework, with sharper delineation of responsibilities between the three lines of defence.

ERMF sets out the principles and standards for risk management across the bank.

Through our Enterprise Risk Management Framework, we manage enterprise wide risks that are inherent in our strategy and our business model, with the objectives of maximizing risk-adjusted returns while remaining within our risk appetite. The Bank will not compromise adherence to its risk appetite in order to pursue revenue growth or higher returns.

The Bank's key risk priorities are: strengthen the risk culture, manage and improve information and cyber security, manage financial crime risk, strengthen our conduct environment, enhance our compliance infrastructure and improve our efficiency and effectiveness.

As part of this framework, the Bank uses a set of principles that describe its risk management culture, we wish to sustain. The principles of risk management followed by the Bank include:

- Balancing risk and return.
- Conduct of business: seeking to achieve good outcomes for clients, investors and the market in which we operate, while abiding by the spirit and letter of laws and regulations and demonstrating that we are Here for good through our conduct.
- Responsibility and Accountability: Ensuring that risk taking is disciplined and focused, particularly within area of authority, and that risk taking is transparent, controlled and reported in line with the Enterprise Risk Management Framework, within risk appetite boundaries and where there is appropriate infrastructure and resource.
- Anticipation: Anticipating material future risks, learning lessons from events producing adverse outcomes and ensuring awareness of known risks
- Competitive advantage: Achieving competitive advantage through efficient and effective risk management and control

Ultimate responsibility for setting our risk appetite boundaries and for the effective management of risk rests with the Board.

Acting within an authority delegated by the Board, the Board Risk Committee, chaired by an Independent Non-Executive Director (INED), has responsibility for oversight and review of prudential risks, including but not limited to credit, market, reputational, capital and liquidity, operational, conduct, financial crime, compliance and information and cyber security risk.

The Executive Risk Committee is responsible for the establishment of and compliance with policies relating to risk. It is responsible for the management of all risks other than those managed by ALCO.

The Executive Risk Committee (ERC) is represented by a senior management team including the heads of

the concerned risk management units and chaired by the Chief Risk Officer. The Committee meets normally in every two months and reviews the Credit Risk, Operational Risk, Market/Traded Risk, Reputational Risk, Conduct Risk, Financial Crime Risk, Compliance Risk, Country Risk and Information and Cyber Security Risk; analyzes the trend, and provides a summary report to the Executive Committee. Its objective is to ensure the effective management of risks throughout the Bank in support of the Bank's Business Strategy. The Assets and Liabilities Committee is responsible for the management of capital and establishment of, and compliance with, policies relating to balance sheet management, including management of our liquidity, capital adequacy and structural foreign exchange and interest rate exposure and tax exposure.

The Bank's Committee Governance structure ensures that risk-taking authority and risk management policies are cascaded down from the Board to the appropriate functional, client business, senior management and committees. Information regarding material risk issues and compliance with policies and standards is communicated through the business, functional, senior management and committees.

CREDIT RISK

Credit risk is the potential for loss due to failure of a counterparty to meet its agreed obligations to pay the Bank in accordance with agreed terms. The bank manages its credit exposures following the principle of diversification across products, client segments and industry sectors. Country Portfolio Guidelines and the Credit Approval Document (CAD) / Credit Processing Manual govern the extension of credit to Corporate & Institutional Banking (CIB) and Commercial Banking (CB) Clients and Retail Banking Clients respectively. Each policy provides the framework for lending to counterparties, account management, product approvals and other product related guidance, credit processes and portfolio standards.

Credit risk under Retail Banking (including Business Banking), Commercial Banking and Corporate & Institutional Banking is managed through a defined framework which sets out policies and standards covering the measurement and management of credit risk. There is a clear segregation of duties between transaction originators in the businesses and the approvers in the Risk functions. All credit exposure limits are approved within a defined Credit Approval Authority Framework.

All Corporate and Institutional borrowers, at individual and group level, are assigned internal credit rating that supports identification and measurement of risk and integrated into overall credit risk analysis. Credit Grade (CG) is reviewed periodically and amended in light of changes in the borrower's circumstances or behaviour. CG plays a central role in the credit quality assessment and monitoring of risk.

The Credit Issue Committee (“CIC”), a sub-committee of Executive Risk Committee (ERC), is responsible for overseeing clients in CIB, CB and Business Banking segments showing signs of actual or potential weaknesses and also for monitoring of agreed remedial actions for such clients. The CIC reviews the existing Early Alert (“EA”) portfolio in CIB and CB and Stress Account Management (SAM) portfolio in Business Banking as well as new accounts presented to the Committee. It also reviews Retail Portfolio to ensure credit issues / adverse trends in the portfolio are identified and addressed through appropriate actions. The CIC additionally reviews and monitors strategies and actions being taken on accounts within GSAM’s portfolio. It is chaired by the CEO and meets monthly.

For Retail exposures, portfolio delinquency trends are monitored continuously at a detailed level. Individual customer behaviour is also tracked and considered for lending decisions. Accounts that are past due are subject to a collections process, managed independently by the Risk Function. Charged-off / provisioned accounts are managed by specialist Recovery teams.

The credit risk management covers credit rating and measurement, credit risk assessment and credit approval, large exposures and credit risk concentration, credit monitoring, credit risk mitigation and portfolio analysis.

OPERATIONAL RISK

We define Operational Risk (OR) as the potential for loss from inadequate or failed internal processes, and systems, human error, or from the impact of external events (including legal risks). Operational risk exposures are managed through a consistent set of management processes that drive risk identification, assessment, control and monitoring. Operational Risk Type Framework (ORTF) outlines the overall risk management approach for operational risk for the bank. The ORTF defines how risks are managed and controlled, how Operational Risk policies and controls are assured, how effective governance is exercised as well as the key roles required to manage the underlying processes. The ORTF defines the risk classification and assigns Subject Matter Experts (SMEs) as the owners for the identified risks types.

The Executive Risk Committee, chaired by the Country Chief Risk Officer (CCRO), oversees the management of operational risks across the Bank. SMEs have responsibilities for setting appropriate policies and supporting control standards of the following operational risk sub types:

- Execution Capability (Transaction Processing, Product Management, People Management);
- Operational Resilience (Client Service Resilience, System Availability, Data Quality, Vendor Service, Change Management)

- Fraud (Internal Fraud, External Fraud)
- Corporate Governance (Corporate Governance and Authorities, Exchange Listing Rules);
- Reporting and Obligations (Financial Books and Records, Tax Obligations);
- Model
- Safety and Security
- Legal Enforceability

Operational risks can arise from all business lines and from all activities carried out by the Bank. Operational Risk management approach seeks to ensure management of operational risk by maintaining a complete process universe defined for all business segments, products and functions processes.

Products and services offered to clients and customers are also assessed and authorized in accordance with product program guidelines.

The OR governance structure is as follows:

- Operational Risk governance ensures consistent oversight across all levels regarding the execution and effectiveness of Operational Risk Type Framework (ORTF).
- SMEs for all Operational Risk Sub-Types have responsibilities for setting appropriate policies and supporting control standards for the operational risk sub types under their responsibility.
- Operational risks are identified and graded at the business/unit level. For all risks graded medium and above along with the treatment plan are agreed with the Process Owner, SMEs and Operational Risk Officer and are raised in the system and tabled in the Country Executive Risk Committee for endorsement and support for escalating to the Group for acceptance. Mitigating controls are put in place and mitigation progress monitored until its effectiveness.
- The Executive Risk Committee (ERC) ensures the effective management of Operational Risk throughout the business/functions in support of the Group’s strategy and in accordance with the Enterprise Risk Management Framework. The ERC assigns ownership, requires actions to be taken and monitors progress of risks identified, in addition to confirming the risk grading provided at the business/unit level.
- The Executive Risk Committee (ERC) accepts operational risks arising in the country provided the residual risk rating is ‘low’ on the Group Risk Assessment Matrix (GRAM). All Risks that are rated Medium or above on the GRAM are reported to the Executive Risk Committee (ERC) for endorsement and escalated to the Group by the relevant country process owner for acceptance.
- The Country Financial Crime Risk Committee (CFCRC), a sub-committee of ERC chaired by the CEO, ensures appropriate governance of Financial Crime Risk and oversees the implementation of the Financial Crime Risk Type Framework.

- The Group Risk Committee (GRC) oversees effective implementation of Enterprise Risk Management Framework (ERMF) as well as the risk management of the Principal Risks. On behalf of the Group Risk Committee (GRC), the Group Non-Financial Risk Committee (GNFRC) is responsible for governing non-financial risk (NFR) across all functions, client segments and products excluding the NFR types of Financial Crime and Reputational Risk (Primary). Material non-financial risks must be escalated from the GNFRC up to the GRC as required. Non-financial Principal Risk Types includes Compliance risk, Financial Crime risk, Conduct risk, Information and Cyber Security risk, Operational risk and Reputational risk.
- GNFRC is supported by business-level, product-level and functional-level NFRs appointed by Process Universe Owners. Business-level, product-level and functional-level NFRs provide global oversight of the system of controls arising from processes within their Process Universes.
- The Executive Risk Committee (ERC) oversees the management of the NFRs and the supporting system of controls at the country level.

MARKET RISK

We recognize Market Risk as the potential for loss of earnings or economic value due to adverse changes in financial market rates or prices. Risks arising out of adverse movements in currency exchange rates, interest rates, commodity price and equity prices are covered under Market Risk Management. Our exposure to market risk arises predominantly from customer driven transactions. In line with Risk Management Guidelines prescribed by NRB, the Bank focuses on exchange risk management for managing/computing the capital charge on market risk. The Bank adopts the Net Open Position approach for reporting market risk.

In addition to currency exchange rate risk, interest rate risk and equity price risk are assessed at a regular interval to strengthen market risk management. The market risk is managed within the risk tolerances and market risk limits set by the Board.

CAPITAL AND LIQUIDITY RISK

Capital Risk is potential for insufficient level or composition of capital to support our normal operation. The bank maintains a strong capital position sufficient to support its strategic aims. Capital adequacy ratio of the Bank as at 16 July 2019 stood at 19.69%.

Liquidity Risk is the potential that the Bank either does not have sufficient liquid financial resources available to meet all its obligations as they fall due, or can only access these financial resources at excessive cost. The Liquidity Risk Framework governs liquidity risk and is managed by ALCO. In accordance with that policy, the Bank maintains a liquid portfolio of marketable securities as a liquidity buffer. The net liquid assets to total



Judy Hsu, Regional CEO, ASEAN & South Asia, Nirukt Sapru, CEO ASA Cluster Markets and Vietnam and Anirvan Ghosh Dastidar, CEO Nepal on a courtesy visit to Dr. Chiranjibi Nepal the Governor of the Central Bank of Nepal.

deposits ratio is 47.55 % which includes a buffer of Rs. 21 billion over the regulatory requirement.

REPUTATIONAL RISK

Reputational Risk is the potential for damage to the franchise, resulting in loss of earnings or adverse impact on market capitalisation as a result of stakeholders taking a negative view of the organisation, its actions or inactions – leading stakeholders to change their behaviour.

The Bank's Reputational Risk Policy establishes the framework for the governance and management of reputational risk. The framework aims to protect the Bank's reputation and restrict the ability to undertake any activities that may cause material damage to the Bank's franchise.

Reputational Risk is managed by the ERC and EXCO, which are responsible for protecting the Group's reputation locally and has the responsibility to ensure that the Bank does not undertake any activities that may cause material damage to the franchise. All employees are responsible for day-to-day identification and management of reputational risk.

INFORMATION & CYBER SECURITY (ICS) RISK

Information & Cyber Security Risk is the potential for loss from a breach of confidentiality, integrity and availability of Bank information systems and assets through cyber-attack, insider activity, error or control failure. The Bank seeks to avoid risk and uncertainty for our critical information assets and systems and has low appetite for material incidents affecting these or the wider operations and reputation of the Bank. The ICS Risk Type Framework adopted by the Bank outlines the overall approach for managing the ICS risks in the Bank and seeks to introduce operational structure to the identification and mitigation of ICS risks. Bank allocates responsibilities for the management of ICS risk in a manner consistent with the Three Lines of Defence Model.

INTERNAL CONTROL

The Bank is committed to managing risks and in controlling its business and financial activities in a

manner which enables it to maximize profitable business opportunities, avoid or reduce risks which can cause loss or reputational damage, ensure compliance with applicable laws and regulations and enhance resilience to external events. To achieve this, the Board has adopted the Standard Chartered Group policies and procedures of risk identification, risk evaluation, risk mitigation and control / monitoring, besides implementation of the local regulations / Nepal Rastra Bank directives.

The effectiveness of the Company's internal control system is reviewed regularly by the Board, its Committees, Management and Internal Audit. The Audit Committee has reviewed the effectiveness of the Bank's system of internal control during the year and provided feedback to the Board as appropriate.

The Internal Audit monitors compliance with policies/ standards and the effectiveness of internal control structures across the Company through its program of business/unit audits. The Internal Audit function is focused on the areas of greatest risk as determined by a risk-based assessment methodology. Internal Audit reports are periodically forwarded to the Audit Committee. The findings of all audits are reported to the Chief Executive Officer and Business Heads for initiating immediate corrective measures

CAPITAL MANAGEMENT

The capital management approach of the Bank is driven by its desire to maintain a strong capital base to support the development of its business and to meet the regulatory capital requirements at all times.

As Capital is the centerpiece of the Bank's performance matrix, a sound capital management forms the very core of the overall performance landscape to ensure that the Bank delivers on its objective of maximizing the shareholder's value. The senior management of the Bank is engaged and responsible for prudent capital management at all times.

In compliance with the regulatory requirement of increasing the capital base as prescribed by the Central Bank, the Bank has already met the minimum capital requirements and is strongly positioned to meet the performance benchmarks.

CRISIS MANAGEMENT

The Bank has in place a Crisis Management Plan and a Country Crisis Management Team to manage and resolve the crises effectively which may affect the operations of the Bank. In addition to this, the Bank has Business Continuity Plan (BCP) to maintain, manage and restore critical business process to pre-defined level when they are impacted by disasters, both natural and manmade.

HEALTH, SAFETY AND SECURITY

We aspire to create a culture whereby the management of risk and prevention of harm is part of our everyday business. We recognise that managing Health, Safety and Security risk are core management activities and an important component of our values. Health, Safety and Security (H,S&S) are integral part of our organizational culture and it is our top priority to ensure that "H,S&S" risks are properly assessed and mitigated, thereby reducing risks to staffs, customers and to our organization, including criminal liability and reputational damage. We regularly conduct audits of Health, Safety and Environment management and conduct inspections of buildings and departments to provide assurance to all stakeholders that risks are being managed effectively and that there is a healthy and safety embedded working environment for both our staff and our customers. As a part of H,S&S management; the Bank during the year has carried out minor to major fire safety mitigation and preventive maintenance works across all our buildings, organized campaign to create the awareness amongst its staff members, customers, visitors and upgraded security equipment and CCTV Cameras. H,S&S has not only become integral part of our business but also the management system that all our strategic partners can adopt.

RELATIONS WITH SHAREHOLDERS

The Bank recognizes the importance of good communications with all the shareholders. There is regular information, financial as well as non financial, published by the company for the shareholders information. The Annual General Meeting is used as an opportunity to communicate with all the shareholders.

GROUP CODE OF CONDUCT SUMMARY

Standard Chartered is a company for which we are proud to work for. As a global bank, we have the privilege, opportunity and responsibility to be a force for good in the markets in which we operate. In an environment where the conduct of banking is under increasing scrutiny, our ethical standards must be beyond reproach. We need to understand and follow both the letter and the spirit of the law, to play a robust role in the fight against financial crime, and to be mindful of the reputational consequences of our actions. The Standard Chartered Group has recently revised the Group Code of Conduct (GCOC) to reflect Group's new Valued Behaviours, conduct principles and human lens.

The revised GCOC is built on four key pillars: creating the right environment; a fair outcome for clients; the effective operation of financial markets and the prevention of financial crime. Our success will be measured by our ability to achieve good outcomes for all our stakeholders - clients, investors, regulators, markets, our colleagues and the communities that we serve.

Living the GCOC is one way in which we can take a step towards achieving these outcomes. The GCOC

has been developed to help all of us live our values and deliver our brand promise in everything we do. The Code is supplemented with resources that will support Bank's staff to navigate through tough and unfamiliar situations, if at all.

The GCOC is embedded in how we do business, so all staff members need to know, understand and commit to it annually.

The following is the summary of our revised GCOC

Why the Code matters:

Our purpose, values and our brand promise are central to the way we work. The Code is important because it outlines how we can make sure that the decisions we make are the right ones.

Act responsibly and within your authority:

We must be disciplined, responsible and take accountability for the risks we take. When we take risks, they must be within our delegated authority and must be appropriate to business area or activity.

Use good judgment:

We recognise that we may face complex situations which don't have simple, clear-cut solutions. We use the Code's decision-making framework to help make decisions well, appropriately and with care.

Speaking Up:

We have a responsibility to Speak Up when we see anything that we are not comfortable with at work. This could be poor behaviour, or a process or system that isn't working well.

Comply with laws, regulations and Group standards:

We must comply with laws, regulations and our Group standards, as well as the spirit in which they are intended. Each of us has a personal responsibility to do this.

Fight financial crime:

It is critically important to protect the global financial system. We must comply with laws, regulations and Group standards on anti-money laundering (including those on tax evasion), preventing financing for terrorism, fraud or sanctions.

Reject bribery and corruption:

Bribery is illegal, dishonest and damages the communities where it takes place. We do not give or accept bribes nor take part in any form of corruption.

Ensure fair outcomes for clients:

We must build and foster long-term relationships.

This helps us to serve our clients better, improves and upholds our reputation, and is good for business. We must always make sure that our products and services:

- Are well-designed
- Are clearly sold based on suitable advice
- Perform as expected
- Give clients choice

Manage conflicts of interest:

It is important not to put us into a position where our judgment could be affected. We are responsible for identifying, assessing and managing conflicts of interest that arise in daily working life. This includes actual conflicts and anything which could be seen as a conflict.

Do not engage in or support insider dealing:

We have access to privileged information and must protect it. The misuse of inside information undermines the entire financial system and unfairly disadvantages others in the market.

Protect confidential information:

Building trust is an integral part of all the relationships we have with our clients. They rely on us to keep information safe. We must not release confidential information unless authorised to do so.

Compete fairly in the market place:

We must understand and comply with competition laws which affect how we compete both locally and internationally.

Treat colleagues fairly and with respect:

We pledge to provide a safe working environment which is inclusive and free from discrimination, exploitation, bullying and harassment. We hold the key to maintaining this positive environment, which is a central part of our ultimate success. We treat our colleagues fairly and work together to deliver our brand promise. We are all in this together.

Be open and honest with regulators give them your full co-operation:

Our regulators are important stakeholders. We must deal with them responsively, openly and honestly. Co-operate with them and support their important role in upholding the safety and standards of the global banking system.

Respect our communities and the environment:

The communities where we operate are extremely important to our business. Make sure we help them to thrive by contributing to economic stability in our markets, reducing our effect on the environment, and giving back to our communities wherever we can.

ADDITIONAL INFORMATION

As required by Section 109 of the Company Act (First Amendment), 2006

As required by Section 109 of the Company Act (First Amendment), 2006 (From Finance)

Un-audited first quarter result of financial year 2019/20 is as follows:

	Amount in Thousands (Rs)
Loans and advances	54,280,075
Deposits	76,430,342
Operating profit	920,160
Profit before taxes	920,160
Net Profit	644,112

Achievements of the current year as of the date of preparation of the report, and opinion of the Board of Directors on future actions:

Please refer the "Board of Director Report" & "CEO Report".

A review of the business during the previous year:

Please refer the sections "Commercial Banking" & "Retail Banking" under CEO Report.

Impacts caused on the transactions of the Company, if any, from National and International Situation:

The Bank is not affected directly.

Industrial or Professional Relations of the Company:

The Company maintains a good professional relationship with its customers, people and regulators. Senior managers of the Company represent in number of councils, committees and sub-committees of regulator, professional organizations, associations, and forums. The Company is a member of Nepal Bankers Association, Federation of Nepalese Chamber of Commerce & Industry, Nepal Britain Chamber of Commerce & Industry, Nepal India Chamber of Commerce & Industry,

Management Association of Nepal and Nepal Institute of Company Secretary.

Changes made in the Board of Directors, and reasons therefore:

Please refer the chapter on "Corporate Governance" and "Board of Directors Report".

Main factors affecting the business:

Please refer "Board of Directors Report" and "CEO Report".

Board of Director's Reaction to Remarks made, if any, in the Audit Report:

The Board does not have remarks on the findings mentioned in the Auditor's Report.

The amount recommended for distribution as dividend:

The Board has recommended paying Rs. 1,802,571,900 as cash dividend for the FY 2075/76.

Forfeited Shares:

There are no shares forfeited during the financial year.

Transaction between the Bank and its Subsidiary Company and the Progress made in the Business:

The Bank does not have a subsidiary company.

Main transactions carried out by the company and its subsidiary company during the financial year and any important change in the business of the company during the period:

The Bank does not have a subsidiary company and there is no significant change in the business of the company during the period.

Information furnished to the company by its basic shareholders during the previous financial year:

There are no basic shareholders in

the bank as no shareholder, except the SCB Group, holds more than 1 percent of the paid up capital of the Company. There has been no information received from the SCB Group in this regard.

Particulars of the ownership of shares taken up by the Directors and office-bearers of the company during the previous financial year, and information received by the company from them about their involvement, if any, in the transactions of the shares of the company:

Directors and office bearers, except mentioned above, have not been involved in the shares transactions of the Bank in FY 2075/76 as per the declaration provided by them to the Bank.

Particulars of information furnished by any Director or any of his close relatives about his personal interest in any agreement connected with the company signed during the previous financial year:

There are no such information furnished by the Directors and any of their close relatives.

Purchase of own Shares:

The Bank has not purchased its own shares in the year under review.

Whether or not there is an internal control system, and if there is any such system, details there of :

Please refer section on "Corporate Governance".

Particulars of the total management expenses of the previous financial year:

The management expense of the financial year is Rs 1,645,746,732 (total of Staff Expenses includes staff bonus, Other Operating Expenses and Depreciation & Amortization as per Schedule 4.36, 4.37 & 4.38 of the Financial Statements).

A list of members of the Audit Committee, remunerations, allowances and facilities being received by them, particulars of functions discharged by the Committee, and particulars of suggestions, if any, offered by the Committee:

Please refer chapter "Our approach to Corporate Governance".

Remunerations, allowances and facilities:

Please refer chapter on "Corporate Governance".

Functions discharged by the Committee:

Please refer chapter on "Corporate Governance".

Payments due, if any, to the company from any Director, Managing Director, Executive Chief or basic shareholder of the company or any of their close relatives, or from any firm, company or corporate body in which he is involved:

Nil.

Remunerations, Allowances and Facilities to the Directors, the Managing Director, the Executive Chief and other Office-bearers:

Please refer section on "Corporate Governance". Remunerations, allowances and bonus paid to the Chief Executive Officer in FY 2075/76, is Rs. 6,920,421* (the tax at prevailing rate was borne by the Bank).

*Appointed as CEO effective from 1st March 2019.

Chief Executive Officer is entitled for the following facilities:

- Accommodation
- Vehicle with driver & fuel
- Security guard
- Utilities charges
- Leave travel allowance
- Children education
- Club subscription
- Club entrance fee

Dividends yet to be Collected by Shareholders:

As of Kartik end 2076, total dividends yet to be collected by the shareholders amounts to NPR 79,697,754.

Detail of property's buy or sell as per Clause 141:

Nil.

Detail of the transactions held between Associated Companies as per Clause 175:

Nil.

Any other matter to be mentioned in the Board of Director's report under Companies Act (First Amendment), 2063:

Nil

BOARD OF DIRECTORS

1. Bharat Kunwar

(Public Director)

Bharat Kunwar is the Public Director in the Board of the Bank who has attained Bachelors in Technology (Honors) in Mining Engineering from Indian School of Mines, presently named IIT, Dhanbad, India. He has served in the Department of Mines and Geology, Government of Nepal as a Mining Engineer and has gathered experience in various mining industries holding various senior management positions during his career. He has 9 years of experience in the government service. Some of the efficient industries where he contributed are Udaypur Cement Industries Ltd., Godawari Marbles Industries P. Ltd. and Hetauda Cement Industries Ltd.

2. Jitender Arora

(Chairman)

Based in Singapore, Jitender Arora manages the Commercial Banking (CB) business globally across Asia, Africa & Middle East in 26 countries for Standard Chartered Bank . He joined Standard Chartered Bank in 2001, overseeing product development for Cash Management. He held several management positions for Transaction Banking, first for South and Southern Asia up to 2010, and then managing TB Sales globally till 2013. He was also Head, Corporate & Institutional Clients, ASEAN from 2013 to 2015. Most recently, he was responsible for the TB business for CB segment globally as well as managing CB business for ASEAN & South Asia. Before joining Standard Chartered, he was heading the consulting division at Nucleus Software Consultancy in India. He holds a Masters in Finance, from the Institute of Management Technology in India.



3. Anirvan Ghosh Dastidar

(Executive Director)

With 28 years of work experience as a banker Anirvan has held various senior positions during his career with Standard Chartered Bank. He had earlier assumed the role of CEO Sri Lanka, Philippines and Brunei Darussalam. Mr. Dastidar started his career with ANZ Grindlays Bank in India. He holds a Degree in Commerce and has undertaken corporate management courses from the Said Business School, University of Oxford and INSEAD.

4. Karen De Alwis

(Director)

Karen is the General Counsel of Standard Chartered Bank in ASEAN & South Asia. She started her career as a banking litigation lawyer and since then, held various legal and compliance roles with Singapore Exchange and several US investment banks including JP Morgan as Head, Private Banking Compliance, Asia. Karen has over 19 years of Legal & Compliance experience in the banking sector. Karen joined the Bank in 2009 and led the global compliance and legal teams for Corporate Finance, Capital Markets, Research and Control Room based in HK and Singapore before taking up her current role.

5. Krishna Kumar Pradhan

(Independent Director)

Krishna Kumar Pradhan is the Independent Director in the Bank's Board. Prior to his current assignment, he served in Nabil Investment Banking Limited as an Independent Director. He has also served at Naya Nepal Laghu Bitta Bikas Bank, Dhulikhel and Micro Finance Training and Research Institute (MIFTARI) Pvt. Ltd. in the capacity of Chairman. He has more than 28 years of service experience in Nepal Rastra Bank, mainly in the areas of Development Finance, Rural finance, Micro finance, Regulation etc.



