

Standard Chartered

Standard Chartered
Bank Nepal Limited



स्टैंडार्ड चार्टर्ड
बैंक नेपाल लिमिटेड



Annual Report 2014-2015

Driving investment, trade and the creation
of wealth across Asia, Africa and the Middle East

29th Annual General Meeting



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 75% in the company with 25% shares owned by the Nepalese public. The Bank enjoys the status of the largest international bank currently operating in Nepal.

We are a leading international banking group, with more than 84,000 employees and a 150-year history in some of the world's most dynamic markets. We bank the people and companies driving investment, trade and the creation of wealth across Asia, Africa and the Middle East. Our heritage and values are expressed in our brand promise, Here for good.

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, 23 ATMs across the country and more than 430 local staff, Standard Chartered Bank Nepal Ltd. 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 representing individuals, mid-market local corporates, multinationals, large public sector companies, government corporations, airlines, hotels as well as the Development Organisation segment comprising of embassies, aid agencies, NGOs and INGOs.

The Bank has been the pioneer in introducing 'client focused' products and services and aspires to continue leadership in introducing new products. 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.

Corporate Social Responsibility is an integral part of Standard Chartered's ambition to become the world's best international bank and is the