MANAGEMENT TEAM

1. Sanjay Pant

Head Conduct, Financial Crime & Compliance

2. Gopi k. Bhandari

Chief Risk Officer and Senior Credit Officer

3. Diwakar Poudel

Head, Business Banking & Branch Network

7. Anirvan Ghosh Dastidar

Director & Chief Executive Officer

8. Bimal Singh

Head, Legal & Company Secretary

9. Sriprasad Bhandari

Head, Internal Audit



4. Gorakh Rana

Head, Global Banking & Commercial Banking

5. Suraj Lamichhane

Financial Controller

6. Michael Siddhi

Head, Transaction Banking

10. Pranu Singh

Head, Corporate Affairs Brand & Marketing

11. Sujit Shrestha

Chief Operating Officer

12. Rajan Udas

Head, Human Resources



SCHEDULE- 15

Related to Sub Rule (2) of Rule 26 of Securities Registration and Issuance Regulation, 2073

Report Functions

1. Report of Board of Directors:

Covered in the "Board of Director's Report".

2. Report of Auditor:

Included in the Annual Report.

3. Audited Financial Detail:

Balance Sheet, Profit & Loss, Cash Flow details and related schedules Included.

4. Detail relating to Legal Actions:

- (a) If any case filed by or against Organized Institution during the quarterly period: Except in the regular course of business, there are no law suits of material nature filed by the Bank or against the Bank.
- (b) Case relating to disobedience of prevailing law or commission of criminal offence filed by or against the Promoter or Director of Organized Institution: No such information has been received.
- (c) Any case relating to commission of financial crime filed against any Promoter or Director: No such information has been received.

5. Analysis of share transaction and progress of Organized Institution:

- (a) Management view on share transaction happened at Securities Market: Price and transactions of the Bank's shares are being determined by the open share market operations through a duly established Stock Exchange. Managements view on this is neutral.
- (b) Maximum, minimum and last share price of Organized Institution including total transacted number of shares and transacted day during each quarter of last FY 2075/76:

Quarterly Update	Maximum Share Price	Minimum Share Price	Last Share Price	Total Transacted Shares	Total Transacted Days
Ashwin end	Rs. 766	Rs. 681	Rs. 707	387,465	62
Poush end	Rs. 714	Rs. 550	Rs. 590	353,817	60
Chaitra end	Rs. 602	Rs. 520	Rs. 591	340,544	60
Ashadh end	Rs. 755	Rs. 580	Rs. 682	587,236	64

6. Problem and Challenge:

INTERNAL

Please refer "Board of Directors Report" & "CEO Report" of this annual report

EXTERNAL

Please refer "Board of Directors Report" & "CEO Report" of this annual report

STRATEGY

Please refer "Board of Directors Report" & "CEO Report" of this annual report

7. Corporate Governance:

Incorporated in detail under "Corporate Governance" chapter in this annual report.

Summary of Annual Compliance Report Relating to the Corporate Governance for the FY 2075/76 (2018-19)

Issued by Securities Board of Nepal (SEBON)

I. Details as to the Board of Directors

a) Name and date of appointment of Chairman of the Board of Directors:

Chairman: Jitender Arora

Date of Appointment: 08/12/2017

b) Details as to the share structure of the company (Promoter, General People and Others):

Promoter: 70.21%

General Public: 29.79%

c) Details as to the Board of Directors:

S.N	Name and Address of Directors	Representative Group	Number of Shares	Date of Appointment	Date of taking Oath of Office and Confidentiality	Methods (Procedures) of Appointment of Directors
1.	Jitender Arora, SCB Singapore	SCB UK, Promoter	18,749,506 Units	08/12/2017	08/12/2017	Appointed from Promoter Group
2.	Karen De Alwis, SCB Singapore	SC Grindlays Australia Pty, Promoter		04/09/2017	04/09/2017	Appointed from Promoter Group
3.	Anirvan Ghosh Dastidar, SCB Nepal	SC Grindlays Australia Pty, Promoter	37,499,013 Units	21/01/2019	21/01/2019	Appointed from Promoter Group
4.	Krishna Kumar Pradhan, Lalitpur	INED	N/A	04/05/2018	04/05/2018	Appointed as per legal requirement
5.	Bharat Kunwar, Kathmandu	Representing public shareholder	538	21/01/2019	21/01/2019	Elected by public shareholders

d) Details of the matter, if the meeting of the Board of Directors has been postponed due to insufficient quorum: None

e) Other details relating to the Meeting of the Board of Directors:

Presence/absence of director or alternate director in meeting of the Board of Directors (state the reason and date of board meeting for not attending)	Directors attend the scheduled meetings and there is no alternative director in the board.
Maintenance or non-maintenance of a separate record of minute of the meeting including name of directors showing presence in the meeting, discussed agendas	Maintained
Difference of maximum time period of conducting two subsequent meetings of the board of directors	59 Days
Date of the annual general meetings (of the Board of Directors) as to the determination of meeting allowance	29th AGM held on 01/09/2016
Amount per meeting of the Board of Directors	Chairman : NPR 22,500/- Directors : NPR 21,000/- (SCB Group appointed directors do not take meeting fee)
Total expense in amount of the meeting of the board of directors for the FY 2018/19 (2075/76)	NPR 2,154,284

II. Details as to Risk Management of the Company and Internal Control System

a) Formation or non-formation of any committee for risk management, if not formed then reasons for non-formation:

Risk management committees have been formed in the Bank, such as Board Risk Committee, Executive Risk Committee, Credit Issue Committee, Financial Crime Risk Committee, etc.

b) Information relating to the Board Risk Committee, number of meetings and functions of the committee:

S.No.	Name of Committee	Coordinator and Members	Numbers of Meetings	Functions of the Committee
1.	Board Risk Committee	Coordinator: Krishna Kumar Pradhan (Independent Non-executive Director) Members: Karen De Alwis (Non-executive Director) Gopi Bhandari (Chief Risk Officer)	Min. 4 times a year	Oversight and review of fundamental prudential risks including Credit, Operational, Market, Capital & Liquidity, etc

III. Details as to the accounts and audit of the company

a) Details as to Accounts

Confirmation of the matters, if the financial statement of the Company of the latest FY has been prepared/not prepared as per NFRS, reasons for not preparing: Prepared as per NFRS

Date of approval of the latest financial statement by the Board of Directors as of FY 2074/75: 10/11/2018

Date of publication of Quarterly financial statement as of FY 2075/76: Q1: 13/11/2018
Q2: 12/02/2019
Q3: 07/05/2019
Q4: 14/08/2019

Date of completion of latest audit as of FY 2074/75: 10/11/2018

Date of approval of financial statement from the general meeting as of FY 2074/75: 21/01/2019

Details as to the internal audit of the Bank:

- a) Confirmation of matters whether auditing is done internally or through the external appointed expert Done Internally from Internal Audit Department
- b) Details, if auditing is through the externally appointed expert NA
- c) Time period for conducting internal audit (Quarterly or Half Yearly) Quarterly and as per need.

b) Details as to Audit Committee

Name, Designation and Qualification of Coordinator and Members:

S.N.	Name	Designation	Qualification
1.	Karen De Alwis	Coordinator	LLB (Hons)
2.	Bharat Kunwar	Member	B Tech (Hons)
3.	Sriprasad Bhandari	Member Secretary	Chartered Accountant

Date of conduct of meeting and number of members showing presence:

S.N.	Meeting Dates FY 2018/19
1.	31/08/2018
2.	17/09/2018
3.	14/11/2018
4.	21/01/2019
5.	29/04/2019

All AC members were present for these meetings.

Allowance per meeting in amount: NPR 12,500/- per meeting. Coordinator and the Member Secretary do not take meeting fees.

Date of submission of report in the board of directors by the Audit Committee regarding the functions performed by it: 07/12/2018
01/03/2019

SUSTAINABILITY: OUR SOCIAL PURPOSE

Our purpose is to drive commerce and prosperity through our unique diversity. By focusing on three sustainability pillars – contributing to sustainable economic growth, being a responsible company and investing in communities – we believe we can achieve our purpose, in line with our valued behaviours, and deliver on our promise to be Here for good.

Sustainability is embedded in our brand promise and affects every single thing we do: the way we make decisions, the contribution we make to local economies and the impact that we have when we bank the people and companies driving investment, trade and the creation of wealth across Asia, Africa and the Middle East.

CONTRIBUTING TO SUSTAINABLE ECONOMIC GROWTH

We seek to ensure that the financial services we provide to individuals, businesses and global institutions improve livelihoods and provide new economic opportunities for people in our markets.

Our diverse, local network means we are a trusted partner for trade and development across our markets. We are committed to support key sectors of the economy that are driving sustainable growth. Hence to promote sustainable development in our markets, we

use our core business of banking including extending finance to sectors ranging from infrastructure to microfinance. In this process, we have also been complying with Central Bank's directives issued from time to time to extend financing to sectors defined as Priority Sector and Deprived Sector. Besides, we also support Government's campaign to provide financing at concessional interest rate to specific sectors of economy where the government subsidizes the interest cost of borrowers.

- As of the year ended 16 July 2019 (Asar 2076), the Bank achieved overall 27.29 percent exposure as on the date towards sectors representing the Priority Sector.
- The Bank has also lent to Micro Finance Institutions (MFIs), Government's Youth Self-employment Fund and also has equity investment in selected MFIs.
- Overall deprived Sector Lending as of the year ended 16 July

2019 was 5.41% of Bank's total loans and advances, against the required 5%.

- We have been supporting Government's campaign that enables SME and small borrowers to obtain bank financing at concessional interest rate.

We draw on our relationship with all stakeholders, including our colleagues, to create prosperous communities through our community engagement programmes around health and education. This is only possible if we remain committed to operating responsibly, encouraging good conduct and ethical behaviour across our organisation.

BEING A RESPONSIBLE COMPANY

We manage our company responsibly by promoting good conduct, supporting the fight against financial crime, integrating our valued behaviours and managing our environmental impact.



Celebrating World Environment Day :10th Year of Tree Plantation at Bishankhu Narayan, Lalitpur

We recognise that sound governance practices are a central element of responsible banking. We continue to encourage good conduct as a priority of employees recommitting to the Group Code of Conduct.

Our diversity is a unique strength that helps us to deliver a positive impact on society. We work hard to create a culture of inclusion where talent and individuality are valued and respected. Our Fair Pay Charter sets out the principles which guide all our reward and performance decision-making. This includes continuing to reward colleagues in a way that is free from discrimination based on diversity, including gender. The Bank has set new targets under the People Aspiration to improve employee wellness and implement a new Diversity and Inclusion strategy in 2019.

We are committed to building and maintaining robust defences to combat money-laundering, terrorist financing, sanctions compliance breaches, bribery, and other forms of corruption. Financial crime hinders economic progress and harms communities.

Our financial crime risk management activities, which include adherence to anti-money laundering and

sanctions policies and the application of core controls such as client due-diligence screening and monitoring, are led by a dedicated Financial Crime Compliance (FCC) team. Our anti-bribery and corruption (ABC) policies aim to prevent colleagues, or third parties working on our behalf, from participating in active or passive bribery or corruption, or from making facilitation payments.

We are committed to playing our part in the fight against financial crime. We continued to enhance our controls, systems and processes in 2018-2019 as well as continuing to educate and engage all our people on financial crime risk and the human and social harm of such crimes. The financial crime landscape continues to evolve, and we recognise the need to be vigilant against new and transforming threats as well as adapting to changes in relevant regulation and sanctions regimes.

In 2018-2019, we continued our Correspondent Banking Academy initiative across all the regions in which we operate, including Nepal. Our collaborative approach enables us to continue providing services which are vital to our local and world economy in a safe and sound way.

INVESTING IN COMMUNITIES

We seek to promote sustainable economic and social development in our communities.

We support our communities to address local social and economic needs. We work closely with local partners and our Employee Volunteers to deliver programmes focused on health and education.

Globally, 2018 was a milestone year as we surpassed our \$100 million fundraising target for Seeing is Believing (SiB), our global initiative to tackle avoidable blindness and visual impairment. We raised \$103.6 million worldwide between 2003 and 2018 including Bank-matching and reached 176 million people through SiB projects globally.

As we approached our SiB target, we engaged with stakeholders to understand the challenges facing our communities and where we could make the greatest impact. Our response is "Futuremakers by Standard Chartered", our new global initiative to tackle inequality and promote greater economic inclusion in our markets. We aim to raise \$50 million between 2019 and 2023 to empower the next generation to learn, earn and grow.



Donation of laptops and seed money for Low Cost Sanitary Pad Making Project to Maiti Nepal under "Futuremakers by Standard Chartered" during the visit of Eva Ang, Regional Head- Corporate Affairs, Brand & Marketing- ASA and Sharon Lee, Head CABM Cluster Markets- ASA & Country Head of Brand & Marketing- Singapore. The Bank also donated two units of machines for the same project.



Staff Members Volunteered on Nepal Rastra Bank's 64th Anniversary Program 'Financial Literacy Cycle Rally 2076'

Bank will also leverage its experience with Seeing is Believing by delivering programmes to support visually impaired young people. In Nepal, we are continuing our support to Tilganga Institute of Ophthalmology (TIO) to fund a major expansion project of TIO. A total grant USD 1 Mio (approx. NPR 110 million) to fund the TIO's project is still under execution in its last phase under which Bhaktapur District Community Eye Centre (DCEC) is being upgraded into Secondary Level Eye Centre (SLEC)

FUTUREMAKERS BY STANDARD CHARTERED NEPAL

Under "Futuremakers by Standard Chartered", we have supported a Non-Governmental Organisation, Maiti Nepal to establish Low-Cost Sanitary Pad-Making Project. The major objective of this project is to provide entrepreneurship opportunities to human trafficking survivors of Maiti Nepal and help them attain financial independence by getting trained in making sanitary pads. The tertiary objective is also to build awareness around menstrual hygiene by providing low cost sanitary pads to girls and women in marginalized areas of Nepal. The project thus aims to empower the high-risk girls/women through production of low-cost Sanitary Napkins that ensures the sustainable business and promotes safe menstrual hygiene of the women.

Under this project, Standard Chartered Bank donated 2 units of sanitary pad making machines on 12th July when Judy Hsu, Regional CEO ASEAN & South Asia, visited Nepal and has also provided seed fund to establish the project. The Bank also facilitated training for the human trafficking survivors (women) by specialists from India to set up and operate the machines.

FINANCIAL LITERACY

The Bank runs Financial Literacy programs for the communities targeting schools and other community partners. The objective is to create awareness around by imparting knowledge related to basics of banking and finance. The Bank pioneered Financial Literacy program in year 2014 and has given continuity in subsequent years by mobilizing the staff members. To this effect, Financial Literacy programs are run through different locations, primarily targeting the government run schools and communities across our footprints. Our staff members in the Head Office and Branches actively volunteer in spreading the financial education in schools and the communities.

EMPLOYEE VOLUNTEERING

The Bank supports its local communities by encouraging its staff for volunteering their time and skills and seeking to maximise Bank's impact by encouraging skills-based volunteering. All the Bank's

employees are entitled to three days of paid volunteering leave annually. Following is the list of Employee Volunteering activities conducted last year.

1. To celebrate the 15th anniversary of Seeing is Believing and as the run up to Group organised #HeroesforSight award, sessions on Eye Screening, Eye Donation and IEC material development were organized on 16th July 2018 for interested staff members of the Bank by our SIB project implementing partner, Tilganga Institute of Ophthalmology (TIO).
2. Priority Banking team organized an awareness session for its clients on cancer on 26th July at Priority Lounge, Lazimpat on the theme "Prevention is always better than cure".
3. Staff members of the Bank volunteered at the cataract surgical workshop organised by Tilganga Institute of Ophthalmology (TIO) on 4 August and 22 September 2018 at the TIO premises. Cataract surgery of around 300 patients was successfully conducted during the two surgical workshops.
4. On 23rd of August on the occasion of Teej Festival, Priority Banking organised an event for the women colleagues. The main objective of the event was to create a platform for empowered women to share their experiences and expertise on



Financial literacy session being conducted by staff members

the role of women in the Nepalese society.

5. Diversity and Inclusion (D&I): D&I Council organized a Cookery Show on 22nd November where executive staff members of the Bank participated in cooking and other staff members enjoyed the food which helped in strengthening harmony between the staff members at various levels.

6. Staff members of the Bank volunteered at the cataract surgical workshop organised by Tilganga Institute of Ophthalmology (TIO) on 29 December 2018 at the TIO premises. Cataract surgery of around 100 patients was successfully conducted during the surgical workshop.

7. D&I Council Celebrated International Women's Day 2019 with the following activities

- a. Health Check Up Camp was conducted on 7th March at Head Office in collaboration with The Good Life App Partner, SRL Diagnostic Centre.
- b. A self-defence session on the basic techniques to disengage women from unsafe situations was conducted on 7th March by an expert trainer at Head Office.

- c. A stall was placed at Head Office on 5th March for exhibition cum sale of handicrafts made by youth from an NGO Higher Ground. The NGO provides skill development training to youth, particularly young women at risk and provided scholarships to needy children and promotes entrepreneurship.
- d. A rendezvous with Ms. Sushma Bohara, a senior female staff member in the Bank was conducted on 5th March at Head Office, where almost 25 female staff members had gathered to hear the inspirational story.

8. Staff Members Volunteered to attend program on Nepal Rastra Bank's 64th Anniversary titled "Financial Literacy Cycle Rally 2076" on 20th April 2019. 7 enthusiast cyclists staff members travelled 34 Kilometers (one way).

9. Bank handed over amount of NPR 2.4 Million to Tilganga Institute of Ophthalmology (TIO) under its "Seeing is Believing" Phase V program.

10. Bank hosted Belt and Road Relay as the 43rd market on 5th May where 8 international staffs and 32 local staffs from the Bank participated in the 10 km run at

Armed Police Force Ground in Kathmandu.

11. We Celebrated World Environment Day World Environment Day (WED) with the following activities
 - a. Children's Art Contest: Contest for children (6 - 15 years) of staff members on the theme conservation and protection of the environment was conducted on Standard Chartered Nepal's official Facebook Page.
 - b. Recycling Champion Contest: A contest was run for the staff members on recycle items and its best use.
 - c. Talk program on waste management.
 - d. Tree Plantation:
 - i. Executive Committee members were involved in tree plantation at the Bank's Lazimpat Branch.
 - ii. Bank organized tree plantation on 8th June at Bishankhunarayan Tree Plantation Site. Over 100 staff members volunteered and more than 1000 saplings were planted. Over the last decade, the Bank employees have planted more than 15000 trees in the area. Bank's continuous effort of undertaking the environmental drive at Bishankhunarayan has been deeply appreciated by the local community.

OUR PEOPLE: HEART OF OUR SUCCESS

At Standard Chartered, we have always taken pride in our people and talent. We are committed to creating a high-performance, diverse and inclusive workforce. Equally important is consistently recognizing the skills and capabilities of our employees. For this, we provide regular learning and development opportunities, enabling staff to maintain and increase their skills and capability.

Ratio of male to female in the Bank is at 57:43 which is an improvement from previous year's ratio of 58:42. The Bank has a strong agenda to create a positive impact for colleagues, clients and the community, especially for the female population. In particular, it aims to advance gender equality and promote employee wellbeing and engagement, while adhering to the country strategy. The 531 energetic, passionate and committed employees at Standard Chartered Bank Nepal Limited uphold our Valued Behaviors "Do the Right Thing", "Never Settle" and "Better Together".

This is reflected in our My Voice Survey results where there was a significant increase in The Employer Net Promoter Score which implies that our employees consider us as a very good employer and would recommend the Bank as the best place to work. My Voice - an internal employee engagement survey is carried out every year that provides a chance to share our people with honest views of what is

working and what can be improved within the Bank. The survey also measures the engagement level of our people, their intention to stay and the probability of our people recommending the Bank to others as a great place to work based on their own experience. The survey also covers what the employees are proud of at workplace, their motivation factors, the support that is solicited from their manager and the challenges they face in their day to day activities.

EMBRACING DIVERSITY TO ACHIEVE OUR PURPOSE

Unique diversity underpins our purpose. We can only drive commerce and prosperity by embracing the power of our diversity and unleashing its full potential. An inclusive culture is central to enabling our diversity, prompting innovation and driving performance. In 2018, we defined our long-term approach to diversity and inclusion (D&I) for colleagues, clients and communities, setting out key

objectives and focus areas to build a culture of inclusion, respect and equality. Bringing work-life balance and changing the way we work has been a key agenda of Diversity & Inclusion.

Standard Chartered is a "Human Bank" and it is what sets us apart from others. The Bank has taken initiatives to demonstrate that it cares for its people and supports them to pursue things that matter to them beyond office work and keeps them motivated to come to work every day and maintain their work-life balance. Global Flexible Working Policy, revised Parental Leave, Adoption Leave, continuation of Creche for working parents, 5-day work week for employees, introduction of Employee Assistance Program etc were some of the new and ongoing initiatives in the year under review. Similarly, marking suitable occasions through Cultural Day, Women's Day, Talk Programs and health and educational initiatives were given continuity with addition to Dar program during Teej.



Bank employees in different cultural attires in celebration of "World Cultural Day"



Staff Members Receiving Long Service Award

DEVELOPING OUR PEOPLE

Career Development plays a vital role in increasing employee satisfaction and Bank has been taking initiatives in this front. “Internal First” is a core strategy of the Bank when it comes to talent acquisition whereby the internal candidates are given priority in any vacancy which encourages them to apply for the roles of their interest and contribute in their career development. The Bank also provides career development opportunities in forms of Internal Transfers and Short-Term Attachment programs where the employees are given opportunity to work in their area of interest and that matches with their core competencies. Being an international bank, the employees also get opportunities to work in other group points of Standard Chartered outside Nepal. The Bank also focuses in staff coaching and succession planning programs which aids the development of employees and prepares them to take bigger and challenging roles in future. Annual performance appraisals and promotions

are other regular career development activities undertaken by the Bank.

The Bank has clear focus on embedding the learning culture and environment for our colleagues so that they can learn and grow. Similarly, focus has also been given on the leadership development of our managers so that they learn on how to motivate team members to perform at their best. The Bank also focuses on the training needs of the employees and provides both internal and external training opportunities as per the need. This fiscal year Bank launched two important Group Leadership Programs- Inclusive Leadership Program & LEaDX First Time Leaders.

Classroom setting environment is no longer necessary for learning to happen-with this concept, we introduced online learning portal “Percipio” which provides access to multiple learning resources. Now all staff members enjoy the benefit of self-learning at their own pace and time by either reading, watching or listening to videos, books or audio books.



Town Hall with Judy Hsu, Regional CEO, ASEAN & South Asia, Nirukt Sapru, CEO ASA Cluster Markets and Vietnam and Anirvan Ghosh Dastidar, CEO Nepal

Standard Chartered Bank Nepal Toastmasters Club which started from 2017 has been one of the important platforms given to our toastmaster members to hone their communication and leadership skills, resulting in greater self-confidence and personal growth. To equip our new joiners with banking skills and knowledge and support banking education requirement, all new joiners are required to undergo Intuition through a comprehensive eLearning solution that covers introduction to advanced subject areas.



Male Winning Team of Intra Bank Futsal Tournament 2019



Female Winning Team of Intra Bank Futsal Tournament 2019

BRANCH NETWORK

Biratnagar Branch

PO Box 201, Main Road, Biratnagar - 3, Nepal
Tel:977-21-528983
Fax No:977-21-528982

Birgunj Branch

Adarsha Nagar-13, Birgunj, Nepal
Tel:051-529494
Fax No:051-529677

Butwal Branch

Milan Chowk, Butwal, Municipality - 11, Rupandehi, Nepal
Tel: 977-71-546832
Fax No:977-71-546882

Dharan Branch

Panna Kamala Complex, Ward No 7/100Ka, Buddha Marga, Dharan - 7 Sunsari, Nepal
Tel:977-25-520505, 530980
Fax No:977-25-530981

Lalitpur Branch

PO Box 3990, Jawalakhel, Lalitpur, Nepal
Tel:977-1-5540544, 5540566
Fax No:977-1-5523266

Lazimpat Branch

P.O.Box 3990, Lazimpat, Kathmandu, Nepal
Tel:977-1-4418456
Fax No:977-1-4420727

Narayangarh Branch

Bhatbhateni premises (ground floor), Bharatpur-10, Chitwan, Nepal.
Tel:056-571277/571278
Fax No:056-571279

Naya Baneshwore Branch

P.O.Box 3990, New Baneshwar, Kathmandu, Nepal
Tel:977-1-4782333, 4783753
Fax No:977-1- 4780762

Nepalgunj Branch

Surkhet Road, Ward No 13, Nepalgunj Banke, Nepal
Tel:977-81-525514, 520022
Fax No: 977-81-525515

New Road Branch

Raina Basera, Basantapur Durbar Square, New Road-23, Kathmandu, Nepal
Tel:01-4244406/ 4244505/ 4244124
Fax No:01-4244961

Pokhara Branch

P.O box: 08, New Road, Pokhara, Nepal
Tel:977 061 523875, 523876, 536231, 536230
Fax:977 061 531676

Boudha Branch

Bhatbhateni premises (ground floor), Chuchepati, Boudha ward no. 7, Kathmandu, Nepal
Tel: 977-1- 4481819, 4481822
Fax: 977-1-4481821

EXTENSION COUNTERS

UN COUNTER

UN Building, Lalitpur
Tel:977 1 5537134
Fax No:977 1 5540512

British GURKHAS PPO Pokhara

Tel: 977 61 440517
Fax No:977 61 440517

U.S. Embassy Counter

Maharajgunj, Kathmandu

ATM NETWORK

Naya Baneshwore, Kathmandu

Standard Chartered Bank Nepal Ltd,
Head Office

Basantapur Durbar Square

Raina Basera, Basantapur Durbar Square
Standard Chartered Bank Nepal.

Biratnagar

Standard Chartered Bank Nepal Ltd.

Birgunj

Standard Chartered Bank Nepal Ltd.

Boudha, Kathmandu

Adjacent to the main entrance gate of Boudhanath Stupa.
Standard Chartered Bank Nepal Ltd.
Bhatbhateni premises

Butwal

Standard Chartered Bank Nepal Ltd.

Dharan

Standard Chartered Bank Nepal Ltd.
B P Koirala Institute Of Health and Science (BPKIHS) premises

Durbar Marg, Kathmandu

Hotel De'l Annapurna

Lalitpur

Standard Chartered Bank Nepal Ltd.
UN House,Harihar Bhawan, Lalitpur

Lazimpat, Kathmandu

Standard Chartered Bank Nepal Ltd.

Narayangarh

Standard Chartered Bank Nepal Ltd.
Bhatbhateni premises

Pokhara

Trekkers lodge, Fishtail Gate , Lakeside, Pokhara
ATM Lounge, Centre Point Hallan Chowk, Lakeside, Pokhara
Standard Chartered Bank Ltd.

Saleways Department Store

Maharajgunj, Kathmandu

Thamel, Kathmandu

Kathmandu Guest House Fire Club Building Hot Bread Chowk, Chaksibari Marg
Thamel, Kathmandu

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Standard Chartered Bank Nepal Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Standard Chartered Bank Nepal Limited (the "Bank"), which comprise the statement of financial position as at Ashadh 31, 2076 (July 16, 2019), and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 Ashad, 2076 (16 July 2019), and of its financial performance and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards.

BASIS FOR OPINION

We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). Our responsibilities under those standards are further described in the Auditors Responsibilities for the Audit of the Financial Statements section of our Report. We are independent of the Bank in accordance with the ICAN's Handbook of Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to our audit of the financial statements in Nepal, and we have fulfilled our other ethical responsibilities in accordance with these requirements and ICAN's Handbook of Code of Ethics for Professional Accountants. We believe that the audit evidence we have obtained is sufficient and

appropriate to provide a basis for our opinion.

RESPONSIBILITY OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Nepal Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with Governance are responsible for overseeing the Bank's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is high level of assurance, but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatement can

arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management,
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as

a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor' report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

REPORT ON THE REQUIREMENTS OF BANKS AND FINANCIAL INSTITUTIONS ACT, 2073 AND COMPANY ACT, 2063

We have obtained satisfactory information and explanations asked for, which to the best of our knowledge and belief were necessary for the purpose of our audit; the returns received from the branch offices of the Bank, though the statements are independently not audited, were adequate for the

purpose of the audit; the financial statements including the statement of financial position, statement of profit or loss, statement of comprehensive income, statement of changes in equity, statement of cash flows including a summary of significant accounting policies and other explanatory notes have been prepared in all material respect in accordance with the provisions of the Company Act, 2063, and they are in agreement with the books of accounts of the Bank; and the accounts and records of the Bank are properly maintained in accordance with the prevailing laws.

To the best of our information and according to the explanations given to us, in the course of our audit, we observed that the loans have been written off as specified; the business of the Bank was conducted satisfactorily, and the Bank's transactions were found to be within the scope of its authority. We did not come across cases of accounting related fraud and the cases where the board of directors or any director or any office bearer of the Bank has acted contrary to the provisions of law or caused loss or damage to the Bank or committed any misappropriation of the funds of the Bank.

Consolidated Statement of Financial Position

As on 16 July 2019

	Note	Current Year	Previous Year
Assets			
Cash and cash equivalent	4.1	12,626,985,439	22,048,328,040
Due from Nepal Rastra Bank	4.2	2,454,907,094	3,982,461,794
Placement with Bank and Financial Institutions	4.3	9,902,700,000	4,831,200,000
Derivative financial instruments	4.4	43,337,602	9,208,507
Other trading assets	4.5		
Loan and advances to B/FIs	4.6	2,541,465,040	2,134,849,717
Loans and advances to customers	4.7	53,092,116,505	44,561,330,150
Investment securities	4.8	11,535,163,663	4,660,992,993
Current tax assets	4.9	50,081,437	
Investment in subsidiaries	4.10		
Investment in associates	4.11		
Investment property	4.12		
Property and equipment	4.13	147,735,950	115,897,369
Goodwill and Intangible assets	4.14		
Deferred tax assets	4.15	71,797,832	75,546,496
Other assets	4.16	797,892,561	674,868,630
Total Assets		93,264,183,123	83,094,683,697

Continued

	Note	Current Year	Previous Year
Liabilities			
Due to Bank and Financial Institutions	4.17	505,840,120	326,710,474
Due to Nepal Rastra Bank	4.18		
Derivative financial instruments	4.19		
Deposits from customers	4.20	75,731,527,432	67,061,046,522
Borrowing	4.21		
Current Tax Liabilities	4.9		39,695,911
Provisions	4.22	42,375,566	45,926,482
Deferred tax liabilities	4.15		
Other liabilities	4.23	2,057,365,446	1,695,802,130
Debt securities issued	4.24		
Subordinated Liabilities	4.25		
Total liabilities		78,337,108,564	69,169,181,519
Equity			
Share capital	4.26	8,011,430,667	8,011,430,667
Share premium			
Retained earnings		1,807,876,436	1,403,042,058
Reserves	4.27	5,107,767,456	4,511,029,453
Total equity attributable to equity holders		14,927,074,559	13,925,502,179
Non-controlling interest			
Total equity		14,927,074,559	13,925,502,179
Total liabilities and equity		93,264,183,123	83,094,683,697
Contingent liabilities and commitment	4.28	47,195,835,306	33,672,575,332
Net assets value per share		186.32	173.82

Suraj Lamichhane
Financial Controller

Anirvan Ghosh Dastidar
CEO & Director

Karen De Alwis
Director

Jitender Arora
Chairman

As per our report of even date

Bharat Kunwar
Director

Krishna Kumar Pradhan
Director

CA. Sunir K Dhungel
Partner
For and on behalf of SAR Associates
Chartered Accountants

Date :21st October 2019 Place: Kathmandu

Consolidated Statement of Profit or Loss

For the year ended on 16 July 2019

	Note	Current Year	Previous Year
Interest income	4.29	6,500,038,683	4,940,674,787
Interest expense	4.30	2,978,176,685	1,642,640,632
Net interest income		3,521,861,998	3,298,034,155
Fee and commission income	4.31	873,844,680	724,395,844
Fee and commission expense	4.32	45,096,554	60,639,990
Net fee and commission income		828,748,126	663,755,854
Net interest, fee and commission income		4,350,610,124	3,961,790,009
Net trading income	4.33	729,050,453	594,265,250
Other operating income	4.34	131,950,705	124,503,473
Total operating income		5,211,611,282	4,680,558,732
Impairment charge/(reversal) for loans and other losses	4.35	88,237,978	74,888,816
Net operating income		5,123,373,304	4,605,669,916
Operating expense			
Personnel expenses	4.36	1,084,358,999	997,877,304
Other operating expenses	4.37	525,696,417	564,315,775
Depreciation & Amortisation	4.38	35,691,317	26,013,028
Operating Profit		3,477,626,571	3,017,463,809
Non operating income	4.39		4,030,058
Non operating expense	4.40	2,949,622	
Profit before income tax		3,474,676,949	3,021,493,867
Income tax expense	4.41	1,040,012,428	831,595,778
Current Tax		1,022,938,719	976,679,620
Deferred Tax		17,073,710	(145,083,842)
Profit for the period		2,434,664,521	2,189,898,090
Profit attributable to:			
Equity holders of the Bank		2,434,664,521	2,189,898,090
Non-controlling interest			
Profit for the period		2,434,664,521	2,189,898,090
Earnings per share			
Basic earnings per share		30.39	27.33
Diluted earnings per share		30.39	27.33

Suraj Lamichhane
Financial Controller

Anirvan Ghosh Dastidar
CEO & Director

Karen De Alwis
Director

Jitender Arora
Chairman

As per our report of even date

Bharat Kunwar
Director

Krishna Kumar Pradhan
Director

CA. Sunir K Dhungel
Partner
For and on behalf of SAR Associates
Chartered Accountants

Date :21st October 2019 Place: Kathmandu

Consolidated Statement of Other Comprehensive Income

For the year ended on 16 July 2019

	Note	Current Year	Previous Year
Profit for the year		2,434,664,521	2,189,898,090
Other comprehensive income, net of income tax			
a) Items that will not be reclassified to profit or loss			
Gain/(losses) from investments in equity instruments measured at fair value		26,947,633	(31,073,491)
Gains/(losses) on revaluation			
Actuarial gains/(losses) on defined benefit plans		(71,364,452)	(15,187,665)
Income tax relating to above items		13,325,046	13,878,347
Net other comprehensive income that will not be reclassified to profit or loss		(31,091,774)	(32,382,809)
b) Items that are or may be reclassified to profit or loss			
Exchange gains/(losses) (arising from translating financial assets of foreign operation)			
Income tax relating to above items			
Reclassify to profit or loss			
Net other comprehensive income that are or may be reclassified to profit or loss			
c) Share of other comprehensive income of associate accounted as per equity method			
Other comprehensive income for the period, net of income tax		(31,091,774)	(32,382,809)
Total comprehensive income for the year		2,403,572,747	2,157,515,281
Total comprehensive income attributable to:			
Equity holders of the Bank		2,403,572,747	2,157,515,281
Non-controlling interest			
Total comprehensive income for the period		2,403,572,747	2,157,515,281

Suraj Lamichhane
Financial Controller

Anirvan Ghosh Dastidar
CEO & Director

Karen De Alwis
Director

Jitender Arora
Chairman

As per our report of even date

Bharat Kunwar
Director

Krishna Kumar Pradhan
Director

CA. Sunir K Dhungel
Partner
For and on behalf of SAR Associates
Chartered Accountants

Date :21st October 2019 Place: Kathmandu

Consolidated Statement of Changes in Equity

For the year ended on 16 July 2019

	Share Capital	Share premium	General reserve	Exchange equalisation reserve	Regulatory reserve	Fair value reserve	Revaluation Reserve	Retained earnings	Other reserve	Total	Non-controlling interest	Total equity
Balance at Shrawan 1, 2074	4,005,715,333	3,044,186,600	3,181,848,015	438,421,970		218,195,288		1,532,386,861	(40,961,200)	12,379,792,867		12,379,792,867
Adjustment/Restatement						(66,190,086)		(335,833,760)	1,045,000	(400,978,846)		(400,978,846)
Adjusted/Restated balance at Shrawan 1, 2074	4,005,715,333	3,044,186,600	3,181,848,015	438,421,970		152,005,201		1,196,553,101	(39,916,200)	11,978,814,020		11,978,814,020
Comprehensive income for the year								2,189,898,090		2,189,898,090		
Other comprehensive income, net of tax												
Gain/(losses) from investments in equity instruments measured at fair value						(21,751,444)		(21,751,444)		(21,751,444)		
Gains/(losses) on revaluation								(10,631,365)		(10,631,365)		
Actuarial gains/(losses) on defined benefit plans												
Gains/(losses) on cash flow hedge												
Exchange gains/(losses) (arising from translating financial assets of foreign operation)												
Total comprehensive income for the year						(21,751,444)		2,157,515,281	(10,631,365)	2,157,515,281		2,157,515,281
Transfer to reserve during the year								(812,098,276)				
Transfer from reserve during the year								1,045,000	(1,045,000)			
Transactions with owners, directly recognised in equity												
Share issued												
Share based payments												
Dividends to equity holders												
Bonus shares issued	4,005,715,333	(3,044,186,600)						(961,528,733)				
Cash dividend paid								(210,827,123)				
Others												
Total contributions by and distributions	4,005,715,333	(3,044,186,600)						(1,172,355,856)		(210,827,123)		(210,827,123)
Balance at Ashadh end 2075	8,011,430,667		3,619,827,633	466,505,530	346,035,099	130,253,758		1,403,042,058	(51,592,565)	13,925,502,178		13,925,502,178

Continued

Balance at 1 Shrawan 2075	8,011,430,667	3,619,827,633	466,505,530	346,035,099	130,253,758	1,403,042,058	(51,592,565)	13,925,502,178	13,925,502,178
Adjustment/Restatement									
Adjusted/Restated balance at 1 Shrawan 2075	8,011,430,667	3,619,827,633	466,505,530	346,035,099	130,253,758	1,403,042,058	(51,592,565)	13,925,502,178	13,925,502,178
Comprehensive income for the year									
Profit for the year						2,434,664,521		2,434,664,521	2,434,664,521
Other comprehensive income, net of tax									
Gain/(losses) from investments in equity instruments measured at fair value				18,863,343				18,863,343	18,863,343
Gains/(losses) on revaluation									
Actuarial gains/(losses) on defined benefit plans							(49,955,116)	(49,955,116)	(49,955,116)
Gains/(losses) on cash flow hedge									
Exchange gains/(losses) (arising from translating financial assets of foreign operation)									
Total comprehensive income for the year				18,863,343		2,434,664,521	(49,955,116)	2,403,572,747	2,403,572,747
Transfer to reserve during the year		486,932,904	28,816,855	112,080,017		(627,829,776)			
Transfer from reserve during the year									
Transactions with owners, directly recognised in equity									
Share issued									
Share based payments									
Dividends to equity holders									
Bonus shares issued									
Cash dividend paid									(1,402,000,367)
Others									
Total contributions by and distributions						(1,402,000,367)		(1,402,000,367)	(1,402,000,367)
Balance at Ashadh end 2076	8,011,430,667	4,106,760,537	495,322,385	456,115,116	149,117,100	1,807,876,436	(101,547,682)	14,927,074,559	14,927,074,559

Consolidated Statement of Cash Flow

For the year ended on 16 July 2019

	Current Year	Previous Year
Cash Flow From Operating Activities		
Interest received	6,348,321,744	4,871,305,836
Fees and other income received	873,844,680	747,689,889
Dividend received		
Receipts from other operating activities	728,920,994	599,122,864
Interest paid	(2,812,217,380)	(1,605,642,546)
Commission and fees paid	(45,096,554)	(60,639,990)
Cash payment to employees	(987,096,472)	(847,848,545)
Other expense paid	(529,247,333)	(536,269,942)
Operating cash flows before changes in operating assets and liabilities	3,577,429,679	3,167,717,566
(Increase)/Decrease in operating assets	(12,618,725,133)	(6,115,023,241)
Due from Nepal Rastra Bank	1,527,554,700	(197,779,950)
Placement with bank and financial institutions	(5,071,500,000)	1,359,600,000
Other trading assets	(34,129,094)	(465,133)
Loan and advances to bank and financial institutions	(410,694,952)	(539,760,036)
Loans and advances to customers	(8,617,764,867)	(6,549,202,534)
Other assets	(12,190,919)	(187,415,588)
Increase/(Decrease) in operating liabilities	8,856,545,807	3,529,977,552
Due to bank and financial institutions	179,129,646	(3,851,566,307)
Due to Nepal Rastra Bank		
Deposit from customers	8,670,480,911	7,366,437,850
Borrowings		
Other liabilities	6,935,250	15,106,008
Net cash flow from operating activities before tax paid	(184,749,647)	582,671,878
Income taxes paid	(1,112,716,067)	(918,568,145)
Net cash flow from operating activities	(1,297,465,713)	(335,896,267)
Cash Flow From Investing Activities		
Purchase of investment securities		
Receipts from sale of investment securities	(6,855,307,327)	127,930,706
Purchase of property and equipment	(67,529,898)	(40,917,347)
Receipt from the sale of property and equipment	7,829,000	1,924,916
Purchase of intangible assets		
Receipt from the sale of intangible assets		
Purchase of investment properties		
Receipt from the sale of investment properties		
Interest received		
Dividend received	8,854,284	11,341,678
Net cash used in investing activities	(6,906,153,941)	100,279,953

Continued

Cash Flow From Financing Activities

Receipt from issue of debt securities		
Repayment of debt securities		
Receipt from issue of subordinated liabilities		
Repayment of subordinated liabilities		
Receipt from issue of shares		
Dividends paid	(1,332,990,369)	(226,124,006)
Interest paid		
Other receipt/payment		
Net cash from financing activities	(1,332,990,369)	(226,124,006)
Net increase (decrease) in cash and cash equivalents	(9,536,610,023)	(461,740,321)
Cash and cash equivalents at Shrawan 1	22,048,328,040	22,397,734,122
Effect of exchange rate fluctuations on cash and cash equivalents held	115,267,421	112,334,239
Cash and cash equivalents at Ashadh end 2076	12,626,985,438	22,048,328,040

Suraj Lamichhane
Financial Controller

Anirvan Ghosh Dastidar
CEO & Director

Karen De Alwis
Director

Jitender Arora
Chairman

As per our report of even date

Bharat Kunwar
Director

Krishna Kumar Pradhan
Director

CA. Sunir K Dhungel
Partner
For and on behalf of SAR Associates
Chartered Accountants

Date :21st October 2019 Place: Kathmandu

Notes to the Consolidated Financial Statement

For the year ended on 16 July 2019

1. Reporting Entity

Standard Chartered Bank Nepal Limited (SCBNL or “the Bank”) has been in operation in Nepal since 1987. It was initially registered as a joint venture operation. Today it is an integral part of Standard Chartered Group, which has ownership of 70.21% in the company and remaining 29.79% is owned by the Nepalese public.

The Bank is registered with the office of company registrar as a public limited company and carries out commercial banking activities in Nepal under the license from Nepal Rastra Bank (The Central Bank of Nepal) as Class “Ka” licensed institution. The Bank is listed on Nepal Stock Exchange. The Bank’s ultimate parent company is Standard Chartered Plc., (SCPLC), which is incorporated in United Kingdom.

The Bank offers full range of banking products and services to wide range of clients encompassing individuals, mid-market, local corporate, multinationals, large public sector companies, government corporations, airlines and hotels, as well as the DO segment comprising of embassies, aid agencies, INGOs and NGOs.

2. Basis of Preparation

The financial statements have been prepared in accordance with unified directive 4 issued by the central bank and per Nepal Financial Reporting Standards (NFRSs).

2.1 Statement of Compliance

The financial statements have been prepared on going concern basis and under historical cost conventions except where the standards require otherwise treatment. The financial statements have been approved by the Board of Directors in accordance with Nepal Financial Reporting Standards (NFRS) to the extent applicable and as published by the Accounting Standards Board (ASB) – Nepal.

2.2 Reporting Period and Approval of Financial Statements

The Bank follows the Nepalese financial year based on the Nepalese calendar. The corresponding dates for the English calendar are as follows:

Relevant Financial Statement	Nepalese Calendar Date / Period	English Calendar Date / Period
Comparative SFP* Date	32 Ashadh 2075	16 July 2018
Comparative reporting period	1 Shrawan 2074 - 32 Ashadh 2075	16 July 2017 - 16 July 2018
NFRS SFP* Date	31 Ashadh 2076	16 July 2019
NFRS reporting period	1 Shrawan 2075 - 31 Ashadh 2076	17 July 2018 - 16 July 2019

* SFP = Statement of financial position

These financial statements have been adopted by the Board of Directors on its meeting held on 21 October 2019 and have been recommended for approval by shareholders in the Annual General Meeting.

Comparative reporting period figures have been restated/reclassified wherever necessary by the standards/regulations and/or for better presentation.

2.3 Functional and Presentation Currency

The financial statements are presented in Nepalese Rupee, which is the Bank’s functional currency. The figures are rounded to the nearest Rupee unless otherwise indicated.

2.4 Use of Estimates, Assumptions and Judgments

The Bank, while complying with the reporting standards, makes critical accounting judgement as having potentially material impact on the financial statements. The significant accounting policies that relate to the financial statements as a whole along with the judgements made are described herein.

Where an accounting policy is generally applicable to a specific item, the policy is described within that relevant note. NFRS requires the Bank to exercise judgement in making accounting estimates. Description of such estimates has been given in the relevant sections wherever they have been applied.

Commencing from F.Y 2018/19 bank has changed the useful life of motor vehicles from 3 years to 6 years on prospective basis. The impact of depreciation shall be taken for the remaining period.

2.5 Changes in Accounting Policies

The Bank applies its accounting policies consistently from year to year except where deviations has been explicitly mentioned.

2.6 New Standards in Issue but Not Yet Effective

A number of new standards and amendments to the existing standards and interpretations have been issued by IASB after the pronouncements of IFRS with varying effective dates. Those become applicable when ASB Nepal incorporates them within NFRS. IASB has issued a new accounting standard to be applicable for this period IFRS 16 Leases.

2.7 New Standards and Interpretation not Adapted

All Standards and pronouncement issued by Accounting Standard Board Nepal has been adopted.

2.8 Discounting

Discounting has been applied where assets and liabilities are non-current and the impact of the discounting is material.

3. Significant Accounting Policies

3.1 Basis of Measurement

The financial statements have been presented in the nearest Nepalese Rupees (NPR).

The statement of profit or loss has been prepared using classification 'by nature' method.

The cash flows from operation within the statement of cash flows have been derived using the direct method.

Financial statements are denominated in Nepalese Rupees, which is the functional and presentation currency of the Bank.

3.2 Basis of Consolidation

a. Business Combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Bank. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, together with the fair value of any contingent consideration payable. The excess of the cost of acquisition over the fair value of the Bank's share of the identifiable net assets and contingent liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets and contingent liabilities of the subsidiary acquired, the difference is recognised directly in the income statement.

Bank does not have any subsidiary as of now.

b. Non-Controlling Interest (NCI)

Non-controlling interests are measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

c. Subsidiaries

Subsidiaries are all entities, including structured entities, which the Bank controls. The Bank controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee. The assessment of power is based on the Bank's practical ability to direct the relevant activities of the entity unilaterally for the Banks's own benefit and is subject to reassessment if and when one or more of the elements of control change. Subsidiaries are fully consolidated from the date on which the Bank effectively obtains control. They are deconsolidated from the date that control ceases, and where any interest in the subsidiary remains, this is remeasured to its fair value and the change in carrying amount is recognised in the income statement.

d. Loss of Control: Bank does not have any subsidiary, hence not applicable to the bank.

e. Special Purpose Entity (SPE)

A special purpose entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Contractual arrangements determine the rights and therefore relevant activities of the special purpose entity. Special purpose entities are generally created to achieve a narrow and

well-defined objective with restrictions around their activities. Special purpose entities are consolidated when the substance of the relationship between the Bank and the special purpose entity indicates the Bank has power over the contractual relevant activities of the special purpose entity, is exposed to variable returns, and can use that power to affect the variable return exposure.

The Bank does not have any special purpose entity as of now.

f. Transaction Elimination on Consolidation

Bank does not have any subsidiary, hence no consolidation of financial statements and resulting transactions elimination.

3.3 Cash and Cash Equivalent

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

Explanatory Notes

Money at call and short notice included under cash and cash equivalent comprises of interbank lending (LCY) to local BFls payable at demand with tenure of maximum seven days.

Others in cash and cash equivalent comprises of:

Investment with original maturities of 3months or less	6,829,573,000
NRB Balance above CRR	2,154,516,876
Total	8,984,089,876

3.4 Financial Assets and Financial Liabilities

Recognition

All financial instruments are initially recognised at fair value, which is normally the transaction price plus, for those financial assets and liabilities not carried at fair value through profit and loss, directly attributable transaction costs. Purchases and sales of financial assets and liabilities held at fair value through profit or loss, and financial assets classified as amortized cost or at fair value through other comprehensive income are initially recognised on the trade-date (the date on which the Bank commits to purchase or sell the asset).

Classification & Measurement

There are three measurement classifications under NFRS 9: amortised cost, fair value through profit or loss (FVTPL) and, for financial assets, fair value through other comprehensive income (FVOCI). The existing NAS 39 financial asset categories are removed.

Financial assets are classified into these categories based on the business model within which they are held, and their contractual cash flow characteristics.

The business model reflects how groups of financial assets are managed to achieve a particular business objective. Financial assets can only be held at amortised cost if the instruments are held in order to collect the contractual cash flows ('hold to collect'), and where those contractual cash flows are solely payments of principal and interest (SPPI). Principal represents the fair value of the instrument at the time of initial recognition. Interest in this context represents compensation for the time value of money and associated credit risks together with compensation for other risks and costs consistent with a basic lending arrangement and a profit margin. This requires an assessment at initial recognition of the contractual terms to determine whether it contains a term that could change the timing or amount of cash flows in a way that is inconsistent with the SPPI criteria.

Assets may be sold out of hold to collect portfolios where there is an increase in credit risk. Disposals for other reasons are permitted but such sales should be insignificant in value or infrequent in nature.

Financial asset debt instruments where the business model objectives are achieved by collecting the contractual cash flows and by selling the assets ('hold to collect and sell') and that have SPPI cash flows are held at FVOCI, with unrealised gains or losses deferred in reserves until the asset is derecognised. In certain circumstances, non-trading equity instruments can be irrevocably designated as FVOCI but both unrealised and realised gains or losses are recognised in reserves and no amounts other than dividends received are recognised in the income statement.

All other financial assets will mandatorily be held at FVTPL. Financial assets may be designated at FVTPL only if doing so eliminates or reduces an accounting mismatch. There has been no change to the requirements in respect of the classification and measurement of financial liabilities. Where the contractual terms of financial assets are modified, and that modification does not result in derecognition, a modification gain or loss is recognised in the income statement and the gross carrying amount of the asset adjusted accordingly.

De-recognition

Financial assets are derecognised when the right to receive cash flows from the assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. If substantially all the risks and rewards have been neither retained nor transferred and the Bank has retained control, the assets continue to be recognised to the extent of the Bank's continuing involvement.

Financial liabilities are derecognised when they are extinguished. A financial liability is extinguished when the obligation is discharged, cancelled or expired.

Determination of Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participant at the measurement date. The determination of fair value has been done as per the framework laid down in NFRS 13 'Fair Value Measurement'.

Valuation hierarchy

Assets and liabilities carried at fair value or for which fair values are disclosed have been classified into three levels according to the observability of the significant inputs used to determine the fair values. Changes in the observability of significant valuation inputs during the reporting period may result in a transfer of assets and liabilities within the fair value hierarchy. The Bank recognises transfers between levels of the fair value hierarchy when there is a significant change in either its principal market or the level of observability of the inputs to the valuation techniques as at the end of the reporting period.

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 valuations are those with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Level 3 portfolios are those where at least one input, which could have a significant effect on the instrument's valuation, is not based on observable market data.

Impairment

The bank has applied the impairment requirement of NAS 39 to financial assets measured at amortised cost. The bank assess at the end of each reporting period whether there is any objective evidence that a financial assets or group of financial assets measured at amortised cost has been impaired. If any such evidence exists, the bank applies the "Incurred Loss Model" as required by NAS 39 to calculate the impairment loss. However, as per the carve-out provided in NAS 39, the bank shall measure impairment loss on loan and advances as the higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per paragraph 63 of NAS 39.

Loan loss provisions are management's best estimate of incurred loss in the loan portfolio at the balance sheet date, on both individually and collectively assessed loans and advances.

The bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Some of the key factors to be considered in assessing objective evidence of impairment include whether the counterparty is in default of principal or interest payments, where there is observable data indicating that there is measurable decrease in the estimated future cash flows of a group of financial assets, when a restructuring of obligation is agreed, when a counterparty files for bankruptcy protection, etc.

For individually significant financial assets, we consider judgements that have an impact on the expected future cash flows of the assets, which include the business prospects, industry and geopolitical climate, quality of realisable value of collateral, the legal position relative to other claimants and any renegotiation options.

For financial assets which are not individually significant such as Retail Banking portfolio or small business loans, which comprise a large number of homogenous loans that share similar characteristics, statistical estimates and

techniques or models are used, as well as credit scoring analysis. Further judgement is required to determine overlays on the models used.

The loan loss provisions are established to recognise incurred impairment losses either on specific loan assets or within a portfolio of loans and advances. Provisions are taken in form of:

- a) Individually impaired provisions (IIP);
- b) Portfolio impairment provisions (PIP), which is held to cover the inherent risk of losses in the portfolio that exist at the balance sheet date, through experience, but have not yet been individually identified.

As at FYE 16/07/2019 there are no individual loan impairment provisions in CCIB, whereas such provisions amounted to NPR 31,591,541 in Retail Banking.

In CCIB, a loan is considered impaired or an IIP is recognised where analysis and review indicate that full payment of either interest or principal, including timeliness of such payment is questionable or as soon as payment of interest or principal is 90 days overdue.

In CCIB, in cases of clients where the impairment assessment indicates that there will be a loss of principal, the loan is internally graded CG 14 while other impairment loans will be graded CG 13. Loans graded CG 13 - CG 14 are classified as non-performing loans. Such individually impaired accounts in CCIB are managed by an independent Group Special Assets Management (GSAM) unit. GSAM will calculate an IIP based on estimated cash flows revised to reflect anticipated recoveries.

The performing loan portfolio is subject to a Portfolio Impairment Provision (PIP) to cover latent losses, i.e. those that are not specifically identified but are known, by experience, to be present in any performing portfolio. The PIP is based on models using risk sizing (including probability of default and loss given default), environmental parameters and exceptional adjustment overlays. The calculation of PIP uses the regulatory expected credit loss (ECL) models. ECL is subject to an emergence risk factor that is generally understood as the hypothetical amount of time between a loss event occurrence and the bank recognition of impairment. The emergence risk factor is the principal means of translating a risk position to an impairment estimate. For CCIB portfolio, the emergence risk factor is considered as 3 months for the calculation of PIP. An overlay in the form of Specific Risk Adjustment (SRA) is added to the PIP calculation to take into account specific credit stress events not covered by the baseline calculation.

In RB, a loan is considered impaired or an IIP is recognised when it meets certain defined threshold conditions in terms of overdue payment (contractual impairment) or meets other objective conditions such as bankruptcy, debt restructuring, fraud or death. A loan is considered delinquent (or past due) when the customer has failed to make a principal or interest payment in accordance with the loan contract. The core components of IIP calculation are the value of gross charge off and recoveries. Gross charge off and/or provisions are recognised when it is established that the account is unlikely to pay.

Retail Banking PIP covering the inherent losses in the portfolio that exist at the balance sheet date but have not been individually identified is computed on performing loans (no IIP), using expected loss (EL) rates, to determine latent losses in the portfolio. The EL utilises probability of default and loss given default inherent within the portfolio of impaired loans or receivables and the historical loss experience for assets with credit risk characteristics. For mortgage, auto, personal loan and credit cards, PD percentage is calculated using Was-Is model and for Business Banking, PD is correspondent to internal credit grading of the client.

Financial Assets

Cash in hand

The fair value of cash is the carrying amount. Cash at vault is adequately insured for physical and financial risks. The amount of cash at vault is maintained on the basis of the regulatory, liquidity and business requirements. Cash held in FCY is subject to risk of changes in the foreign exchange rates. These are closely monitored, and risks, if identified, are promptly managed.

Balance with BFIs & Central Bank

The fair value of balance with other banks & financial institutions (BFIs) & central bank is the carrying amount. Risks associated with these assets are regularly assessed. Balance with the central bank is principally maintained as a part of the regulatory cash reserve ratio required by the central bank. There are regulatory and liquidity restrictions placed on the level of balance with the central bank.

Money at Call & Short Notice & Interbank Placement

Placement with local and foreign BFIs with maturity up to 7 days is included under money at call & short notice. Interbank placement includes investment above 7 days with other local & foreign BFIs. The fair value of money at call & short notice and interbank placement is the carrying amount. Risks associated with these assets are regularly assessed. These are interest bearing placements and the income on these assets is credited to statement of profit or loss under interest income.

Placement with banks and financial institutions include interbank lending & placement to group companies having original maturities of more than 90 days. As on the end of reporting period the bank has made four deals on such placements to the inter group companies.

Derivative financial instrument

Derivative financial instruments are initially measured at fair value on the contract date and are subsequently re-measured to fair value at each reporting date. Accordingly it has been measured at fair value through profit or loss.

Loans & Advances

It includes loans & advances to BFIs, customers and staffs. The fair value of loans & advances is the carrying amount using effective interest rate method. Impairment on loans & advances is calculated at the higher of NRB directive 2 and NAS 39. Loans & advances is calculated as the summation of loan outstanding and accrued interest on these loans less unamortized fee and unamortized deferred benefits if any.

Loans and advances to BFIs does not include any unamortized cost because the portfolio consists of demand loan/ working capital loan and overdraft loan. These does not include long term loan hence no any unamortized cost portion. Whereas in case of customers loan unamortized cost is included in the carrying amount of the loan.

Treasury bills & Government bonds

Treasury bills & Government bonds have been classified as financial assets measured at amortized cost. These instruments have been considered as risk free instruments. These are highly liquid instruments and can be converted into cash immediately on requirement.

Equity Investments

These include equity investments in four different companies. None of these investments result in control or significant influence over the invested entities. These investments have been designated at fair value through other comprehensive income (FVTOCI) as the bank makes irrevocable election to measure it at FVTOCI with only dividend income recognized in profit or loss and are not designated at fair value through profit or loss (FVTPL). The movement in fair value of these instruments have been adjusted through other comprehensive income.

Investments in CIC Ltd. and NCH Limited

These investments have been made as a strategic investment to support the Bank's operational requirement. Similar investments in the companies have been made by other banks and financial institutions. Both of these investments are not actively traded in the market and, therefore are not liquid. The Bank has no intention to dispose these investments in foreseeable future. The Bank considers that the cash flows that it expects to receive in the future exceeds the carrying value of the investments. These investments have been carried at cost.

Grameen Bikas Laghubitta Bittiya Sanstha Limited (GBLBSL)

Equity investment in this institution is as a result of the Bank's earlier investment in merged components of the new company, namely in Purwanchal Grameen Bikas Bank Ltd. and Sudur Paschimanchal Grameen Bikas Bank Ltd. GBLBSL is the merged entity of the 5 development banks. Investments in GBLBSL include 600 ordinary shares of NPR 100 each fully paid up. Initial investments in the erstwhile companies stood at NPR 6,000,000. The decrease in the paid up value was as a result of the poor performance of those two companies and the agreed share exchange ratio in the merged entity. The Bank made these investments to comply with the deprived sector lending requirement of the central bank.

RMDC Laghubitta Bittiya Sanstha Limited

Investment in RMDC includes 802,319 ordinary shares of NPR 100 each fully paid up. This includes 280,419 bonus shares received by the Bank.

Credit Information Centre Ltd. (CICL)

Investment in CIC includes 123,522 ordinary shares of NPR 100 each fully paid up, including 111,167 bonus shares received by the Bank.

Nepal Clearing House Ltd. (NCHL)

Investment in NCH includes 36,000 ordinary shares of NPR 100 each fully paid up including 11,000 bonus shares

received by the Bank.

Fair Value Movement Equity Securities

Fair value movement of equity securities has been presented under schedule 4.8.3. Investment in quoted equity is valued at closing market rate prevailing on the date of statement of financial position. Investment in unquoted equity is valued at 50% of closing market rate of quoted public share of the same entity prevailing on the date of statement of financial position as per level 2 input of valuation hierarchy. The market price of the quoted equity as on the end of reporting period is presented below.

Investment in quoted equity	Market Value	Value Considered (50% of Market Value)
RMDC Laghubitta Bittiya Sanstha Ltd.	661	331
Grameen Bikas Laghubitta Bittiya Sanstha Ltd	360	180

Other Assets

Other assets includes financial assets like trade receivables, debtors etc and excludes assets which are not financial instrument like prepaid expenses, deferred revenue and assets which are not contractual in nature. The other assets that fall under the classification of financial instruments are carried at amortised costs. These instruments are regularly monitored for impairment.

Financial Liabilities

All the financial liabilities falling under the definition of financial instruments have been measured at amortized cost. Financial liabilities include deposits from banks, customers, trade payables, creditors and other accruals. Financial liabilities does not include liabilities that are not contractual in nature and that do not involve transfer of a financial assets

Impairment provision as per "Incurred Loss Model" as per para 63 of NAS 39

Particulars	Amount
Individual	31,591,541
PIP-Corporate	104,667,255
PIP-Retail	43,163,945
Auto	15,199,702
Cards	2,795,929
Mortgage	3,800,336
Personal Loan	11,910,777
SME	9,342,149
WM	115,052
Total	179,422,740

Impairment provision as per norms prescribed by NRB directive 2

Category	%	Loan Amount	Provision
Good Loan	1%	54,959,993,006	549,599,930
Watch List	5%	463,945,696	23,197,285
Substandard	25%	33,185,932	8,296,483
Doubtful	50%	8,011,712	4,005,856
Bad	100%	44,172,854	44,172,854
Total		55,509,309,200	629,272,408

* Loan amount does not include staff loan, AIR and EIR adjustments.

3.5 Trading Assets

Trading assets are those assets that the bank principally for the purpose of selling in the near term, or holds as part of a portfolio that is managed together for short-term profit. It includes non-derivative financial assets, Government bonds, NRB Bonds, Domestic Corporate bonds, Treasury bills, Equities etc held primarily for the trading purpose.

Explanatory Notes

The bank does not have any trading assets.

3.6 Derivative Assets and Derivative Liabilities

Derivative assets and liabilities (herein referred to as instrument) is a contract whose value changes to the change in agreed-upon underlying financial asset/liability which requires no initial net investment and is settled at future date. Derivative instruments includes transactions like interest rate swap, currency swap, forward foreign exchange contract etc. held for trading as well as risk management purposes. Derivative financial instruments are initially measured at fair value on the contract date and are subsequently re-measured to fair value at each reporting date. The bank does not have any derivative liabilities.

3.7 Property & Equipment

Land and buildings comprise branches and offices. All property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Freehold land is not depreciated although it is subject to impairment testing. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	up to 50 years
Machineries	up to 3 years
Leasehold improvements	life of the lease period
Furniture and Fixtures	up to 3 years
Computers and Office Equipment	up to 3 years
Motor Vehicles	up to 6 years *

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. The value of the assets fully depreciated but continued to be in use is considered not material.

At each reporting date, assets are also assessed for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately to the recoverable amount.

Assets with costs less than NPR 400,000 are charged off on purchase as revenue expenditure. Gains and losses on disposals are included in the Statement of Profit or Loss.

* Useful life of motor vehicles has been changed to 6 year from earlier 3 years starting from this reporting period with prospective effect.

3.8 Goodwill Intangible Assets

Goodwill represents the residual of the cost of acquisition over the fair value of the identifiable net assets and contingents acquired. Goodwill represents those intangibles that are not identifiable. Goodwill is allocated to a cash-generating unit (CGU), which may be larger than the entity acquired, and is not amortised. It is assessed for impairment on an annual basis by comparing the present value of the expected cash flows generated by the CGU to the carrying value of the net assets of that CGU (including the goodwill). To the extent impairment is identified, this is charged to the income statement at that time.

Acquired Intangible Assets

Intangible assets are initially measured at fair value, which reflects market expectations of the probability that the future economic benefits embodied in the asset will flow to the Bank, and are amortised on the basis of their expected useful lives.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with the development of software are capitalised where it is probable that it will generate future economic benefits in excess of its cost. Computer software costs are amortised on the basis of expected useful life. Costs associated with maintaining software are recognised as an expense as incurred.

At each reporting date, these assets are assessed for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately. Software assets with costs less than NPR 40,000,000 are charged off on purchases as revenue expenditure.

Explanatory Notes

The Bank has been operating on the software provided by its parent company, the Standard Chartered Bank (SCB). No cost has been incurred by the Bank in procuring the software systems. The Bank pays for the maintenance of the system, when required and such costs are included in the periodic maintenance expenses charged to SOPL.

Explanatory Notes

The bank does not have any goodwill and intangible assets.

3.9 Investment Property

An investment property is defined as property held by the bank to earn rentals or for capital appreciation or both, rather than own-occupied. It will not be held for consumption in the business operations and disposal would not affect the operations of the bank. Investment properties are initially measured at cost, including transaction costs. Subsequently all investment properties (without exception) are reported at fair value with any gains or losses in fair value reported in the income statement as they arise. The fair value used is that which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction and should reflect market conditions at the balance sheet date.

Explanatory Notes

The bank does not have any investment property.

3.10 Income Tax

Current Tax

Provision for current income tax is made in accordance with the provisions of the prevailing Income Tax Act, 2058 and Rules including amendments thereon. Current tax payable (or recoverable) is based on the taxable profit for the year. Taxable profit differs from the profit reported in the statement of profit or loss, because some item of income or expense are taxable or deductible in different years or may never be taxable or deductible.

Current tax assets and current tax liabilities have been shown separately on the face of statement of financial position. These items can be net off as the tax payable authority is the same with which we have deposited advance tax.

Explanatory Notes

Reconciliation between book profit & tax profit	Amount Rs.
Profit as per statement of profit or loss	3,474,676,949
Add: Items disallowed or separately allowed	
Unamortized Processing fee	21,188,583
Depreciation as per book	35,691,317
Equipment & furniture charged to revenue considered separately	18,468,362
Repairs & Maintenance considered separately	33,087,766
Gratuity Provision in books added back	28,315,562
Excess provision of Performance & Dashain Bonus over actual payment	(8,706,177)
Provision for Leave	15,561,100
Premium on Development Bond	2,974,707
Statutory bonus out of dividend income - proportionate disallowance	885,428
Less: Items allowed for tax purpose	
Profit on sale of depreciable fixed assets considered separately	(7,829,000)
Tax Depreciation claimed for leased assets & Software	(12,521,809)
Tax Depreciation allowed from Pool of Asset Calculation	(53,385,664)
Repairs & Maintenance Lease Assets	(10,235,264)
Repairs & Maintenance on Fixed Assets from Pool of Asset Calculation	(16,949,531)
Gratuity Contribution to Retirement Fund	(92,028,475)
Dividend Income	(8,854,284)
Leasehold As per IAS 17	4,146,589
Matured Development Bond, premium loss as per Sec 36	(14,690,430)
Total Taxable Adjustments in Profit	(64,881,220)
Taxable Profit	3,409,795,729
Tax @ 30%	1,022,938,719

Tax assessment Status

The Bank's income tax assessments by the tax authorities are final and settled up to the income year 2014-15 (2071-72). The self-assessment returns filed by the Bank for financial year 2015-16 (2072-73 BS) to 2017-18 (2074-75 BS), has not yet been opened for reassessment by the LTPO.

Deferred Tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rate applicable to the bank as at the reporting date which is expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Current and deferred tax relating to items which are charged or credited directly to equity, is credited or charged directly to equity and is subsequently recognised in the statement of profit or loss together with the current or deferred gain or loss.

Explanatory Notes

Particulars	Carrying Amount	Tax Base	Temporary Difference
Assets			
Fixed Assets	147,735,950	282,123,834	134,387,884
Loans & Advances	56,262,853,953	56,377,366,923	114,512,970
Premium on Development Bond	697,500	21,009,200	20,311,700
Investment	269,009,930	55,985,500	(213,024,430)
Total Assets	56,680,297,333	56,736,485,457	56,188,125
Liabilities			
Gratuity		54,371,362	(54,371,362)
Performance Bonus	58,921,922		58,921,922
Provision for leave	28,323,490		28,323,490
Lease Obligation	78,899,482		78,899,482
Actuarial loss	71,364,452		71,364,452
Total Liabilities	237,509,345	54,371,362	183,137,983
Tax Rate	30%		
Net DTA/DTL			71,797,832
Opening DTA/DTL			75,546,496
Net difference			(3,748,664)
P&L			(17,073,710)
Equity (OCI Items-FV Gain & Actuarial loss)	44,416,819		13,325,046

3.11 Deposits, Debt Securities Issued and Subordinated Liabilities

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

Deposits by banks

Deposits by banks comprise amounts owed to other domestic or foreign banks.

Customer accounts

Customer accounts comprise amounts owed to creditors that are not banks.

However, liabilities in the form of debt securities and any liabilities for which transferable certificates have been issued are excluded (as they form part of debt securities in issue).

Deposits by banks & customers are financial liabilities - as there is an obligation to deliver cash or financial assets back to the depositing bank or customer – and are initially recognised at fair value, plus for those financial liabilities not at fair value through profit and loss, transaction costs directly attributable to the acquisition. Fair value is usually the transaction price.

The bank borrows money by issuing debt securities and subordinated debt. The borrowing is acknowledged or evidenced by issue of a negotiable instrument. The negotiable instrument can be certificate of deposit, commercial paper or debt note.

Subordinated debt is issued to meet the capital requirements at bank level and to supply the capital to various operations. This debt generally consists of negotiable instruments and is usually listed on exchanges providing an active secondary market for the debt.

Explanatory Notes

Total deposits including deposits by banks as on balance sheet data is NPR 76.24 billion

Row Labels	Grand Total
Call	10,345,425,921
Current	13,889,712,566
Fixed	24,068,349,788
Margin	726,346,042
Saving	27,207,533,237
Grand Total	76,237,367,552

The bank does not have any debt securities and subordinated liabilities.

3.12 Provisions

Provisions are recognised when the bank has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. A provision is a recognised obligation, which is relatively imminent, and is a reasonable estimate of that obligation at that time. The distinction between an accrual and a provision is that an accrual can be calculated exactly, whereas a provision is the best estimate of the obligation.

A commitment or contingency is a liability for which it is uncertain as to whether it will become an obligation as it depends on the occurrence of an uncertain future event. These amounts are recorded off-balance sheet and generally comprise of documentary credits, forward asset purchases and undrawn formal standby facilities (which may or may not be irrevocable).

Explanatory Notes

The provisions and its movement are reported under schedule 4.22 which includes provisions for expenses. The contingent liabilities & commitments are reported under schedule 4.28.

3.13 Revenue Recognition

Interest Income

Gains and losses arising from changes in the fair value of financial instruments held at fair value through profit or loss are included in the statement of profit or loss in the period in which they arise. Contractual interest income and expense on financial instruments held at fair value through profit or loss is recognised within net interest income.

The general principle is that interest on assets classified as amortised cost or FVOCI is measured using the effective interest method and recorded in 'Interest income'. The bank earns interest income primarily through two activities – lending to customers and investing in debt. Lending to customers to earn interest income is one of the bank's main business activities. NFRS 7 requires the disclosure of gross interest income and gross interest expense on the face of the income statement, together with disclosure of the interest earned on financial assets classified as fair value and those recognised at amortised cost.

For income from loans and advances to customers, initial charges are amortised over the actuarially assessed life of the loan and advances. The income so recognised closely approximates the income that would have been derived under effective interest rate method. The difference is not considered material. The Bank considers that the cost of exact calculation of effective interest rate method exceeds the benefit that would be derived from such compliance.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Where the estimates of cash flows have been revised, the carrying amount of the financial asset or liability is adjusted to reflect the actual and revised cash flows, discounted at the instrument's original effective interest rate. The adjustment is recognised as interest income or expense in the period in which the revision is made.

If the financial asset has been reclassified, subsequent increases in the estimates of future cash receipts as a result of increased recoverability are recognised as an adjustment to the effective interest rate from the date of the change in estimate.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Explanatory Notes

Interest income for the reporting period is Rs.6.5 billion which is presented under schedule 4.29.

Fee and Commission Income

Fees and commissions are generally recognised on an accrual basis when the service has been provided or significant act performed. Loan syndication fees are recognised as revenue when the syndication has been completed and the bank retained no part of the loan package for itself, or retained a part at the same effective interest rate as for the other participants. Portfolio and other management advisory fees and service distribution fees are recognised based on the applicable contracts, usually on a time apportionment basis.

Fees and commissions are integral part of the effective interest of the Loans & Advances. These include origination fees or other yield enhancing fees

Explanatory Notes

Fees & Commission income for the reporting period is Rs. 873.84 million which is presented under schedule 4.31.

Dividend Income

Dividend income received from equity shares is recognized in the books when the bank's right to receive the dividend is established.

Explanatory Notes

Dividend income for the period is Rs.8.85 million and reported under other operating income schedule 4.34.

Net Trading Income

The bank's activities involve trading activities across many financial instruments. The term 'Trading', in the context of financial instruments, is defined as active and frequent buying and selling of financial instruments with the objective of generating a profit from short-term fluctuations in price or dealer's margin. Sometime trading items are held to benefit from short-term price fluctuations without involving buying or selling. Gains and losses on trading instruments are recognised in the income statement on a mark-to-market basis and not on a cash basis.

Foreign exchange translation gains or losses arising from the settlement of transactions in a currency other than a unit's functional currency and the period end translation of monetary assets and liabilities held in a currency other than a reporting unit's functional currency are also reported within net trading income.

Explanatory Notes

Bank's net trading income solely includes gains or losses arising from the settlement of transactions in foreign currency amounting Rs.729 million reported under schedule 4.33.

Net Income from Other Financial Instrument at Fair Value Through Profit or Loss

At initial recognition, the bank may choose to designate certain financial assets and liabilities as being held at fair value through profit or loss (the fair value option). Realised and unrealised gains and losses on these instruments are reported through net trading income.

Explanatory Notes

The bank does not have net trading income from other financial instrument at FVTPL.

3.14 Interest Expense

Interest expense should be measured using the Effective Interest Method for debt instruments not classified as FVTPL. Interest expense is determined in a similar way to interest income, with interest expense incorporating contractual interest due, premiums or discounts and any capitalizable fees and transaction costs such as origination fees or costs.

Explanatory Notes

	Current Year	Previous Year
Fixed Deposits	2,079,430,559	1,248,280,970
Savings Deposits	787,680,353	335,635,395
Call Deposits	110,907,388	58,724,267
Borrowings		
Others	158,385	
Total	2,978,176,685	1,642,640,632

3.15 Employee Benefits

Employee benefits includes all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment.

The Bank operates a defined contribution plans as provident fund contribution of its employees and defined benefit plans for the Gratuity payment requirement under its staff rules.

For defined contribution plans, the Bank pays contributions to the publicly administered provident fund plans on a mandatory basis, and such amounts are charged to operating expenses. The Bank has no further payment obligations once the contributions have been paid.

For funded defined benefit plans, the liability recognised in the Balance Sheet is the present value of the defined benefit obligation at the Balance Sheet date less the fair value of plan assets. Such obligations are estimated on the basis of the actuarial assumptions

The bank provides various loans and advances to the staff as per the staff by-laws of the bank. The various loans and advances provided are Home loan, Auto loan & Personal loan. Staff loan is measured at amortized cost using effective interest rate method and presented in loans and advances to customers under schedule 4.7. Unamortized staff benefits is the difference between the value of loan at carrying amount and present value of staff loan discounted at market rate. Amortization of such deferred benefits the difference between opening and closing present value of loan. Deferred benefits is calculated each year on the closing outstanding balance so that it will consider the prepayment of loan and loan settlement of retired/resigned staff. Deferred benefit is taken from current year calculation as difference between closing value of loan and present value of outstanding loan discounted at market rate. Amortization value for the year (P&L) is taken from prior year staff deferred benefit calculation. Market rate used for staff benefit calculation is the rate applied on the local yearend for differential income calculation.

Explanatory Notes

Employee benefit reported under schedule 4.36 includes provision for bonus as per bonus act.

Defined benefit obligations, plan assets, movement in present value of defined benefit obligation & fair value of assets, actuarial assumptions etc related with long term employee benefits has been presented under schedule 4.23.

The various metrics used for calculation of amortized staff loan is presented below.

Total Staff Loan (NPR)	793,995,620
Unamortized staff benefits (NPR)	210,707,500
Amortized Staff Loan (NPR)	583,288,119

Particulars	Home Loan	Auto Loan	Personal Loan
Original Average Tenure (Yrs)	20.23	6.62	4.85
Remaining Average Tenure (Yrs)	15.32	4.29	3.67
Interest Rate %	2	3	5
Market Rate	7.74	7.74	7.74

3.16 Leases

Leases that are not finance leases are operating leases. Unless title is expected to pass to the bank at the end of the lease term, leases of land should be treated as operating leases. An assessment of the lease classification is made at the inception of a lease based on its substance. Lease payments under an operating lease are recognised as an expense at the commencement of the lease term. Operating leases are not recognised on the balance sheet. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. So where lease payments are stepped over the non-cancellable portion of the lease term, they should be spread evenly over the lease term. However, for income tax purpose the expenses has been claimed on actual payment basis. Bank has applied the provision of NAS 17 for recognition of operating lease.

Explanatory Notes

Operating lease expenses is shown in schedule 4.37 under other operating expenses.

3.17 Foreign Currency Translation

Foreign currency transactions are those conducted in a currency other than the functional currency of an entity. The functional currency is the currency of the primary economic environment in which an entity operates. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction date.

Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the statement of profit or loss.

Non-monetary assets and liabilities are translated at historical exchange rates if held at historical cost, or year-end exchange rates if held at fair value, and the resulting foreign exchange gains and losses are recognised in either the statement of profit or loss or shareholders' equity depending on the treatment of the gain or loss on the asset or liability.

Explanatory Notes

Foreign currency translation gain/loss is presented under schedule 4.34 other operating income. 25% of such revaluation gain is transferred to foreign exchange fluctuation fund as per the requirement of NRB directive.

Foreign exchange revaluation gain	115,267,421
25% of the gain transferred to foreign exchange fluctuation fund	28,816,855

3.18 Financial Guarantee and Loan Commitment

Financial guarantee contracts are contracts that require the bank to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment on a debt instrument. A loan commitment is a firm commitment to provide credit under pre-specified terms and conditions in the future. Financial Guarantee contracts and Loan Commitments are measured at the higher of:

- the expected credit losses on the exposure; or
- the fair value of the instrument at initial recognition (plus transaction costs) less the cumulative amount of revenue recognised on the instrument.

Loan commitments will be treated as derivatives if there is a pattern of selling the resultant assets within a short period after their origination. Loan commitments in our regular business like Lending, Trade Finance, Consumer Finance and ALM do not fall in this category, and accordingly will not be treated as derivatives. However, transactions in Loan syndication and underwriting activities may have some of these features.

Explanatory Notes

Financial guarantee is reported under schedule 4.28 contingent liabilities and commitments under the sub-heading "Guarantees".

The bank does not have any loan commitments that meets the definition of derivatives except the undrawn portion of overdrafts and other loans.

3.19 Share Capital and Reserves

Financial instruments issued are classified as equity when there is no contractual obligation to transfer cash, other financial assets or issue available number of own equity instruments. Incremental costs directly attributable to the issue of new shares are shown in equity as deduction net of taxes from the proceeds.

Dividends on ordinary shares and preference shares classified as equity are recognised in equity in the period in which they are paid.

Explanatory Notes

Equity Share Capital – over the years movements

Paid up share capital of the Bank has moved over the years as follows:

Financial Year	Cumulative Paid up Capital NPR	Remarks
	2,812,426,000	Balance as at 15 July 2016
16-17	937,475,333	Issue of Bonus Shares and Fraction adjusted
	255,814,000	Further Public Offer Issued
	4,005,715,333	Balance as at 15 July 2017
17-18	4,005,715,334	Issue of Bonus Shares
	8,011,430,667	Balance as at 16 July 2018
18-19	8,011,430,667	Balance as at 16 July 2019

Details of share capital is reported under schedule 4.26 share capital. The details of shareholders holding more than 0.5% is presented below.

SN	Shareholder Name	Total Shareholdings	Shareholder Percentage
1	Standard Chartered Grindlays Pty Ltd	37,499,013	46.81%
2	Standard Chartered Bank UK	18,749,507	23.40%
3	Shankar Lal Agrawal	555,188	0.69%
4	Sashi Agrawal	561,458	0.70%
5	Priyanka Agrawal	561,458	0.70%
6	Komal Agrawal	561,458	0.70%
7	Avinash Agrawal	561,458	0.70%

Proposed Distributions (Dividends and Bonus Shares)

The Board has recommended 22.50% as cash dividend for the reported year, 2018-19. This proposal of the Board of Directors is subject to the ratification by the annual general meeting of the shareholders. The proposed distribution shall be recognised in equity in the period in which they are paid.

The reserves include regulatory and free reserves and is depicted under schedule 4.27.

3.19.1 General Reserve

There is a regulatory requirement to set aside 20% of the net profit to the general reserve until the reserve is twice the paid up share capital and thereafter minimum 10% of the net profit. The reserve is the accumulation of setting aside of profits over the years.

3.19.2 Exchange Fluctuation Fund

There is a regulatory requirement to set aside 25% of the foreign exchange revaluation gain on the translation of foreign currency to the reporting currency. The reserve is the accumulation of such gains over the years. (also refer note 3.17)

3.19.3 Regulatory Reserve:

There is a regulatory requirement to earmark certain transitions like accrued interest receivable, deferred tax, actuarial gain/loss etc from retained earnings and transfer to regulatory reserves. Amount in this account is not distributable unless approved by the regulator.

3.19.4 Fair value Reserve :

Fair value reserve is the difference between cost price and market value of equity investment as on the balance sheet date.

3.19.5 Movement in reserves

Movements in the reserves are given in detail in Statement of Changes in Equity.

3.20 Earnings Per Share including Diluted

The Bank measures earning per share on the basis of the earning attributable to the equity shareholders for the period. The number of shares is taken as the weighted average number of shares for the relevant period as required by NAS 33 Earnings per Share.

Explanatory Notes

	Current Year	Previous Year
Earning attributable to equity shareholders	2,434,664,521	2,189,898,090
Weighted average number of shares for the period	80,114,307	80,114,307
Earnings per share (NPR)	30.39	27.33

There are no instruments, such as convertibles, that would require dilution of EPS, therefore diluted EPS is same as basic EPS.

3.21 Segment Reporting

The Bank is organised for management and reporting purposes into segments such as: Retail Clients, Commercial clients, Corporate & Institutional Clients and Treasury. The products offered to these client segments are summarised under 'Income by product' below. The focus is on broadening and deepening the relationship with clients, rather than maximising a particular product line. Hence the Bank evaluates segmental performance based on overall profit or loss before taxation (excluding corporate items not allocated) and not individual product profitability. Product revenue information is used as a way of assessing client needs and trends in the market place. The strategies adopted by the client segments is adapted to local market and regulatory requirements.

Cash and cash equivalent

4.1

	Current Year	Previous Year
Cash in hand	920,032,580	1,014,367,636
Balances with B/FIs	922,862,982	994,278,158
Money at call and short notice	1,800,000,000	11,945,660,000
Other	8,984,089,876	8,094,022,247
Total	12,626,985,439	22,048,328,040

Due from Nepal Rastra Bank

4.2

	Current Year	Previous Year
Statutory balances with NRB	2,454,907,094	3,982,461,794
Securities purchased under resale agreement		
Other deposit and receivable from NRB		
Total	2,454,907,094	3,982,461,794

Placements with Bank and Financial Institutions

4.3

	Current Year	Previous Year
Placement with domestic B/FIs		
Placement with foreign B/FIs	9,902,700,000	4,831,200,000
Less: Allowances for impairment		
Total	9,902,700,000	4,831,200,000

Derivative financial instruments

4.4

	Current Year	Previous Year
Held for trading	995,402	9,050,766
Interest rate swap		
Currency swap		
Forward exchange contract	995,402	9,050,766
Others		
Held for risk management	42,342,200	157,741
Interest rate swap		
Currency swap		
Forward exchange contract	39,155,532	157,741
Other	3,186,668	
Total	43,337,602	9,208,507

Other trading assets

4.5

	Current Year	Previous Year
Treasury bills		
Government bonds		
NRB Bonds		
Domestic Corporate bonds		
Equities		
Other		
Total		
Pledged		
Non-pledged		

Loan and advances to B/FIs

4.6

	Current Year	Previous Year
Loans to microfinance institutions	2,567,019,437	2,156,324,485
Other		
Less: Allowances for impairment	(25,554,397)	(21,474,768)
Total	2,541,465,040	2,134,849,717

4.6.1: Allowances for impairment

Balance at Shrawan 1	21,474,768	6,115,046
Impairment loss for the year:		
Charge for the year	4,079,629	5,382,933
Recoveries/reversal		9,976,789
Amount written off		
Balance at Ashad end	25,554,397	21,474,768

Loans and advances to customers

4.7

	Current Year	Previous Year
Loan and advances measured at amortized cost	53,695,834,516	45,080,889,812
Less: Impairment allowances		
Collective impairment	(524,045,533)	(439,567,465)
Individual impairment	(79,672,478)	(79,992,197)
Net amount	53,092,116,505	44,561,330,150
Loan and advances measured at FVTPL		
Total	53,092,116,505	44,561,330,150

4.7.1: Analysis of loan and advances - By Product

	Current Year	Previous Year
Product		
Term loans	3,992,579,345	2,073,563,212
Overdraft	4,310,619,896	2,738,944,605
Trust receipt/Import loans	5,965,373,282	4,893,148,029
Demand and other working capital loans	12,589,687,947	11,907,693,577
Personal residential loans	8,518,001,341	7,732,353,331
Real estate loans	4,015,061,557	2,992,958,096
Margin lending loans		
Hire purchase loans	4,805,033,401	4,408,538,144
Deprived sector loans	143,000,245	155,998,140
Bills purchased	51,365,735	24,014,744
Staff loans	583,288,119	422,203,444
Other	7,844,917,143	7,001,866,504
Sub total	52,818,928,009	44,351,281,826
Interest receivable	273,188,495	210,048,324
Grand total	53,092,116,505	44,561,330,150

4.7.2: Analysis of loan and advances - By Currency

	Current Year	Previous Year
Nepalese rupee	51,684,556,476	43,431,730,817
Indian rupee		
United State dollar	1,406,154,090	1,127,777,424
Great Britain pound		361,064
Euro	1,405,939	1,460,846
Japenese yen		
Chinese yuan		
Other		
Total	53,092,116,505	44,561,330,150

4.7.3: Analysis of loan and advances - By Collateral

	Current Year	Previous Year
Secured		
Movable/immovable assets	49,027,095,234	40,436,955,455
Gold and silver		
Guarantee of domestic B/FIs		
Government guarantee	137,418,963	137,418,963
Guarantee of international rated bank	894,259,774	1,332,812,199
Collateral of export document		
Collateral of fixed deposit receipt	276,433,332	349,191,200
Collateral of Government securities		
Counter guarantee		
Personal guarantee		
Other collateral	2,756,909,202	2,304,952,333
Subtotal	53,092,116,505	44,561,330,150
Unsecured		
Grant Total	53,092,116,505	44,561,330,150

4.7.4: Allowances for impairment

	Current Year	Previous Year
Specific allowances for impairment		
Balance at Shrawan 1	79,992,197	22,337,221
Impairment loss for the year:		
Charge for the year	4,817,111	
Recoveries/reversal during the year	(5,136,829)	6,522,305
Write-offs		
Exchange rate variance on foreign currency impairment		
Other movement		51,132,670
Balance at Ashadh end	79,672,478	79,992,197
Collective allowances for impairment		
Balance at Shrawan 1	439,567,465	146,520,149
Impairment loss for the year:		
Charge/(reversal) for the year	84,478,068	62,983,578
Exchange rate variance on foreign currency impairment		
Other movement		230,063,738
Balance at Ashadh end	524,045,533	439,567,465
Total allowances for impairment	603,718,011	519,559,662

Investment securities 4.8

	Current Year	Previous Year
Investment securities measured at amortized cost	11,266,153,734	4,418,930,697
Investment in equity measured at FVTOCI	269,009,930	242,062,297
Total	11,535,163,663	4,660,992,993

4.8.1: Investment securities measured at amortized cost

	Current Year	Previous Year
Debt securities		
Government bonds	150,697,500	253,672,208
Government treasury bills	11,115,456,234	4,165,258,489
Nepal Rastra Bank bonds		
Nepal Rastra Bank deposits instruments		
Other		
Less: specific allowances for impairment		
Total	11,266,153,734	4,418,930,697

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

	Current Year	Previous Year
Equity instruments		
Quoted equity securities	265,274,430	238,326,797
Unquoted equity securities	3,735,500	3,735,500
Total	269,009,930	242,062,297

4.8.3: Information relating to investment in equities

	Current Year		Previous Year	
	Cost	Fair Value	Cost	Fair Value
Investment in quoted equity	52,250,000	265,274,430	52,250,000	238,326,797
RMDC Laghubitta Bittiya Sanstha Ltd. 802,319 shares of Rs. 100 each	52,190,000	265,166,430	52,190,000	238,142,897
Grameen Bikas Laghubitta Bittiya Sanstha Ltd. 600 shares of Rs. 100 each	60,000	108,000	60,000	183,900
Investment in unquoted equity	3,735,500	3,735,500	3,735,500	3,735,500
Credit Information Company Ltd. 123,522 shares of Rs. 100 each	1,235,500	1,235,500	1,235,500	1,235,500
Nepal Clearing House Ltd. 36,000 shares of Rs. 100 each	2,500,000	2,500,000	2,500,000	2,500,000
Total	55,985,500	269,009,930	55,985,500	242,062,297

Current tax assets

4.9

	Current Year	Previous Year
Current tax assets	1,073,020,156	936,871,209
Current year income tax assets	1,112,716,067	918,455,645
Tax assets of prior periods	(39,695,911)	18,415,564
Current tax liabilities	1,022,938,719	976,567,120
Current year income tax liabilities	1,022,938,719	974,789,020
Tax liabilities of prior periods		1,778,100
Total	50,081,437	(39,695,911)

Investment in subsidiaries

4.10

	Current Year	Previous Year
Investment in quoted subsidiaries		
Investment in unquoted subsidiaries		
Total investment		
Less: Impairment allowances		
Net carrying amount		

4.10.1: Investment in quoted subsidiaries

	Current Year Cost	Previous Year Cost
.....Ltd.		
.....shares of Rs.each		
.....Ltd.		
.....shares of Rs.each		
.....		
Total		

4.10.2: Investment in unquoted subsidiaries

	Current Year Cost	Previous Year Cost
.....Ltd.		
.....shares of Rs.each		
.....Ltd.		
.....shares of Rs.each		
.....		
Total		

4.10.3: Information relating to subsidiaries of the Bank

	Percentage of ownership held by the Bank	
	Current Year	Previous Year
.....Ltd.		
.....Ltd.		
.....Ltd.		
.....Ltd.		
.....		

4.10.4: Non controlling interest of the subsidiaries

Equity interest held by NCI (%)
 Profit/(loss) allocated during the year
 Accumulated balances of NCI as on Ashadh end.....
 Dividend paid to NCI

Equity interest held by NCI (%)
 Profit/(loss) allocated during the year
 Accumulated balances of NCI as on Ashadh end.....
 Dividend paid to NCI

Investment in associates

4.11

	Current Year	Previous Year
Investment in quoted associates		
Investment in unquoted associates		
Total investment		
Less: Impairment allowances		
Net carrying amount		

4.11.1: Investment in quoted associates

	Current Year	Previous Year
	Cost	Cost
.....Ltd.		
.....shares of Rs.each		
.....Ltd.		
.....shares of Rs.each		
.....		
Total	-	-

4.11.2: Investment in unquoted associates

	Current Year Cost	Previous Year Cost
.....Ltd.		
.....shares of Rs.each		
.....Ltd.		
.....shares of Rs.each		
.....		
Total		

4.11.3: Information relating to associates of the Bank

	Percentage of ownership held by the Bank	
	Current Year	Previous Year
.....Ltd.		
.....Ltd.		
.....Ltd.		
.....Ltd.		
.....		

4.11.4: Equity value of associates

.....Ltd.
.....Ltd.
.....
Total

Investment properties

4.12

	Current Year	Previous Year
Investment properties measured at fair value		
Balance as on Shrawan 1,		
Addition/disposal during the year		
Net changes in fair value during the year		
Adjustment/transfer		
Net amount		
Investment properties measured at cost		
Balance as on Shrawan 1,		
Addition/disposal during the year		
Adjustment/transfer		
Accumulated depreciation		
Accumulated impairment loss		
Net amount		
Total		

Property and Equipment

4.13

Particulars	Land	Building	Leasehold Properties	Computer & Accessories	Vehicles	Furniture & Fixture	Machinery	Equipment & Others	Total Ashadh End 2076	Total Ashadh End 2075
Cost										
As on Shrawan 1, 2074			109,731,872	129,502,456	62,827,517	29,276,708	38,760,755	41,297,704		411,397,012
Addition during the Year			49,858,558	2,344,750	2,195,000	6,429,682	2,000,000	3,500,299		66,328,289
Acquisition										
Capitalization			3,570,152	500,454	7,418,424	2,550,424	1,198,000	5,457,379		20,694,833
Disposal during the year										
Adjustment/Revaluation										
Balance as on Ashadh end 2075			156,020,278	131,346,752	57,604,093	33,155,966	39,562,755	39,340,624		457,030,468
Addition during the Year			1,297,938	31,264,795	21,900,000			13,067,164	67,529,898	
Acquisition										
Capitalization										
Disposal during the year			2,657,688	8,428,677	14,270,120	1,680,711		814,415	27,851,611	
Adjustment/Revaluation										
Balance as on Ashadh end 2076			154,660,528	154,182,869	65,233,973	31,475,255	39,562,755	51,593,374	496,708,754	457,030,468
Depreciation and Impairment										
As on Shrawan 1, 2074			71,713,111	109,097,240	54,264,309	25,624,625	36,548,429	37,469,831		334,717,544
Depreciation charge for the Year			9,856,866	5,993,422	4,516,819	749,361	2,240,103	2,656,456		26,013,028
Impairment for the year										
Disposals			2,733,299	500,454	7,418,424	2,289,916	1,198,000	5,457,379		19,597,473
Adjustment										
As on Ashadh end 2075			78,836,678	114,590,208	51,362,704	24,084,069	37,590,532	34,668,907		341,133,099
Impairment for the year										
Depreciation charge for the Year			14,356,898	10,769,946	3,627,582	2,983,905	666,667	3,286,318	35,691,317	
Disposals			2,657,688	8,428,677	14,270,120	1,680,711		814,415	27,851,611	
Adjustment										
As on Ashadh end 2076			90,535,888	116,931,477	40,720,166	25,387,264	38,257,199	37,140,811	348,972,804	341,133,099
Capital Work in Progress										
Net Book Value										
As on Ashadh end 2074			38,018,761	20,405,216	8,563,208	3,652,083	2,212,325	3,827,873	76,679,467	
As on Ashadh end 2075			77,183,600	16,756,544	6,241,389	9,071,897	1,972,222	4,671,717	115,897,369	115,897,369
As on Ashadh end 2076			64,124,641	37,251,393	24,513,807	6,087,992	1,305,556	14,452,563	147,735,950	

Goodwill and Intangible Assets

4.14

Particulars	Goodwill	Software		Other	Total Ashadh end 2076	Total Ashadh end 2075
		Purchased	Developed			
Cost						
As on Shrawan 1, 2074						
Addition during the Year						
Acquisition						
Capitalization						
Disposal during the year						
Adjustment/Revaluation						
Balance as on Ashadh end 2075						
Addition during the Year						
Acquisition						
Capitalization						
Disposal during the year						
Adjustment/Revaluation						
Balance as on Ashadh end 2076						
Amortization and Impairment						
As on Shrawan 1, 2074						
Amortization charge for the Year						
Impairment for the year						
Disposals						
Adjustment						
As on Ashadh end 2075						
Amortization charge for the Year						
Impairment for the year						
Disposals						
Adjustment						
As on Ashadh end 2076						
Capital Work in Progress						
Net Book Value						
As on Ashadh end 2074						
As on Ashadh end 2075						
As on Ashadh end 2076						

Deferred Tax

4.15

			Current Year
	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets/ (Liabilities)
Deferred tax on temporary differences on following items			
Loan and Advance to B/FIs			
Loans and advances to customers	34,353,891		34,353,891
Investment properties			
Investment securities	6,093,510	63,907,329	(57,813,819)
Property & equipment	40,316,365		40,316,365
Employees' defined benefit plan	21,409,336	16,311,409	5,097,927
Lease liabilities	23,669,845		23,669,845
Provisions	26,173,623		26,173,623
Other temporary differences			
Deferred tax on temporary differences	152,016,570	80,218,738	71,797,832
Deferred tax on carry forward of unused tax losses			
Deferred tax due to changes in tax rate			
Net Deferred tax asset/(liabilities) as on year end of Ashadh end 2076			71,797,832
Deferred tax (asset)/liabilities as on Shrawan 1 2075			75,546,496
Origination/(Reversal) during the year			(3,748,664)
Deferred tax expense/(income) recognised in profit or loss			(17,073,710)
Deferred tax expense/(income) recognised in other comprehensive income			13,325,046
Deferred tax expense/(income) recognised directly in equity			-

Continued

	Deferred Tax Assets	Deferred Tax Liabilities	Previous Year Net Deferred Tax Assets/ (Liabilities)
Deferred tax on temporary differences on following items			
Loan and Advance to B/FIs			
Loans and advances to customers	27,997,316		27,997,316
Investment properties			
Investment securities	18,930,274	65,145,086	(46,214,812)
Property & equipment	44,418,513		44,418,513
Employees' defined benefit plan	2,802,465		2,802,465
Lease liabilities	22,425,868		22,425,868
Provisions	24,117,147		24,117,147
Other temporary differences			
Deferred tax on temporary differences	140,691,582	65,145,086	75,546,496
Deferred tax on carry forward of unused tax losses			
Deferred tax due to changes in tax rate			
Net Deferred tax asset/(liabilities) as on year end of 2075			75,546,496
Deferred tax (asset)/liabilities as on Shrawan 1, 2074			(46,962,305)
Origination/(Reversal) during the year			122,508,802
Deferred tax expense/(income) recognised in profit or loss			145,083,842
Deferred tax expense/(income) recognised in other comprehensive income			13,878,347
Deferred tax expense/(income) recognised in directly in equity			(36,453,387)

Other assets

4.16

	Current Year	Previous Year
Assets held for sale		
Other non banking assets		
Bills receivable		
Accounts receivable		
Accrued income	103,506,268	45,221,775
Prepayments and deposit	40,863,645	29,380,850
Income tax deposit		
Deferred employee expenditure	210,707,500	221,568,829
Other Assets	442,815,147	378,697,176
Total	797,892,561	674,868,630

Due to Bank and Financial Institutions 4.17

	Current Year	Previous Year
Money market deposits		
Interbank borrowing		
Other deposits from BFIs	505,840,120	326,710,474
Settlement and clearing accounts		
Other deposits from BFIs		
Total	505,840,120	326,710,474

Due to Nepal Rastra Bank 4.18

	Current Year	Previous Year
Refinance from NRB		
Standing Liquidity Facility		
Lender of last resort facility from NRB		
Securities sold under repurchase agreements		
Other payable to NRB		
Total		

Derivative financial instruments 4.19

	Current Year	Previous Year
Held for trading		
Interest rate swap		
Currency swap		
Forward exchange contract		
Others		
Held for risk management		
Interest rate swap		
Currency swap		
Forward exchange contract		
Other		
Total		

Deposits from customers 4.20

	Current Year	Previous Year
Institutions customers:	38,558,806,709	37,371,611,647
Term deposits	12,978,365,116	16,601,309,050
Call deposits	10,285,686,042	3,048,270,116
Current deposits	12,991,942,140	14,778,589,210
Other	2,302,813,412	2,943,443,270
Individual customers:	37,172,720,723	29,689,434,875
Term deposits	11,089,984,672	8,130,416,816
Saving deposits	25,562,666,135	20,930,227,325
Current deposits	391,930,306	419,831,470
Other deposits	128,139,611	208,959,264
Total	75,731,527,432	67,061,046,522

4.20.1: Currency wise analysis of deposit from customers

Nepalese rupee	61,672,549,967	50,297,320,658
Indian rupee		
United State dollar	13,224,329,230	15,948,050,840
Great Britain pound	689,924,277	532,277,915
Euro	91,662,457	151,975,597
Japanese yen	3,581,637	3,107,977
Chinese yuan		
Other	49,479,864	128,313,536
Total	75,731,527,432	67,061,046,522

Borrowing

4.21

	Current Year	Previous Year
Domestic Borrowing		
Nepal Government		
Other Institutions		
Other		
Sub total		
Foreign Borrowing		
Foreign Bank and Financial Institutions		
Multilateral Development Banks		
Other Institutions		
Sub total		
Total		

Provisions

4.22

	Current Year	Previous Year
Provisions for redundancy		
Provision for restructuring		
Pending legal issues and tax litigation		
Onerous contracts		
Other	42,375,566	45,926,482
Total	42,375,566	45,926,482

4.22.1: Movement in provision

	Current Year	Previous Year
Balance at Shrawan 1	45,926,482	148,725,208
Provisions made during the year	42,375,566	45,926,482
Provisions used during the year	(45,926,482)	(148,725,208)
Provisions reversed during the year		
Unwind of discount		
Balance at Ashadh end	42,375,566	45,926,482

Other liabilities

4.23

	Current Year	Previous Year
Liability for employees defined benefit obligations	16,993,090	9,341,551
Liability for long-service leave	28,323,490	12,762,389
Short-term employee benefits	56,084,015	59,946,683
Bills payable	174,357,813	178,176,580
Creditors and accruals	635,977,924	622,059,512
Interest payable on deposit	492,277,152	326,317,847
Interest payable on borrowing		
Liabilities on deferred grant income		
Unpaid Dividend	109,619,867	40,609,868
Liabilities under Finance Lease		
Employee bonus payable	386,075,217	335,721,541
Liabilities under Operating Lease	78,899,482	74,752,892
Other liabilities	78,757,399	36,113,266
Total	2,057,365,446	1,695,802,130

4.23.1: Defined benefit obligations

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

	Current Year	Previous Year
Present value of unfunded obligations	16,993,090	9,341,551
Present value of funded obligations	429,270,292	324,005,515
Total present value of obligations	446,263,383	333,347,066
Fair value of plan assets	429,270,292	324,005,515
Present value of net obligations	16,993,090	9,341,551
Recognised liability for defined benefit obligations	16,993,090	9,341,551

4.23.2: Plan assets

Plan assets comprise

	Current Year	Previous Year
Equity securities		
Government bonds		
Bank deposit*	429,270,292	324,005,515
Other		
Total	429,270,292	324,005,515

Actual return on plan assets

* Bank Deposits include Rs.413 million in FD and Rs.16 million in other deposits

4.23.3: Movement in the present value of defined benefit obligations

	Current Year	Previous Year
Defined benefit obligations at Shrawan 1	333,347,066	351,254,718
Actuarial losses	71,364,452	6,647,078
Benefits paid by the plan	(16,447,631)	(74,152,063)
Current service costs and interest	57,999,495	49,597,333
Defined benefit obligations at Ashadh end	446,263,383	333,347,066

4.23.4: Movement in the fair value of plan assets

	Current Year	Previous Year
Fair value of plan assets at Shrawan	324,005,515	347,995,559
Contributions paid into the plan	92,028,475	37,421,057
Benefits paid during the year	(16,447,631)	(74,152,063)
Actuarial (losses) gains		(8,540,587)
Expected return on plan assets	29,683,933	21,281,548
Fair value of plan assets at Ashadh end	429,270,292	324,005,515

4.23.5: Amount recognised in profit or loss

	Current Year	Previous Year
Current service costs	31,150,428	26,893,333
Interest on obligation	26,849,068	22,704,000
Expected return on plan assets	29,683,933	21,281,548
Total	28,315,562	28,315,785

4.23.6: Amount recognised in other comprehensive income

	Current Year	Previous Year
Actuarial (gain)/loss	71,364,452	15,187,665
Total	71,364,452	15,187,665

4.23.7: Actuarial assumptions

	Current Year	Previous Year
Discount rate	7%	7%
Expected return on plan asset	7%	7%
Future salary increase	6%	6%
Withdrawal rate		

Debt securities issued

4.24

	Current Year	Previous Year
Debt securities issued designated as at fair value through profit or loss		
Debt securities issued at amortised cost		
Total		

Subordinated Liabilities

4.25

	Current Year	Previous Year
Redeemable preference shares		
Irredeemable cumulative preference shares (liabilities component)		
Other		
Total		

Share capital

4.26

	Current Year	Previous Year
Ordinary shares	8,011,430,667	8,011,430,667
Convertible preference shares (equity component only)		
Irredeemable preference shares (equity component only)		
Perpetual debt (equity component only)		
Total	8,011,430,667	8,011,430,667

4.26.1: Ordinary shares

	Current Year	Previous Year
Authorized Capital		
90,000,000 Ordinary share of Rs. 100 each	9,000,000,000	9,000,000,000
Previous Year - 90,000,000 share of Rs. 100 each		
Issued capital		
80,114,306 Ordinary share of Rs. 100 each	8,011,430,667	8,011,430,667
Previous Year - 80,114,306 share of Rs. 100 each		
Subscribed and paid up capital		
80,114,306 Ordinary share of Rs. 100 each	8,011,430,667	8,011,430,667
Previous Year - 80,114,306 share of Rs. 100 each		
Total	8,011,430,667	8,011,430,667

4.26.2: Ordinary share ownership

	Current Year	Previous Year
	Percent	Percent
Domestic ownership	29.79	29.79
Nepal Government		
"A" class licensed institutions		
Other licensed institutions		
Other Institutions	2.31	2.44
Public	27.48	27.35
Other		
Foreign ownership	70.21	70.21
Total	100.00	100.00

Reserves

4.27

	Current Year	Previous Year
Statutory general reserve	4,106,760,537	3,619,827,633
Exchange equalisation reserve	495,322,385	466,505,530
Corporate social responsibility reserve		
Capital redemption reserve		
Regulatory reserve	458,115,116	346,035,099
Investment adjustment reserve		
Capital reserve		
Assets revaluation reserve		
Fair value reserve	149,117,100	130,253,758
Dividend equalisation reserve		
Actuarial gain	(101,547,682)	(51,592,565)
Special reserve		
Other reserve		
Total	5,107,767,456	4,511,029,453

Contingent liabilities and commitments

4.28

	Current Year	Previous Year
Contingent liabilities	38,203,681,168	23,807,712,608
Undrawn and undisbursed facilities	8,992,154,138	9,864,862,724
Capital commitment		
Lease Commitment		
Litigation		
Total	47,195,835,306	33,672,575,332

4.28.1: Contingent liabilities

	Current Year	Previous Year
Acceptance and documentary credit	5,237,487,315	4,056,110,502
Bills for collection	1,226,930,948	726,595,153
Forward exchange contracts	4,108,965,640	2,354,578,760
Guarantees	25,243,974,128	14,863,805,387
Underwriting commitment		
Other commitments	2,386,323,138	1,806,622,806
Total	38,203,681,168	23,807,712,608

4.28.2: Undrawn and undisbursed facilities

	Current Year	Previous Year
Undisbursed amount of loans		
Undrawn limits of overdrafts	8,992,154,138	9,864,862,724
Undrawn limits of credit cards		
Undrawn limits of letter of credit		
Undrawn limits of guarantee		
Total	8,992,154,138	9,864,862,724

4.28.3: Capital commitments

	Current Year	Previous Year
Capital commitments in relation to Property and Equipment		
Approved and contracted for		
Approved but not contracted for		
Sub total		
Capital commitments in relation to Intangible assets		
Approved and contracted for		
Approved but not contracted for		
Sub total		
Total		

4.28.4: Lease commitments

	Current Year	Previous Year
Operating lease commitments		
Future minimum lease payments under non cancellable operating lease, where the bank is lessee		
Not later than 1 year		
Later than 1 year but not later than 5 years		
Later than 5 years		
Sub total		
Finance lease commitments		
Future minimum lease payments under non cancellable operating lease, where the bank is lessee		
Not later than 1 year		
Later than 1 year but not later than 5 years		
Later than 5 years		
Sub total		
Grand total		

4.28.5: Litigation

Interest income

4.29

	Current Year	Previous Year
Cash and cash equivalent		
Due from Nepal Rastra Bank		
Placement with bank and financial institutions	529,072,008	361,800,798
Loan and advances to bank and financial institutions	241,360,241	169,300,990
Loans and advances to customers	5,389,267,198	4,210,137,599
Investment securities	287,622,686	164,021,237
Loan and advances to staff	47,109,976	31,145,097
Other	5,606,574	4,269,066
Total interest income	6,500,038,683	4,940,674,787

Interest expense

4.30

	Current Year	Previous Year
Due to bank and financial institutions	53,425	
Due to Nepal Rastra Bank		
Deposits from customers	2,978,018,301	1,642,640,632
Borrowing		
Debt securities issued		
Subordinated liabilities		
Other	104,960	
Total interest expense	2,978,176,685	1,642,640,632

Fees and Commission Income

4.31

	Current Year	Previous Year
Loan administration fees	2,921,964	5,576,855
Service fees	11,083	48,008
Consortium fees		
Commitment fees	204,238	274,069
DD/TT/Swift fees	18,497,684	17,716,759
Credit card/ATM issuance and renewal fees	149,960,466	130,163,886
Prepayment and swap fees		
Investment banking fees		
Asset management fees		
Brokerage fees		
Remittance fees	49,468,404	52,454,814
Commission on letter of credit	11,996,241	54,217,732
Commission on guarantee contracts issued	597,775,743	369,328,490
Commission on share underwriting/issue		
Locker rental	6,918,994	6,740,347
Other fees and commission income	36,089,862	87,874,884
Total fees and Commission Income	873,844,680	724,395,844

Fees and commission expense

4.32

	Current Year	Previous Year
ATM management fees	5,898,409	4,734,501
VISA/Master card fees	21,568,014	38,184,208
Guarantee commission		
Brokerage		
DD/TT/Swift fees		
Remittance fees and commission		
Other fees and commission expense	17,630,131	17,721,281
Total fees and Commission Expense	45,096,554	60,639,990

Net trading income

4.33

	Current Year	Previous Year
Changes in fair value of trading assets		
Gain/loss on disposal of trading assets		
Interest income on trading assets		
Dividend income on trading assets		
Gain/loss foreign exchange transaction	729,050,453	594,265,250
Other		
Net trading income	729,050,453	594,265,250

Other operating income

4.34

	Current Year	Previous Year
Foreign exchange revaluation gain	115,267,421	112,334,239
Gain/loss on sale of investment securities		
Fair value gain/loss on investment properties		
Dividend on equity instruments	8,854,284	11,341,678
Gain/loss on sale of property and equipment	7,829,000	827,556
Gain/loss on sale of investment property		
Operating lease income		
Gain/loss on sale of gold and silver		
Locker rent		
Other		
Total	131,950,705	124,503,473

Impairment charge/(reversal) for loan and other losses**4.35**

	Current Year	Previous Year
Impairment charge/(reversal) on loan and advances to B/FIs	4,079,629	5,382,933
Impairment charge/(reversal) on loan and advances to customer	84,158,349	69,505,883
Impairment charge/(reversal) on financial Investment		
Impairment charge/(reversal) on placement with banks and financial institutions		
Impairment charge/(reversal) on property and equipment		
Impairment charge/(reversal) on goodwill and intangible assets		
Impairment charge/(reversal) on investment properties		
Total	88,237,978	74,888,816

Personnel Expense**4.36**

	Current Year	Previous Year
Salary	415,602,721	384,823,363
Allowances	1,708,512	1,906,071
Gratuity expense	28,315,562	28,315,785
Provident fund	25,131,255	22,089,383
Uniform	191,446	248,760
Training & development expense	11,670,150	6,771,095
Leave encashment	15,561,100	12,762,389
Medical	10,868,258	9,946,274
Insurance	2,957,273	2,598,779
Employees incentive	97,969,287	126,569,785
Cash-settled share-based payments		
Pension expense		
Finance expense under NFRS	27,558,881	17,215,319
Other expenses related to staff	60,749,337	48,908,760
Subtotal	698,283,783	662,155,763
Employees bonus	386,075,217	335,721,541
Grand total	1,084,358,999	997,877,304

Other operating expense**4.37**

	Current Year	Previous Year
Directors' fee	668,500	660,500
Directors' expense	1,485,784	1,081,112
Auditors' remuneration	2,643,250	2,671,500
Other audit related expense		
Professional and legal expense	7,816,264	6,951,838
Office administration expense	422,851,044	470,522,444
Operating lease expense	89,730,674	82,428,382
Operating expense of investment properties		
Corporate social responsibility expense	500,900	
Onerous lease provisions		
Other		
Total	525,696,417	564,315,775

Office Administration Expenses**4.37.1**

	Current Year	Previous Year
Water & Electricity	12,530,276	13,818,188
Repair and Maintenance	39,834,262	48,020,583
a) Building	5,984,098	5,261,495
b) Vehicles	1,885,690	1,849,019
c) Computer and accessories	16,105,120	21,705,500
d) Office equipment and furniture	2,153,043	1,778,055
e) Other	13,706,311	17,426,515
Insurance	7,059,241	4,198,318
Postage, telex, telephone, fax	32,016,732	33,124,912
Printing and stationary	31,279,788	30,049,728
Newspaper, books and journals	31,888	55,960
Advertisement	23,803,701	27,641,628
Donation		
Security expense	33,049,083	22,320,671
Deposit and loan guarantee premium	13,378,653	12,356,757
Travel allowance and expense	12,382,952	14,692,183
Entertainment	1,711,910	3,019,078
Annual/special general meeting expense	2,996,889	2,645,924
Other	212,775,669	258,578,515
(a) Office Equipment and Furniture (Not Capitalized)	14,634,800	21,693,359
(b) Cleaning Expenses	16,155,810	12,126,754
(c) Clearing House Charges	2,581,229	2,045,748
(d) Technology Support Cost (Technical Services Fees)	142,300,219	148,466,861
(e) Commission and Discount	5,785,693	14,037,104
(f) Hire of Vehicle and Equipments	1,882,525	1,496,524
(g) Other Professional Fees	10,087,106	11,315,893
(h) Other	19,348,287	47,396,272
Total	422,851,044	470,522,444

Depreciation & Amortisation

4.38

	Current Year	Previous Year
Depreciation on property and equipment	35,691,317	26,013,028
Depreciation on investment property		
Amortisation of intangible assets		
Total	35,691,317	26,013,028

Non operating income

4.39

	Current Year	Previous Year
Recovery of loan written off		4,013,058
Other income		17,000
Total		4,030,058

Non operating expense

4.40

	Current Year	Previous Year
Loan written off	2,820,163	
Redundancy provision		
Expense of restructuring		
Other expense	129,459	
Total	2,949,622	

Income tax expense

4.41

	Current Year	Previous Year
Current tax expense	1,022,938,719	976,679,620
Current year	1,022,938,719	974,789,020
Adjustments for prior years		1,890,600
Deferred tax expense	17,073,710	(145,083,842)
Origination and reversal of temporary differences	17,073,710	(145,083,842)
Changes in tax rate		
Recognition of previously unrecognised tax losses		
Total income tax expense	1,040,012,428	831,595,778

4.41.1: Reconciliation of tax expense and accounting profit

	Current Year	Previous Year
Profit before tax	3,474,676,949	3,021,493,867
Tax amount at tax rate of 30%	1,042,403,085	906,448,160
Add: Tax effect of expenses that are not deductible for tax purpose	(16,808,081)	73,633,963
Less: Tax effect on exempt income	(2,656,285)	(3,402,503)
Add/less: Tax effect on other items	17,073,710	(145,083,842)
Total income tax expense	1,040,012,428	831,595,778
Effective tax rate	29.93%	27.52%

Statement of Distributable Profit or Loss

For the year ended on 16 July 2019 (As per NRB Regulation)

	Current Year	Previous Year
Net profit or (loss) as per statement of profit or loss	2,434,664,521	2,189,898,090
Appropriations:		
a. General reserve	486,932,904	437,979,618
b. Foreign exchange fluctuation fund	28,816,855	28,083,560
c. Capital redemption reserve		
d. Corporate social responsibility fund		
e. Employees' training fund		
f. Other		
Profit or (loss) before regulatory adjustment	1,918,914,761	1,723,834,912
Regulatory adjustment :		
a. Interest receivable (-)/previous accrued interest received (+)	(65,873,565)	(218,896,037)
b. Short loan loss provision in accounts (-)/reversal (+)		
c. Short provision for possible losses on investment (-)/reversal (+)		
d. Short loan loss provision on Non Banking Assets (-)/reversal (+)		
e. Deferred tax assets recognised (-)/ reversal (+)	3,748,664	(75,546,496)
f. Goodwill recognised (-)/ impairment of Goodwill (+)		
g. Bargain purchase gain recognised (-)/reversal (+)		
h. Actuarial loss recognised (-)/reversal (+)	(49,955,116)	(51,592,565)
i. Other (+/-)		
Distributable profit or (loss)	1,806,834,744	1,377,799,813

Suraj Lamichhane
Financial Controller

Anirvan Ghosh Dastidar
CEO & Director

Karen De Alwis
Director

Jitender Arora
Chairman

As per our report of even date

Bharat Kunwar
Director

Krishna Kumar Pradhan
Director

CA. Sunir K Dhungel
Partner
For and on behalf of SAR Associates
Chartered Accountants

Date :21st October 2019 Place: Kathmandu

5. Disclosures & Additional Information

5.1 Risk management

Board Risk Committee

Under Nepal Rastra Bank Directive on Corporate Governance, the Board has established a Board Risk Committee with clear terms of reference. The Board Risk Committee is chaired by an Independent Non-Executive Director (INED), Chairman of the Audit Committee is a member and Chief Risk Officer & Senior Credit Officer (“CRO & SCO”) is the member/Secretary. The Committee meets minimum four times annually. The Committee oversees and reviews the fundamental prudential risks including credit, market/traded, reputational, capital and liquidity, operational, conduct, financial crime, compliance and information and cyber security risk. The Board Risk Committee receives periodic reports on risk management, including our portfolio trends, policies and standards, stress testing, liquidity and capital adequacy, and is authorized to seek and review any information relating to an activity within its terms of reference.

At the strategic level, risk in any business, but most especially in a Bank’s business, is clearly owned by the Board. The Board Risk Committee’s role is to review and advise, diving deeply into risk issues so that the Board is well placed to perform its role as the ultimate owner of risk appetite.

Risk Governance

Effective Risk management is essential to consistent and sustainable performance for all of our stakeholders and is therefore a central part of the Bank’s financial and operational performance. The Bank adds value to clients and therefore the communities in which it operates, generating returns for shareholders by taking and managing risks.

The Enterprise Risk Management Framework (ERMF) adopted by the Bank sets out a refreshed risk culture and clear control framework, with sharper delineation of responsibilities between the three lines of defense. ERMF sets out the principles and standards for risk management across the bank.

Through our Enterprise Risk Management Framework, we manage enterprise wide risks that are inherent in our strategy and our business model, with the objectives of maximizing risk-adjusted returns while remaining within our risk appetite. The Bank will not compromise adherence to its risk appetite in order to pursue revenue growth or higher returns.

The Bank’s key risk priorities are: strengthen the risk culture, manage and improve information and cyber security, manage financial crime risk, strengthen our conduct environment, enhance our compliance infrastructure and improve our efficiency and effectiveness.

As part of this framework, the Bank uses a set of principles that describe its risk management culture, we wish to sustain. The principles of risk management followed by the Bank include:

- Balancing risk and return.
- Conduct of business: seeking to achieve good outcomes for clients, investors and the market in which we operate, while abiding by the spirit and letter of laws and regulations and demonstrating that we are Here for good through our conduct.
- Responsibility and Accountability: Ensuring that risk taking is disciplined and focused, particularly within area of authority, and that risk taking is transparent, controlled and reported in line with the Enterprise Risk Management Framework, within risk appetite boundaries and where there is appropriate infrastructure and resource.
- Anticipation: Anticipating material future risks, learning lessons from events producing adverse outcomes and ensuring awareness of known risks
- Competitive advantage: Achieving competitive advantage through efficient and effective risk management and control

Ultimate responsibility for setting our risk appetite boundaries and for the effective management of risk rests with the Board.

Acting within an authority delegated by the Board, the Board Risk Committee, chaired by an independent non-executive director (INED), has responsibility for oversight and review of prudential risks, including but not limited to credit, market, reputational, capital and liquidity, operational, conduct, financial crime, compliance and information and cyber security risk.

The Executive Risk Committee is responsible for the establishment of, and compliance with, policies relating to credit risk, market/traded risk, operational risk, reputational risk, country risk, conduct risk, financial crime risk, compliance

risk and information and cyber security risk. It is responsible for the management of all risks other than those managed by ALCO.

The Executive Risk Committee (ERC) is represented by the senior management team including the heads of the concerned risk management units and Chaired by the CRO. The Committee meets normally in every two months and reviews the Credit Risk, Operational Risk, Market/Traded Risk, Reputational Risk, Conduct Risk, Financial Crime Risk, Compliance Risk, Country Risk and Information and Cyber Security risk; analyzes the trend, and provides a summary report to the Executive Committee. Its objective is to ensure the effective management of risks throughout the Bank in support of the Bank's Business Strategy. The Assets and Liabilities Committee is responsible for the management of capital and establishment of, and compliance with, policies relating to balance sheet management, including management of our liquidity, capital adequacy and structural foreign exchange and interest rate exposure and tax exposure.

The Bank's Committee Governance structure ensures that risk-taking authority and risk management policies are cascaded down from the Board to the appropriate functional, client business, senior management and committees. Information regarding material risk issues and compliance with policies and standards is communicated through the business, functional, senior management and committees.

Credit Risk

Credit risk is the potential for loss due to failure of a counterparty to meet its agreed obligations to pay the Bank in accordance with agreed terms. The bank manages its credit exposures following the principle of diversification across products, client segments and industry sectors. Country Portfolio Guidelines and the Credit Approval Document (CAD) / Credit Processing Manual govern the extension of credit to Corporate & Institutional Banking (CIB) and Commercial Banking (CB) Clients and Retail Banking Clients respectively. Each policy provides the framework for lending to counterparties, account management, product approvals and other product related guidance, credit processes and portfolio standards.

Credit risk under Retail Banking (including Business Banking), Commercial Banking and Corporate & Institutional Banking is managed through a defined framework which sets out policies and standards covering the measurement and management of credit risk. There is a clear segregation of duties between transaction originators in the businesses and the approvers in the Risk functions. All credit exposure limits are approved within a defined Credit Approval Authority Framework.

All Corporate and Institutional borrowers, at individual and group level, are assigned internal credit rating that supports identification and measurement of risk and integrated into overall credit risk analysis. Credit Grade (CG) is reviewed periodically and amended in light of changes in the borrower's circumstances or behavior. CG plays a central role in the credit quality assessment and monitoring of risk.

The Credit Issue Committee ("CIC"), a sub-committee of Executive Risk Committee (ERC), is responsible for overseeing clients in CIB, CB and Business Banking segments showing signs of actual or potential weaknesses and also for monitoring of agreed remedial actions for such clients. The CIC reviews the existing Early Alert ("EA") portfolio in CIB and CB and stress account management (SAM) portfolio in Business Banking as well as new accounts presented to the Committee. It also reviews Retail Portfolio to ensure credit issues / adverse trends in the portfolio are identified and addressed through appropriate actions. The CIC additionally reviews and monitors strategies and actions being taken on accounts within GSAM's portfolio. It is chaired by the CEO and meets monthly.

For Retail exposures, portfolio delinquency trends are monitored continuously at a detailed level. Individual customer behavior is also tracked and considered for lending decisions. Accounts that are past due are subject to a collections process, managed independently by the Risk Function. Charged-off / provisioned accounts are managed by specialist Recovery teams.

The credit risk management covers credit rating and measurement, credit risk assessment and credit approval, large exposures and credit risk concentration, credit monitoring, credit risk mitigation and portfolio analysis.

Operational Risk

We define Operational Risk (OR) as the potential for loss from inadequate or failed internal processes, and systems, human error, or from the impact of external events (including legal risks). Operational risk exposures are managed through a consistent set of management processes that drive risk identification, assessment, control and monitoring. Operational Risk Type Framework (ORTF) outlines the overall risk management approach for operational risk for the bank. The ORTF defines how risks are managed and controlled, how Operational Risk policies and controls are assured, how effective governance is exercised as well as the key roles required to manage the underlying

processes. The ORTF defines the risk classification and assigns Subject Matter Experts (SMEs) as the owners for the identified risks types.

The Executive Risk Committee, chaired by the Country Chief Risk Officer (CCRO), oversees the management of operational risks across the Bank. SMEs have responsibilities for setting appropriate policies and supporting control standards of the following operational risk sub types:

- Execution Capability (Transaction Processing, Product Management, People Management)
- Operational Resilience (Client Service Resilience, System Availability, Data Quality, Vendor Service, Change Management)
- Fraud (Internal Fraud, External Fraud)
- Corporate Governance (Corporate Governance and Authorities, Exchange Listing Rules)
- Reporting and Obligations (Financial Books and Records, Tax Obligations)
- Model
- Safety and Security
- Legal Enforceability

Operational risks can arise from all business lines and from all activities carried out by the Bank. Operational Risk management approach seeks to ensure management of operational risk by maintaining a complete process universe defined for all business segments, products and functions processes.

Products and services offered to clients and customers are also assessed and authorized in accordance with product program guidelines.

The OR governance structure is as follows:

- Operational Risk governance ensures consistent oversight across all levels regarding the execution and effectiveness of Operational Risk Type Framework (ORTF).
- SMEs for all Operational Risk Sub-Types have responsibilities for setting appropriate policies and supporting control standards for the operational risk sub types under their responsibility.
- Operational risks are identified and graded at the business/unit level. For all risks graded medium and above along with the treatment plan are agreed with the Process Owner, SMEs and Operational Risk Officer and are raised in the system and tabled in the Country Executive Risk Committee for endorsement and support for escalating to the Group for acceptance. Mitigating controls are put in place and mitigation progress monitored until its effectiveness.
- The Executive Risk Committee (ERC) ensures the effective management of Operational Risk throughout the business/functions in support of the Group's strategy and in accordance with the Enterprise Risk Management Framework. The ERC assigns ownership, requires actions to be taken and monitors progress of risks identified, in addition to confirming the risk grading provided at the business/unit level.
- The Executive Risk Committee (ERC) accepts operational risks arising in the country provided the residual risk rating is 'low' on the Group Risk Assessment Matrix (GRAM). All Risks that are rated Medium or above on the GRAM are reported to the Executive Risk Committee (ERC) for endorsement and escalated to the Group by the relevant country process owner for acceptance.
- The Country Financial Crime Risk Committee (CFCRC), a sub-committee of ERC chaired by the CEO, ensures appropriate governance of Financial Crime Risk and oversees the implementation of the Financial Crime Risk Type Framework.
- The Group Risk Committee (GRC) oversees effective implementation of Enterprise Risk Management Framework (ERMF) as well as the risk management of the Principal Risks. On behalf of the Group Risk Committee (GRC), the Group Non-Financial Risk Committee (GNFRC) is responsible for governing non-financial risk (NFR) across all functions, client segments and products excluding the NFR types of Financial Crime and Reputational Risk (Primary). Material non-financial risks must be escalated from the GNFRC up to the GRC as required. Non-financial Principal Risk Types includes Compliance risk, Financial Crime risk, Conduct risk, Information and Cyber Security risk, Operational risk and Reputational risk.
- GNFRC is supported by business-level, product-level and functional-level NFRs appointed by Process Universe Owners. Business-level, product-level and functional-level NFRs provide global oversight of the system of controls arising from processes within their Process Universes.
- The Executive Risk Committee (ERC) oversees the management of the NFRs and the supporting system of controls at the country level.

Market Risk

We recognize Market Risk as the potential for loss of earnings or economic value due to adverse changes in

financial market rates or prices. Risks arising out of adverse movements in currency exchange rates, interest rates, commodity price and equity prices are covered under Market Risk Management. Our exposure to market risk arises predominantly from customer driven transactions. In line with Risk Management Guidelines prescribed by NRB, the Bank focuses on exchange risk management for managing/computing the capital charge on market risk. The Bank adopts the Net Open Position approach for reporting market risk.

In addition to currency exchange rate risk, interest rate risk and equity price risk are assessed at a regular interval to strengthen market risk management. The market risk is managed within the risk tolerances and market risk limits set by the Board.

Capital and Liquidity Risk

Capital risk is potential for insufficient level or composition of capital to support our normal operation. The bank maintains a strong capital position sufficient to support its strategic aims. Capital adequacy ratio of the Bank as at 16 July 2019 stood at 19.69%.

Liquidity risk is the potential that the Bank either does not have sufficient liquid financial resources available to meet all its obligations as they fall due, or can only access these financial resources at excessive cost. The Liquidity Risk Framework governs liquidity risk and is managed by ALCO. In accordance with that policy, the Bank maintains a liquid portfolio of marketable securities as a liquidity buffer. The net liquid assets to total deposits ratio is 47.55 % which includes a buffer of Rs.21 billion over the regulatory requirement.

Reputational Risk

Reputational risk is the potential for damage to the franchise, resulting in loss of earnings or adverse impact on market capitalization as a result of stakeholders taking a negative view of the organization, its actions or inactions – leading stakeholders to change their behavior.

The Bank's Reputational Risk Policy establishes the framework for the governance and management of reputational risk. The framework aims to protect the Bank's reputation and restrict the ability to undertake any activities that may cause material damage to the Bank's franchise.

Reputational risk is managed by the ERC and EXCO, which are responsible for protecting the Group's reputation locally and has the responsibility to ensure that the Bank does not undertake any activities that may cause material damage to the franchise. All employees are responsible for day-to-day identification and management of reputational risk.

Information & Cyber Security (ICS) Risk

Information & cyber security risk is the potential for loss from a breach of confidentiality, integrity and availability of Bank information systems and assets through cyber-attack, insider activity, error or control failure. The bank seeks to avoid risk and uncertainty for our critical information assets and systems and has low appetite for material incidents affecting these or the wider operations and reputation of the Bank. The ICS Risk Type Framework adopted by the Bank outlines the overall approach for managing the ICS risks in the Bank and seeks to introduce operational structure to the identification and mitigation of ICS risks. Bank allocates responsibilities for the management of ICS risk in a manner consistent with the Three Lines of Defence Model.

Fair value of financial assets and liabilities

Fair value of financial assets and fair value of financial liabilities is discussed in 3.4 above.

5.2 Capital Management

(i) Qualitative disclosures

The total equity of the bank comprise of paid up capital, statutory reserves and other reserves. The paid up capital is a fully paid equity shares. Bank has no other complex or hybrid capital instrument like preference share, subordinated debts, warrants etc. The interest of equity holder in the net assets of the bank is residual in nature.

The Bank has robust capital management plan to meet its organic growth ambitions over the coming years both during the normal conditions and to support its projected risk profile under economically stressful conditions. As per our latest ICAAP submitted to NRB, the Bank has higher total capital in comparison with its ceiling as defined in its Capital Risk Appetite due to mandatory paid up capital and regulatory reserves. The capital position strengthened due to increase in the paid up capital of the Bank in FY 2016/17. The Bank remains committed not only being well capitalised but to maintaining a sustainable capital position.

(ii) Quantitative disclosures

1. Capital structure and capital adequacy

a. Tier 1 capital and a breakdown of its components

	As on 16.07.2019
Core Capital (Tier 1)	13,926,067,639
a Paid up Equity Share Capital	8,011,430,667
b Proposed Bonus Equity Share	
c Share Premium	
d Statutory General Reserves	4,106,847,847
e Retained Earnings	1,807,876,436
f Un-audited current year cumulative profit	
g Other Free Reserve	
h Less : Deferred Tax Assets	

b. Tier 2 capital and a breakdown of its components

	As on 16.07.2019
Supplementary Capital (Tier 2)	1,044,922,315
a General loan loss provision	549,599,930
b Exchange Equalization Reserve	495,322,385
c Investment Adjustment Reserve	

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

- Not applicable.

d. Deductions from capital;

- Nil

e. Total qualifying capital;

- Rs.14,970,989,954

f. Capital adequacy ratio;

- 19.69%.

g. Summary of the bank's internal approach to assess the adequacy of its capital to support current and future activities, if applicable; and

Board and Senior Management Oversight

Ultimate responsibility for setting our risk appetite boundaries and for the effective management of risk rests with the Board.

The Bank management is responsible for understanding the nature and level of risk taken by the Bank and relating the risk to the capital adequacy level. The Country Executive Risk Committee (CERC) reviews Credit Risk, Operational Risk, Market or Traded Risk, Reputational Risk, Information & Cyber Security Risk and Country Risk; analyses the trend, assesses the exposure impact on capital and provides a summary report to the Executive Committee. Its objective is to ensure the effective management of risks throughout the Bank in support of the Bank's Business Strategy.

The Assets and Liabilities Committee is responsible for the management of capital and liquidity, and establishment of, and compliance with, policies relating to balance sheet management, including management of liquidity, capital adequacy and structural foreign exchange and interest rate exposure and tax exposure.

In respect of Operational Risk, this is managed through Country Executive Risk Committee which exercises oversight of the Bank's operational risk profile to ensure that risk exposures are managed in a manner consistent with the Operational Risk Framework and contained within the Bank's risk appetite. The responsibility for daily management of Operational Risk exposures rests with Business and Business Support Functions. Country Operational Risk Officer has the responsibilities to ensure consistency in the application of the Operational Risk Framework across all areas of

operational risk management by monitoring the controls associated with the Operational Risk Framework processes and working with the Chief Risk Officer to remediate identified gaps.

With regards to Market Risk, the Financial Market Operations maintain net open position of all currencies daily and provides data to Head FM who reviews and analyses the trend, assesses the exposure impact on capital and provides a summary report to the ALCO. The net open position report is also discussed at the ALCO.

Executive Committee (EXCO) reviews the inputs received from CERC and ALCO and a synopsis is provided to the Board on the risks exposure and the adequacy of capital, for review and noting.

Sound Capital Assessment

In order to ensure a sound capital assessment process, all three risks viz. Credit, operational and market or traded risk, that have direct impact on the capital adequacy level are managed in a structured manner with clear roles and responsibilities. ICAAP document is also prepared annually and submitted to the regulator.

Effective risk management is fundamental to being able to generate profits consistently and sustainably and is therefore a central part of the financial and operational management of the Bank. Through the Enterprise Risk Management Framework, we manage enterprise-wide risks with the objective of maximizing risk-adjusted returns while remaining within our risk appetite.

Roles and responsibilities for risk management are defined under a 'three lines of defence' model, which reinforce the risk management culture in the bank. Each 'line of defence' describes a specific set of responsibilities for risk management and control:

- The First Line of defense comprises of the businesses and functions engaged in or supporting revenue generating activities that own and manage the risks.
- The Second Line of defense comprises of the control functions independent of the First Line that provide oversight and challenge of risk management to provide confidence to the Senior Management and the Board.
- The Third Line of defense comprises of the internal audit function that provides independent assurance of the effectiveness of controls that support First Line's risk management of business activities, and the processes maintained by the Second Line.

Credit Risk is managed through a framework that sets out policies, procedures and standards covering the measurement and management of credit risk. Credit policies and standards are considered and approved by the Board. Any exception to the credit policies and standards get escalated and approved by the appropriate authorities as stipulated in the policies and standards.

Operational Risk is managed through Operational Risk Framework (ORF) which sets out the Bank's approach to risk management and the control framework.

The Market Risk is managed in line with the Bank's market risk and other related policies, giving due consideration to the prevalent market conditions.

Comprehensive Assessment of Risks

The Country Executive Risk Committee is responsible for overseeing the effective implementation of the Enterprise Risk Management Framework, including the clear assignment of the roles and responsibilities of Risk Framework Owners for the effective management of risk throughout the Bank. ERC is responsible for the management of all risks, except those for which ALCO has direct responsibilities. Risk limits and risk exposure approval authority frameworks are set by the ERC in respect of all risks including credit risk, country risk and market risk.

Credit Risk

Credit risk is the potential for loss due to the failure of counterparty to meet its obligations to pay the Bank in accordance with agreed terms. Credit exposures arise from both the banking and trading book.

The credit risk of individual counterparties or groups of connected counterparties as well as at the portfolios of retail clients is assessed and reviewed. The credit risk management covers credit rating and measurement, credit approval, large exposures and credit risk concentration, credit monitoring, and portfolio analysis. All Business Banking, Commercial and Corporate & Institutional borrowers, at individual and group levels, are assigned internal credit rating that supports identification and measurement of risk and integrated into overall credit risk analysis.

Operational Risk

OR is defined as the “Potential for loss from inadequate or failed internal processes, and systems, human error, or from the impact of external events (including legal risks)”.

Operational Risk Type Framework (ORTF) adopted by the bank outlines the overall risk management approach for operational risk (“OR”) for the internal stakeholders and external stakeholders. The bank allocates responsibilities for the management of operational risk consistent with the Three Lines of Defence. The ORTF is built on a risk-based approach meaning that risk management plans, processes, activities, and resource allocations are determined in accordance with the level of risk. Existing and future levels of OR must be maintained within the approved risk appetite (“RA”) of the bank.

OR related principles

- The bank will identify and assess all OR arising as consequence of its business activities.
- The bank will systematically and consistently monitor the design and operating effectiveness of the system of controls for all Principal Risk Types (PRTs) and non-PRT, using Control Assessment Standards (“CAS”). Evidenced based control monitoring data forms the direct basis of the assessment.
- The bank will systemically identify existing or emerging OR which exceed appetite to define appropriate mitigating actions which may include business restrictions.
- The bank will not miss any opportunity to learn lessons from significant internal or external events and will implement relevant mitigation actions.
- The bank will systematically assess internal capital adequacy for OR through scenario analysis and stress testing.

Governance Committee Structure

On behalf of the Group Risk Committee (“GRC”), the Group Non-Financial Risk Committee (“GNFRC”) is responsible for governing non-financial risk (“NFR”) across all functions, client segments and products. Material non-financial risks must be escalated from the GNFRC up to the GRC as required.

Group Non-Financial Risk Committee (GNFRC) is supported by business-level, product-level and functional-level NFRs appointed by Process Universe Owners. Business-level, product-level and functional-level Non-Financial Risk Committees (NFRs) provide global oversight of the system of controls arising from processes within their Process Universes.

The Executive Risk Committee (ERC) oversees the management of the Non-Financial Risks (NFRs) and the supporting system of controls at the country.

Market Risk

We recognize Market Risk as the potential for loss of earnings or economic value due to adverse changes in financial market rates or prices. Our exposure to market risk arises predominantly from customer-driven transactions. The objective of our market risk policies and processes is to obtain the best balance of risk and return while meeting customer’s requirement.

Risks arising out of adverse movements in exchange rates, interest rates, liquidity and equity are covered under market risk management. In line with capital framework prescribed by NRB, the bank focuses on exchange rate risk management for managing / computing the capital charge on market risk. In addition, the interest rate risk, currency exchange rate risk, liquidity risk and equity price risk are assessed at a regular interval to strengthen market risk management. The market risk is managed within the risk tolerance limit set by the Board.

Market risk is tightly monitored using value at risk (VaR) methodologies complemented by sensitivity measures, gross nominal limits and loss triggers at a detailed portfolio level. This is supplemented with extensive stress testing which takes account of more extreme price movements.

Other risks

In addition to the credit, operational, market, capital and liquidity risk, the bank identifies, assesses and monitors reputational risk, information & cyber security risk, and financial crime risk at a regular interval. The Country Financial Crime Risk Committee (CFRC), chaired by the CEO, ensures appropriate governance of Financial Crime risk. The Country Executive Risk Committee and EXCO are responsible for the management of other risks.

Monitoring and Reporting

All risks, including credit, operational and market risks are identified, escalated, monitored and mitigated to the satisfaction of the Risk Framework Owner. The Risk Framework Owner is responsible for ensuring that risks are adequately identified, escalated monitored and mitigated. The Bank has adequate system for monitoring and

reporting risk exposures and assessing how the changing risk profile affects the need for capital. The Country Executive Risk Committee reviews and assesses the credit risk, operational risk, reputational risk, market risk, etc. and provides a summary report to the Executive Committee.

Internal Control Review

The Bank is committed to managing risk and controlling its business and financial activities in a manner which enables it to maximize profitable business opportunities, avoid or reduce risks which can cause loss or reputational damage, ensure compliance with applicable laws and regulations and enhance resilience to external events.

The effectiveness of the Bank's internal control system is reviewed regularly by the Board, its committees, Management and Internal Audit. The Audit Committee has reviewed the effectiveness of the internal control system during the FY 2075/76 BS and reported on its review to the Board. The Internal Audit monitors compliance with policies and standards and the effectiveness of internal control structures across the Bank through its program of business/unit audits. The Internal Audit function is focused in the areas of greatest risk as determined by a risk-based assessment methodology. Internal Audit reports regularly to the Audit Committee. The findings of all adverse audits are also notified to the Chief Executive Officer and Business Heads for immediate corrective actions.

- h. Summary of the terms, conditions and main features of all capital instruments, especially in case of subordinated term debts including hybrid capital instruments.
- Bank has fully paid equity shares as qualifying capital.

2. Risk exposures

a. Risk weighted exposures for Credit Risk, Market Risk and Operational Risk

	Risk Weighted Exposures	As on 16.07.2019
A	Risk Weighted Exposure for Credit Risk	68,087,413,285
B	Risk Weighted Exposure for Operational Risk	5,491,535,583
C	Risk Weighted Exposure for Market Risk	1,536,868,035
Add	Adjustments Under Pillar-II	936,111,746
	Total Risk Weighted Exposures (a+b+c)	76,051,928,650

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

No.	Particulars	As on 16.07.2019
1	Claims on govt. and central Bank	
2	Claims on other official entities	
3	Claims on Banks	4,403,302,144
4	Claims on corporate and securities firm	23,794,288,938
5	Claims on regulatory retail portfolio	4,878,163,252
6	Claim secured by residential properties	5,677,619,079
7	Claims secured by commercial real state	8,204,559,157
8	Past due Claims	80,182,752
9	High risk claims	6,348,732,026
10	Other Assets	1,698,380,828
11	Off Balance sheet Items	13,002,185,110
	Total	68,087,413,285

**c. Total risk weighted exposure calculation table;
Risk Weighted Exposure for Credit Risk**

S.N.	A. Balance Sheet Exposures	Book Value (a)	Specific Provision (b)	Eligible CRM (c)	Net Value (d=a-b-c)	Risk Weight (e)	Risk Weighted Exposures (f=d*e)
1	Cash Balance	920,032,580			920,032,580	0%	
2	Balance With Nepal Rastra Bank	4,609,423,970			4,609,423,970	0%	
3	Gold					0%	
4	Investment in Nepalese Government Securities	11,266,153,734			11,266,153,734	0%	
5	All claims on Government of Nepal	138,807,033			138,807,033	0%	
6	Investment in Nepal Rastra Bank securities					0%	
7	All claims on Nepal Rastra Bank					0%	
8	Claims on Foreign Government and Central Bank (ECA 0-1)					0%	
9	Claims on Foreign Government and Central Bank (ECA - 2)					20%	
10	Claims on Foreign Government and Central Bank (ECA - 3)					50%	
11	Claims on Foreign Government and Central Bank (ECA 4-6)					100%	
12	Claims on Foreign Government and Central Bank (ECA - 7)					150%	
13	Claims On BIS, IMF, ECB, EC and on Multilateral Development Banks (MDBs) recognised by the framework.					0%	
14	Claims on Other Multilateral Development Banks					100%	
15	Claims on Public Sector Entity (ECA 0-1)					20%	
16	Claims on Public Sector Entity (ECA 2)					50%	
17	Claims on Public Sector Entity (ECA 3-6)					100%	
18	Claims on Public Sector Entity (ECA 7)					150%	
19	Claims on domestic banks that meet capital adequacy requirements	4,468,013,255			4,468,013,255	20%	893,602,651
20	Claims on domestic banks that do not meet capital adequacy requirements					100%	
21	Claims on foreign bank (ECA Rating 0-1)	17,422,899,577			17,422,899,577	20%	3,484,579,915
22	Claims on foreign bank (ECA Rating 2)	3,956,696			3,956,696	50%	1,978,348
23	Claims on foreign bank (ECA Rating 3-6)					100%	
24	Claims on foreign bank (ECA Rating 7)					150%	

Continued

25	Claims on Foreign bank incorporated in SAARC Region operating with a buffer of 1% above their respective regulatory capital requirement	115,706,147	115,706,147	20%	23,141,229
26	Claims on Domestic Corporates	24,420,868,692	626,579,754	100%	23,794,288,938
27	Claims on Foreign Corporates (ECA 0-1)		23,794,288,938	20%	
28	Claims on Foreign Corporates (ECA 2)			50%	
29	Claims on Foreign Corporates (ECA 3-6)			100%	
30	Claims on Foreign Corporates (ECA 7)			150%	
31	Regulatory Retail Portfolio (Not Overdue)	6,508,874,802	6,504,217,669	75%	4,878,163,252
32	Claims fulfilling all criterion of regulatory retail except granularity	4,657,133		100%	
33	Claims secured by residential properties	9,316,521,188	9,316,521,188	60%	5,589,912,713
34	Claims not fully secured by residential properties			150%	
35	Claims secured by residential properties (Overdue)	103,961,641	87,706,367	100%	87,706,367
36	Claims secured by Commercial real estate	8,204,559,157	8,204,559,157	100%	8,204,559,157
37	Past due claims (except for claim secured by residential properties)	69,990,336	53,455,168	150%	80,182,752
38	High Risk claims	4,190,286,661	119,356,145	150%	6,077,854,346
39	Investment in equity and other capital instruments of institutions listed in the stock exchange	265,274,430	265,274,430	100%	265,274,430
40	Investment in equity and other capital instruments of institutions not listed in the stock exchange	3,735,500	3,735,500	150%	5,603,250
41	Staff loan secured by residential property	514,157,367	514,157,367	60%	308,494,420
42	Interest Receivable/claim on government securities	3,061,496	3,061,496	0%	
43	Cash in transit and other cash items in the process of collection			20%	
44	Other Assets (as per attachment)	1,389,886,407	1,389,886,407	100%	1,389,886,407
	Total (A)	93,936,170,669	745,935,900		55,085,228,175
		56,475,193	93,133,759,576		

S.N.	B. Off Balance Sheet Exposures	Gross Book Value (a)	Specific Provision (b)	Eligible CRM (c)	Net Value (d=a-b-c)	Risk Weight (e)	RWE (f=d*e)
1	Revocable Commitments	1,793,408,088			1,793,408,088	0%	
2	Bills Under Collection	1,226,930,948			1,226,930,948	0%	
3	Forward Exchange Contract Liabilities	4,108,965,640			4,108,965,640	10%	410,896,564
4	LC Commitments With Original Maturity Up to 6 months (domestic counterparty)	3,780,768,460		127,194,477	3,653,573,984	20%	730,714,797
	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%	
5	L C Commitments With Original Maturity Over 6 months (domestic counterparty)	824,695,487		6,315,785	818,379,703	50%	409,189,851
	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%	
6	Bid Bond, Performance Bond and Counter Guarantee (domestic counterparty)	656,159,339		216,614,858	439,544,481	50%	219,772,240
	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%	
	Foreign Counterparty (ECA Rating 0-1)	4,369,193,600		3,437,175,102	932,018,498	20%	186,403,700
	Foreign Counterparty (ECA Rating 2)	10,850,961,003		5,182,076,700	5,668,884,303	50%	2,834,442,151
	Foreign Counterparty (ECA Rating 3-6)	322,031,770			322,031,770	100%	322,031,770
	Foreign Counterparty (ECA Rating 7)					150%	
7	Underwriting commitments					50%	
8	Lending of Bank's Securities or Posting of Securities as collateral					100%	
9	Repurchase Agreements, Assets sale with recourse					100%	
10	Advance Payment Guarantee	8,538,380,438		4,383,869,457	4,154,510,982	100%	4,154,510,982
11	Financial Guarantee	108,009,375		17,489,500	90,519,875	100%	90,519,875
12	Acceptances and Endorsements	632,023,367		19,235,450	612,787,917	100%	612,787,917
13	Unpaid Portion of Partly paid shares and Securities					100%	

Continued

14	Irrevocable credit commitments (short term)	7,392,154,138	61,721,171	7,330,432,967	20%	1,466,086,593
15	Irrevocable Credit commitments (long term)	1,600,000,000		1,600,000,000	50%	800,000,000
16	Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement				20%	
17	Other Contingent Liabilities	914,032,353	149,203,684	764,828,669	100%	764,828,669
18	Unpaid Guarantee Claims	78,121,300	78,121,300		200%	
	TOTAL (B)	47,195,835,306	13,679,017,482	33,516,817,824		13,002,185,110
	Total RWE for Credit Risk Before Adjustment (A) +(B)	141,132,005,976	56,475,193	126,650,577,400		68,087,413,285
	Adjustments under Pillar-II					
	Add: 10% of the loan and 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 of Pillar II)	141,132,005,976	56,475,193	126,650,577,400		68,087,413,285

Risk Weighted Exposure for Operational Risk

SN	Particulars	2074/75	2073/74	2072/73
1	Net Interest Income	3,298,034,155	2,328,418,032	1,849,878,019
2	Commission and Discount Income	663,755,854	469,830,875	357,519,713
3	Other Operating Income	124,503,473	106,419,627	48,095,736
4	Exchange Fluctuation Income	594,265,250	512,237,246	629,555,473
5	Additional/ Deduction Interest Suspense during the period			557,712
	Gross Income (a)	4,680,558,732	3,416,905,780	2,885,606,653
	Alfa (b)	15%	15%	15%
	Fixed Percentage of Gross Income [c=(a*b)]	702,083,810	512,535,867	432,840,998
	Capital Requirement for operational risk(d) (average of c)	549,153,558		
	Risk Weight (reciprocal of capital requirement of 10%) in times (e)	10		
	Equivalent Risk Weight Exposure [f=(d*e)]	5,491,535,583		

Pillar-II Adjustments

If Gross Income for all the last three years is negative

(6.4 a 8)

Total Credit and investments (net of Specific Provision)

Capital Requirement for operational risk (5%)

Risk Weight (reciprocal of capital requirement of 10%) in times

Equivalent Risk Weight Exposure (g)

Equivalent Risk Weight Exposure [(h=f+g)] **5,491,535,583**

Risk Weighted Exposures for Market Risk

S.No.	Currency	Open Position (FCY)	Exchange Rate	Open Position (NPR)	Relevant Open Position
1	AED	3,190.00	29.95	95,540.50	95,540.50
2	AUD	11,205.84	77.31	866,323.49	866,323.49
3	BHD	0.00	291.85		
4	CAD	34,411.44	84.29	2,900,540.28	2,900,540.28
5	CHF	(1,889.42)	111.58	(210,821.48)	210,821.48
6	CNY	134,944.31	16.00	2,159,108.96	2,159,108.96
7	DKK	106,465.57	16.53	1,759,875.87	1,759,875.87
8	EUR	7,454.78	123.46	920,366.77	920,366.77
9	GBP	61,482.38	136.71	8,405,256.17	8,405,256.17
10	HKD	44,427.86	14.07	625,099.99	625,099.99
11	INR	1,895,187,264.22	1.60075	3,033,721,013.20	3,033,721,013.20
12	JPY	3,089,780.00	1.019	3,148,485.82	3,148,485.82
13	KRW	171,000.00	0.093	15,903.00	15,903.00
14	KWD	0.00	362.530		
15	MYR	4,613.00	26.76	123,443.88	123,443.88
16	QAR	0.00	30.21		
17	SAR	2,760.00	29.34	80,978.40	80,978.40
18	SEK	69,879.75	11.71	818,291.87	818,291.87
19	SGD	18,059.89	81.03	1,463,393.13	1,463,393.13
20	THB	88,900.00	3.56	316,484.00	316,484.00
21	USD	(146,370.48)	110.03	(16,105,144.13)	16,105,144.13
Total Open Position (a)					3,073,736,071
Fixed Percentage (b)					5%
Capital Charge for Market Risk [c=(a*b)]					153,686,804
Risk Weight (reciprocal of capital requirement of 10%) in times (d)					10
Equivalent Risk Weight Exposures [e=(c*d)]					1,536,868,035

d. Amount of NPAs (both Gross and Net)

- **Restructure/Reschedule Loan**

NIL

- **Substandard Loan**

Gross value Rs. 33,185,932 ; Net values Rs. 24,889,449

- **Doubtful Loan**

Gross value Rs. 8,011,712 ; Net value Rs 4,005,856

- **Loss Loan**

Gross value Rs. 44,172,854 ; Net value: Nil

e. NPA ratios

- **Gross NPA to gross advances**

0.15%

- **Net NPA to net advances**

0.05 %

(iii) Compliance with external requirement

The bank has complied with the requirement of capital adequacy framework issued by Nepal Rastra Bank throughout the reporting period.

5.3 Classification of financial assets and financial liabilities

Classification of financial assets and financial liabilities and their measurement has been presented below.

Financial Assets	Amortized Cost	Fair value through		Total
		other comprehensive income	profit or loss	
Cash in hand	920,032,580			920,032,580
Balances with B/FIs	922,862,982			922,862,982
Money at call and short notice	1,800,000,000			1,800,000,000
Interbank placement	16,732,273,000			16,732,273,000
Balance at NRB	4,609,423,970			4,609,423,970
Derivate financial instrument			43,337,602	43,337,602
Loans & Advances	56,148,340,983			56,148,340,983
Government bonds	150,697,500			150,697,500
Government treasury bills	11,115,456,234			11,115,456,234
Equity investments		269,009,930		269,009,930
Other assets	545,541,197			545,541,197
Total Financial Assets	92,944,628,447	269,009,930	43,337,602	93,256,975,978

Financial Liabilities	Amortized Cost	Fair value through profit or loss (FVTPL)		Total
		Held for trading	Designated at FVTPL	
Deposits from BFIs	505,840,120			505,840,120
Deposits from customers	75,731,527,432			75,731,527,432
Provision for expenses	42,375,566			42,375,566
Employee related liabilities	487,475,811			487,475,811
Bills payable	174,357,813			174,357,813
Creditors and accruals	429,435,072			429,435,072
Interest payable on deposit	492,277,152			492,277,152
Unpaid Dividend	109,619,867			109,619,867
Other liabilities	78,757,399			78,757,399
Total Financial Liabilities	78,051,666,231	-	-	78,051,666,231

5.4 Operating Segment Information

1. General information

Segment Description: the Bank runs its operations under the following segments:

Segment Definition	Activity
Retail Banking	Retail Banking serves retail clients through the branch network and other delivery channels. This segment raises deposits from customers and makes loans and provides other services to such customers. This segment also includes activities relating to credit cards, debit cards, mortgage loans, auto loans, SME segments and third party product distribution. Exposures are classified under Retail Banking taking into account the orientation, product, granularity and individual exposure criteria.
Commercial (CB) and Corporate & Institutional Client (C&IB)	Local corporate financing, advances to partnership firms, companies and statutory bodies, which are not included under Retail Banking segments, Treasury include foreign exchange, fixed income, and money market and derivative transactions are reported under CB,C&IB and
Others	Others include Treasury Markets, Corporate Real Estate Services, other items not allocable in the aforementioned Segments.

2. Information about profit or loss, assets and liabilities

Particulars	Retail	Commercial	CIB	Others	Total
a Revenues from external customers	1,925,157,209	1,766,118,099	675,948,684	844,387,289	5,211,611,282
b Intersegment revenues	64,430,880	(751,992,745)	1,214,039,665	(526,477,800)	-
c Net Revenue	1,989,588,089	1,014,125,354	1,889,988,350	317,909,489	5,211,611,282
d Interest revenue	3,206,052,447	1,839,531,699	534,997,490	919,457,048	6,500,038,684
e Interest expense	1,643,764,427	210,988,072	1,123,389,915	34,271	2,978,176,685
g Net interest revenue	1,562,288,019	1,628,543,627	(588,392,425)	919,422,777	3,521,861,998
h Depreciation and amortisation	23,299,492	5,527,618	6,856,177	8,028	35,691,317
i Segment profit / (loss)	680,665,276	501,333,872	1,012,445,805	240,219,568	2,434,664,521
j Entity's interest in the profit or loss of associates accounted for using equity method					-
k Other material non-cash items:					-
l Impairment of assets					-
m Segment assets	30,663,959,999	19,046,984,331	5,798,364,868	37,754,873,926	93,264,183,123
n Segment liabilities	40,706,795,699	4,719,055,260	30,811,516,593	2,099,741,012	78,337,108,564

3. Measurement of operating segment profit or loss, assets and liabilities

Segment revenues are aggregate of net income reported by the Bank under various heads. Segment results are determined after considering the following inter-unit notional charges/recoveries.

- i) Fund Transfer Pricing (FTP): Treasury gives notional interest benefits to other segments for funds mobilised by the latter through deposits and similarly charges notional interest to other divisions for funds utilised by them for lending and investment purposes. Based on tenor of assets/liabilities and market scenarios, Treasury calculates notional interest rates used for this purpose.
- ii) Support costs (costs pertaining to Finance, HR, Corporate Real Estate Services, Legal & Compliance, Corporate Affairs, Information Technology etc) are allocated to Retail, CB, C&IB & Other segments based on Management's estimates of the benefits accruing to these segments for the costs incurred. This is similar to the basis used for the internal management reporting.

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

a. Revenue

Total revenues for reportable segments	5,211,611,282
Other revenues	
Elimination of intersegment revenues	
Entity's revenues	5,211,611,282

b. Profit or loss

Total profit or loss for reportable segments	3,474,676,949
Other profit or loss	
Elimination of intersegment profits	
Unallocated amounts:	
Profit before income tax	3,474,676,949

c. Assets

Total assets for reportable segments	93,264,183,123
Other assets	
Unallocated amounts	
Entity's assets	93,264,183,123

d. Liabilities

Total liabilities for reportable segments	78,337,108,564
Other liabilities	
Unallocated liabilities	
Entity's liabilities	78,337,108,564

5. Information about products and services

Information about product & services is mentioned in point no. 5.4 above.

6. Information about geographical areas

Revenue from following geographical areas

a	Domestic	5,211,611,282
	Province 1	308,171,890
	Province 2	83,523,044
	Province 3	4,537,806,493
	Province 4	192,714,196
	Province 5	89,395,659
	Province 6	
	Province 7	
b	Foreign	
	Total	5,211,611,282

7. Information about major customers

Revenue from a single external customer is less than 10 percent of bank's total revenue.

5.5 Share options and share based payment

Share options is a contract that gives the holder the right, but not the obligation, to subscribe the bank's shares at a fixed or determinable price for a specified period.

A share-based payment is a transaction in which the bank receives goods or services either as consideration for its equity instruments or by incurring liabilities for amounts based on the price of the bank's shares or other equity instruments of the bank.

Explanatory Notes

The bank does not have any share options contract and share based payment transactions for the reporting period.

5.6 Contingent liabilities and commitment

Contingent liabilities: Where the Bank undertakes to make a payment on behalf of its customers for guarantees issued, such as for performance bonds or as irrevocable letters of credit as part of the Bank's transaction banking business for which an obligation to make a payment has not arisen at the reporting date, those are included in these financial statements as contingent liabilities.

Other contingent liabilities primarily include revocable letters of credit and bonds issued on behalf of customers to customs, for bids or offers.

Commitments: Where the Bank has confirmed its intention to provide funds to a customer or on behalf of a customer in the form of loans, overdrafts, future guarantees, whether cancellable or not, or letters of credit and the Bank has not made payments at the reporting date, those instruments are included in these financial statement as commitments.

Explanatory Notes

The Bank seeks to comply with all applicable laws and regulations, but may be subject to regulatory actions and investigations, the outcome of which are generally difficult to predict and can be material to the bank.

In addition to these matters, the Bank may receive legal claims against it in the normal course of business. The Bank considers none of these claims as material. Where appropriate, the bank recognises a provision for liabilities when it is probable that an outflow of economic resources embodying economic benefits will be required and for which a reliable estimate can be made of the obligation(s).

Contingent liabilities and commitment	Current Year	Previous Year
Revocable Commitments	1,793,408,088	442,945,989
Bills Under Collection	1,226,930,948	726,595,153
Forward Exchange Contract Liabilities	4,108,965,640	2,354,578,760
Letter of Credit	4,605,463,948	3,328,902,817
Bid Bond, Performance Bond and Counter Guarantee	25,125,445,250	11,121,054,531
Advance Payment Guarantee	44,328,877	3,676,410,481
Financial Guarantee	74,200,000	66,340,375
Acceptances and Endorsements	632,023,367	727,207,685
Irrevocable credit commitments (short term)	8,992,154,138	9,864,862,724
Other Contingent Liabilities	592,915,050	1,360,620,711
Unpaid Guarantee Claims		3,056,107
Total	47,195,835,306	33,672,575,332

Other details relating to Contingent liabilities and commitment is depicted under schedule 4.28.

5.7 Related parties disclosures

The Bank identifies the following as the related parties under the requirements of NAS 24.

- i) Ultimate parent company as a result of the Bank's major shareholders and companies within definition of the Group of the ultimate parent company
- ii) Post-employment benefit plan for the benefit of the employees
- iii) Directors of the Bank and their close family members, if any
- iv) Key Managerial Personnel and their close family members, if any

Explanatory Notes

Ultimate Parent and the Group

- i) Ultimate Parent Company : Standard Chartered Plc., London, UK
- ii) Major Shareholders

- a) Standard Chartered Grindlays Ltd, Australia: Holding 46.81% of shares
- (b) Standard Chartered Bank, UK: Holding 23.40% of shares

Related parties with whom transactions have occurred during the current year.

(a) Head Office and Branches of Head Office

1. Standard Chartered Bank, UK
2. Standard Chartered Bank, India
3. Standard Chartered Bank, Japan
4. Standard Chartered Bank, Singapore
5. Standard Chartered Bank, USA
6. Standard Chartered Bank, Germany
7. Standard Chartered Bank, Qatar
8. Standard Chartered Bank, Bangladesh
9. Standard Chartered Bank, Brunei
10. Standard Chartered Bank, Sri Lanka
11. Standard Chartered Bank, Philippines
12. Standard Chartered Bank, UAE
13. Standard Chartered Bank, Indonesia

(b) Subsidiaries of Head Office (Standard Chartered Bank UK)

1. Standard Chartered Bank (Hong Kong) Limited
2. Standard Chartered Bank (China) Limited
3. Standard Chartered Bank Malaysia

4. Standard Chartered Bank Singapore (Sub)
5. Standard Chartered Bank AG (Sub)
6. Standard Chartered Bank, Pakistan

The Bank being a subsidiary of an international bank avails of support services from its global support functions governed by approved agreements. Foreign currency funds have mainly been placed with Standard Chartered Bank (SCB) network points. These funds are all under the management of Standard Chartered Group with high governance levels and acceptable country risks and returns

Transaction during the period (Rs.in '000)	2018/19
Placements (total of placements made during the year)	1,877,937,729
Interest on placements	500,799
Shared Service Centre Costs	142,382
Year End Balance (Rs.in '000)	16.07.2019
Placements	16,732,273
Nostro Balances	586,730
Interest Receivable	100,302
Shared Service Cost Payable	11,925
Trade Contingents	10,028,215
Fee Income Receivables	362,946

Post Employee benefit plan for the benefit of bank's employees

The Bank operates an approved retirement benefit plan for the benefit of its employees. The amount of the contribution made to such plan and amount of payments made to the Bank's employees under the Bank's staff rules have been described in note 3.15 and reported under schedule 4.23.

Transactions with and payments to directors of the bank

Following payments have been made to the directors of the Bank during the reporting period.

Particulars (Rs.in '000)	2018/19
Directors' sitting fees	669
Directors' travel and meeting expenses	1486
Remuneration and bonus of the executive director (net of tax)	17,382
Other benefits of the executive director (net of tax)	21,700

Payments to the executive director are net of taxes, tax amount is Rs. 15,210,294.

Details of the board of directors and their composition, and changes if any during the period, are disclosed in the director's report.

There have been no payments or transactions with the close family member of the directors, except in the normal course of banking business.

Transactions with and payment to key management personnel (other than directors) compensation

The Bank defines its executive committee members as the key management personnel other than its directors. One of executive committee members is the director of the Bank and payments and transactions relating to the executive director are disclosed above under 21.3

Particulars	2018-19	Pay Elements considered
Remuneration and current employee benefits	31,635,772	Salary, Allowances, PF
Bonus	24,596,390	Statutory Bonus / Welfare Assistance
Performance Bonus	11,243,368	Performance Bonus
Vehicle benefit	4,380,000	Car Allowance
Other benefits and payments	2,382,234	Festival Allowance

Benefits are paid as per the Staff service bye-laws. Statutory bonus is paid in accordance with the requirement of the Bonus Act. Performance bonus is paid in accordance with the performance assessment procedures practiced within the Bank. Vehicle allowance is as per the Bank's Rules.

Details of the key management personnel and their composition, and changes if any during the period, are disclosed in the key management personnel report.

There have been no payments or transactions with the close family member of the key managerial personnel except in the normal course of banking business.

5.8 Merger and acquisition

The bank has not entered into any merger and acquisitions deal during the reporting period.

5.9 Additional disclosures of non-consolidated entities

The bank has no any investment in any entities which requires consolidation as per applicable NFRS nor any investment in associates which needs to be pooled in the financial statement of the bank. Except for strategic investment in equity shares, the bank has no other equity investment.

5.10 Events after reporting date.

Bank monitors and assesses events that may have potential impact to qualify as adjusting and / or non-adjusting events after the end of the reporting period. All adjusting events are adjusted in the books with additional disclosures and non-adjusting material events are disclosed in the notes with possible financial impact, to the extent ascertainable.

Explanatory Notes

There are no material events that have occurred subsequent to 16 July 2019 till the signing of this financial statement on 21 October 2019.

5.11 Disclosure effect of transition from previous GAAP to NFRSs.

Not applicable to the bank as it is not the first time adopter as per NFRS1 "First Time Adoption of Nepal Financial Reporting Standards".

5.12 Others

Training and Corporate Social Responsibility (CSR) Fund Allocations

As per Nepal Rastra Bank directive, the Bank is required to create a fund for Corporate Social Responsibilities related activities equivalent to 1% of the net profit. The Bank however has not separately provided for this as Standard Chartered Bank funded projects viz. Seeing is Believing in Nepal received financial grant from Standard Chartered Bank in FY 2018/19 and subsequently. The financial grant received during the period for running projects of Standard Chartered Bank constituted requisite amount for CSR activities.

Similarly, as per Nepal Rastra Bank directive, the Bank is required to spend 3% of staff cost in the Training & Development of the staff. The Bank has spent Rs.11,670,150 in this head, besides this, employees of the bank being an integral part of the Standard Chartered Group are required to undergo classroom, virtual, e-Learning courses – various trainings modules of the Standard Chartered Group which are free of cost to the Bank. In view of that, no separate fund is created for the Training and Development.

Unaudited Financial Results (Quarterly) as per Nepal Financial Reporting Standards (NFRS)

4th Quarter ended of Fiscal Year 2075/76

Statement of Financial Position	Rs. in '000'		
	This Quarter Ending	Previous Quarter Ending	Corresponding Previous Quarter Ending
Assets			
Cash and cash equivalent	12,626,985	12,930,507	22,048,328
Due from NRB and placements with BFIs	12,357,607	11,635,038	8,813,662
Loan and advances	55,651,606	55,770,271	46,696,180
Investments Securities	11,535,164	6,848,297	4,660,993
Investment in subsidiaris and associates			
Goodwill and intangible assets			
Other assets	1,151,890	1,193,286	1,812,392
Total Assets	93,323,253	88,377,400	84,031,555
Capital and Liabilities			
Paid up Capital	8,011,431	8,011,431	8,011,431
Reserves and surplus	6,976,339	6,183,572	5,914,072
Deposits	76,237,368	71,300,927	67,387,757
Borrowings			
Bond and Debenture			
Other liabilities and provisions	2,098,115	2,881,470	2,718,296
Total Capital and Liabilities	93,323,253	88,377,400	84,031,555

Statement of Profit or Loss	Up to this Quarter	Up to Previous Quarter	Up to Corresponding Previous Year Quarter
Interest income	6,501,366	4,654,925	4,940,675
Interest expense	2,978,177	2,098,898	1,642,641
Net interest income	3,523,189	2,556,027	3,298,034
Fee and commission income	874,385	642,740	724,396
Fee and commission expense	45,097	36,486	60,640
Net fee and commission income	829,288	606,253	663,756
Other operating income	860,461	588,581	718,769
Total operating income	5,212,938	3,750,861	4,680,559
Impairment charge/(reversal) for loans and other losses	88,238	99,797	74,889
Net operating income	5,124,700	3,651,064	4,605,670
Personnel expenses	1,083,173	769,062	997,877
Other operating expenses	560,737	404,177	590,329
Operating profit	3,480,790	2,477,825	3,017,464
Non operating income/(expense)	(2,950)		4,030
Profit before tax	3,477,841	2,477,825	3,021,494
Income tax	982,481	743,348	831,596
Profit /(loss) for the period	2,495,360	1,734,478	2,189,898
Other comprehensive income	(31,092)	(62,976)	(32,383)
Total comprehensive income	2,464,268	1,671,501	2,157,515
Distributable Profit			
Net profit/(loss) as per profit or loss	2,495,360	1,734,478	2,189,898
Add/Less: Regulatory adjustment as per NRB Directive	(165,018)	(221,559)	(346,035)
Free profit/(loss) after regulatory adjustments	2,330,342	1,512,919	1,843,863

Ratios

Capital fund to RWA	19.90%	18.89%	22.99%
Non performing loan (NPL) to total loan (As per NRB Directive)	0.15%	0.20%	0.18%
Total loan loss provision to Total NPL (As per NRB Directive)	737.11%	581.26%	635%
Cost of Funds	5.50%	5.41%	4.41%
Credit to Deposit Ratio (As per NRB Directive)	73.13%	78.47%	71.68%
Base Rate	7.63%	7.74%	7.87%
Basic Earning Per Share	31.15	28.87	27.33
Diluted Earning Per Share	31.15	28.87	27.33

Comparison Unaudited and Audited Financial Statements as of FY 2075/76

Rs. in '000'

Statement of Financial Position Assets	As per unaudited Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
			In amount	In %	
Cash and cash equivalent	12,626,985	12,626,985		0.0%	
Due from NRB and placements with BFIs	12,357,607	12,357,607		0.0%	
Loan and advances	55,651,606	55,633,582	(18,025)	0.0%	Adjustment of EIR in L&A
Investments Securities	11,535,164	11,535,164		0.0%	
Investment in subsidiaries and associates					
Goodwill and intangible assets					
Other assets	1,151,890	1,110,845	(41,045)	-3.6%	Staff deferred benefit and deferred tax adjustments
Total Assets	93,323,253	93,264,183	(59,070)	-0.1%	
Capital and Liabilities					
Paid up Capital	8,011,431	8,011,431		0.0%	
Reserves and surplus	6,976,339	6,915,644	(60,695)	-0.9%	Change in profit due to deferred tax adjustments
Deposits	76,237,368	76,237,368		0.0%	
Borrowings					
Bond and Debenture					
Other liabilities and provisions	2,098,115	2,099,741	1,626	0.1%	Change in tax and other provisions due to EIR adjustments
Total Capital and Liabilities	93,323,253	93,264,183	(59,070)	-0.1%	

Statement of Profit or Loss

Interest income	6,501,366	6,500,039	(1,327)	0.0%	Adjustments of deferred staff benefits and EIR
Interest expense	2,978,177	2,978,177		0.0%	
Net interest income	3,523,189	3,521,862	(1,327)	0.0%	
Fee and commission income	874,385	873,845	(540)	-0.1%	
Fee and commission expense	45,097	45,097		0.0%	
Net fee and commission income	829,288	828,748	(540)	-0.1%	
Other operating income	860,461	861,001	540	0.1%	
Total operating income	5,212,938	5,211,611	(1,327)	0.0%	
Impairment charge/(reversal) for loans and other losses	88,238	88,238		0.0%	
Net operating income	5,124,700	5,123,373	(1,327)	0.0%	
Personnel expenses	1,083,173	1,084,359	1,186	0.1%	Adjustments of deferred staff benefits and staff bonus
Other operating expenses	560,737	561,388	650	0.1%	
Operating profit	3,480,790	3,477,627	(3,164)	-0.1%	Due to above transactions
Non operating income/(expense)	(2,950)	(2,950)	(0)	0.0%	
Profit before tax	3,477,841	3,474,677	(3,164)	-0.1%	Due to above transactions
Income tax	982,481	1,040,012	57,532	5.9%	Deferred tax calculations adjustments on gross liability basis
Profit /(loss) for the period	2,495,360	2,434,665	(60,695)	-2.4%	Due to above transactions
Other comprehensive income	(31,092)	(31,092)		0.0%	
Total comprehensive income	2,464,268	2,403,573	(60,695)	-2.5%	Due to above transactions
Distributable Profit					
Net profit/(loss) as per profit or loss	2,495,360	2,434,665	(60,695)	-2.4%	Due to above transactions
Add/Less: Regulatory adjustment as per NRB Directive	(165,018)	(112,080)	52,938	-32.1%	Deferred tax calculations adjustments on gross liability basis
Free profit/(loss) after regulatory adjustments	2,330,342	2,322,585	(7,757)	-0.3%	Due to above transactions

Key Indicators

Particulars	Indicators	Erstwhile Local GAAP Based			NFRS based	
		FY	FY	FY	FY	FY
		2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
1. Net Profit/Gross Income	Percent	33.76	34.46	31.88	46.79	46.72
2. Earning Per Share	Rs.	57.38	45.96	35.49	27.33	30.39
3. Market Value Per Share	Rs.	1,943	3,600	2,295	755	682
4. Price Earning Ratio	Ratio	33.86	78.33	64.67	27.62	22.44
5. Dividend (including bonus) on Share Capital	Percent	44.21	35.09	105.26	17.50	22.50
6. Cash Dividend on Share Capital	Percent	19.21	1.75	5.26	17.50	22.50
7. Interest Income/Loan & Advances	Percent	8.68	6.86	6.80	11.14	12.31
8. Staff Expenses/Total Operating Expenses	Percent	32.13	32.52	28.50	62.83	65.89
9. Interest Expenses on Total Deposit and Borrowings	Percent	1.15	1.01	1.35	2.45	3.93
10. Exchange Fluctuation Income/Total Income	Percent	16.06	16.78	13.69	15.10	16.20
11. Staff (statutory) Bonus/ Total Staff Expenses	Percent	27.01	27.29	27.00	33.64	35.60
12. Net Profit/Loan and Advances	Percent	4.60	4.08	3.58	4.91	4.59
13. Net Profit/Total Assets	Ratio	1.99	1.98	1.84	2.61	2.61
14. Total Credit/Deposit	Percent	48.92	56.88	62.20	66.45	70.11
15. Total Operating Expenses/Total Assets	Percent	2.42	2.28	2.49	1.89	1.76
16. Adequacy of Capital Fund on Risk Weighted Assets						
a. Core Capital	Percent	11.67	14.08	19.58	21.41	18.31
b. Supplementary Capital	Percent	1.43	2.30	1.50	1.58	1.38
c. Total Capital Fund	Percent	13.10	16.38	21.08	22.99	19.69
17. Liquidity (CRR)	Ratio	24.03	7.98	19.71	18.91	7.52
18. Non-performing Credit/ Total Credit	Percent	0.34	0.32	0.19	0.18	0.15
19. Base Rate	Percent	4.92	4.47	6.47	7.87	7.63
20. Weighted Average Interest Rate Spread	Percent	5.27	4.64	5.01	5.06	4.45
21. Book Net-worth	Rs'000	5,948,555	7,524,175	11,864,025	13,925,502	14,927,075
22. Total Shares	No.	22,481,612	28,124,260	40,057,153	80,114,307	80,114,307
23. Total Staff	No.	433	435	495	485	531
24. Networth Per Share	Rs.	265	268	296	174	186
25. Return on Equity	Percent	21.69	17.18	11.98	18.66	19.49
26. Profit per Employee	Rs'000	2,979	2,971	2,872	4,515	4,585

Directive from Nepal Rastra Bank while approving the Dividend Declaration/ Distribution and Financial Statements Publication

Based on the financial statements and other documents submitted by the Bank, the provisions of Sub-section 2 of Section 47 of Banks and Financial Institutions Act 2073 are seen to have complied; therefore, as per Sub-section 1 of the said Section, approval has been granted for Proposed cash dividend of Rs. 1,802,571,900 subject to fulfilment of the other prevailing legal provisions and approval of the same by the annual general meeting of the Bank. Additionally, consent has been granted for publication of the financial statements of FY 2018/19 for tabling it for approval at the Bank's annual general meeting along with the below directives.

1. Arrangement should be made for full compliance of the observations/exceptions noted by the auditors in their report and for ensuring that such observations/exceptions do not repeat in the future.
2. As per point no. 7 of directive no. 10 of Unified Directive issued by NRB, if a promoter shareholder of a Bank and Financial Institutions holds more than 15% of paid up capital of any BFIs and 1% of paid up capital in any other BFIs, then cash dividend shall be stopped for such promoter shareholder till the holding is brought to the prescribed limit.
3. As per section 11(3) of Bank & Financial Institutions Act 2073, any promoter holding more than 2% of promoter share should get approval from NRB to sale or pledge the shares. If there are cases where no approval was taken by the promoter shareholder while pledging the shares and taking the loan then till the time the approval is received, or the loan facility is fully settled, the proposed cash dividend should be stopped to such promoter shareholder.
4. To comply with applicable laws for repatriation of dividend to the foreign shareholders.

Above directives should be published as a separate page in the annual report of the Bank.

Five Years Financial Summary

Balance Sheet

Particulars	As per previous GAAP		As per NFRS			
	2071-72	2072-73	2073-74	2074-75	2075-76	
	2014-15	2015-16	2016-17	2017-18	2018-19	
Assets			Assets			
Cash and Bank Balance	11,572,442	3,972,332	Cash & Cash Equivalents	22,397,734	22,048,328	12,626,985
Money at Call and Short Notice	11,973,546	6,069,660	Due from NRB	3,784,682	3,982,462	2,454,907
Investments	13,120,063	23,094,622	Placement with B/FIs	6,190,800	4,831,200	9,902,700
Loans and Advances	27,681,313	31,302,950	Derivatives	8,743	9,209	43,338
Fixed Assets	83,853	71,306	Loan and adv to B/FIs	1,610,449	2,134,850	2,541,465
Other Assets	627,827	674,863	Loans and adv to customers	38,433,868	44,561,330	53,092,117
			Investment Securities	4,810,675	4,660,993	11,535,164
			Current Tax Assets	613,928	936,871	50,081
			Property & Equipment	102,918	115,897	147,736
			Deferred Tax Assets		75,546	71,798
			Other Assets	402,215	674,869	797,893
Total Assets	65,059,044	65,185,732	Total Assets	78,356,013	84,031,555	93,264,183
Liabilities			Liabilities			
Borrowings		500,000	Due to B/FIs	4,178,277	326,710	505,840
Deposits	57,286,482	55,727,178	Deposits from customers	59,694,609	67,061,047	75,731,527
Other Liabilities	1,679,818	1,434,379	Current Tax Liabilities	595,512	976,567	
			Provisions	148,725	120,679	42,376
			Deferred tax liabilities	46,962		
			Other liabilities	1,312,135	1,621,049	2,057,365
Total Liabilities	58,966,300	57,661,557	Total Liabilities	65,976,220	70,106,053	78,337,109
Shareholders Fund			Shareholders Fund			
Paid Up Capital	2,248,161	2,812,426	Share capital	4,005,715	8,011,431	8,011,431
Proposed Bonus Shares	562,040	937,475	Share premium	3,044,187		
Reserve (including Exchange Reserve)	3,249,936	3,658,905	Retained earnings	1,532,387	1,403,042	1,807,876
Undistributed Profit	32,607	115,368	Reserves	3,797,504	4,511,029	5,107,767
Total Shareholders Fund	6,092,744	7,524,175	Total Shareholders Fund	12,379,793	13,925,502	14,927,075
Contingent Liabilities			Contingent Liabilities			
Letter of Credit	2,146,922	2,458,815	Letter of Credit	2,282,628	4,056,111	5,237,487
Guarantees	11,075,683	12,223,923	Guarantees	12,953,727	14,863,805	25,243,974
Forward Exchange Contracts	1,377,681	2,226,620	Forward Exchange Contracts	2,376,477	2,354,579	4,108,966
Other Contingent Liabilities	8,456,444	8,339,548	Other Contingent Liabilities	9,282,837	12,398,081	12,605,408
Total Contingent Liabilities	23,056,730	25,248,905	Total Contingent Liabilities	26,895,670	33,672,575	47,195,835

Five Years Financial Summary

Profit & Loss Account

Particulars	As per previous GAAP			As per NFRS	
	2071-72	2072-73	2073-74	2074-75	2075-76
	2014-15	2015-16	2016-17	2017-18	2018-19
Interest Income	2,571,012	2,415,583	3,191,878	4,940,675	6,500,039
Interest Expenses	657,497	565,705	863,460	1,642,641	2,978,177
Net Interest Income	1,913,515	1,849,878	2,328,418	3,298,034	3,521,862
Commission and Discount	362,964	357,520	469,831	663,756	828,748
Other Operating Incomes	38,010	48,096	8,088	12,169	16,683
Exchange fluctuation Income	613,936	629,555	610,569	706,599	844,318
Total Operating Income	2,928,425	2,885,049	3,416,906	4,680,559	5,211,611
Staff Expenses	468,278	488,290	568,711	662,156	698,284
Other Operating Expenses	420,973	434,760	491,108	590,329	561,388
Exchange fluctuation Loss					
Operating Profit Before Provision for Possible Loss	2,039,174	1,961,999	2,357,087	3,428,074	3,951,940
Provision for Possible Losses	188,682	260,751	(19,584)	74,889	88,238
Operating Profit	1,850,492	1,701,248	2,376,671	3,353,185	3,863,702
Non-Operating Income/ (Loss)	63,861	37,853	8,080	4,030	(2,950)
Provision for Possible Loss Written Back	149,688	257,974			
Profit from Ordinary Activities	2,064,041	1,997,075	2,384,751	3,357,215	3,860,752
Income/(Expenses) from Extra Ordinary Activities	17,525	1,787			
Net Profit after considering all Activities	2,081,566	1,998,862	2,384,751	3,357,215	3,860,752
Provision for Staff Bonus	187,099	181,715	202,908	335,722	386,075
Provision for Income Tax	584,115	524,653	631,856	831,596	1,040,012
Net Profit/Loss	1,310,352	1,292,495	1,549,987	2,189,898	2,434,665
Accumulated Profit up to Previous Year	10,028	32,607	93,011	1,196,553	1,403,042

Continued

Adjustment to Opening Reserve	(444)				
This Year's Profit	1,310,352	1,292,495	1,549,987	2,189,898	2,434,665
Share Premium					
Deferred tax	-	89,557			
Actuarial Gain/(Losses)	2,099	880			
First Time adoption of NFRS	(12,987)	(25,231)			
Deferred Tax Previous Year	(630)	(264)			
Others				1,045	
Total	1,308,419	1,390,043	1,642,998	3,387,496	3,837,707
General Reserve Fund	258,005	258,499	284,319	437,980	486,933
Proposed Dividend	431,884	49,341		210,827	1,402,000
Proposed Issue of Bonus Shares	562,040	937,475		961,529	
Exchange Fluctuation Fund	23,883	29,358	24,583	28,084	28,817
Other Appropriations		1		346,035	112,080
Accumulated Profit/(Loss)	32,607	115,368	1,334,096	1,403,042	1,807,876
Profit Before Tax	1,894,467	1,817,148	2,181,843	3,021,494	3,474,677
Return on Shareholder's Fund	21.69%	17.18%	14.31%	18.66%	19.49%
Cost Income ratio	36.76%	38.29%	36.96%	33.93%	31.58%
Profit per employee	2,979	2,971	3,131	4,515	4,585
Dividend Cover ratio	1.30	1.31	0.34	1.56	1.35

BRANCH MANAGERS



Probin Acharya
Cluster Head Kathmandu Valley
Branches & Branch Manager
Naya Baneshwor



Chinta Mani Rai
Branch Manager
Lalitpur



Suraj Rana
Branch Manager
Lazimpat



Amod Bhattarai
Branch Manager
Boudha



Mukesh Singh
Branch Manager
Newroad Kathmandu



Priyanka Ranjit
Branch Manager
UN Counter



Bhim Dhungana
Branch Manager
Pokhara



Niwesh Shrestha
Branch Manager
Narayangarh



Harmesh Soni
Branch Manager
Nepalgunj



Sharmila Pathak
Branch Manager
Biratnagar



Rishant Shrestha
Branch Manager
Dharan



Prakash Bhattarai
Branch Manager
Butwal



Jay Prakash Kumar
Branch Manager
Birgunj

Disclaimer

Standard Chartered Bank Nepal Limited is an Equal employment Opportunity/Affirmative Action employer. Standard Chartered Nepal Bank Limited is committed to providing equal employment opportunities to every employee and every applicant for employment, regardless of, but not limited to, such factors as race, color, religion, sex, age, familial or marital status, ancestry, sexual orientation, veteran status or being qualified individual with a disability; within the legal framework of the country.

Standard Chartered Bank Nepal Limited undertakes no obligation to update any statement in this Annual Report 2018-2019 to reflect events or circumstances after the date on which such statement is made.

Contact Information

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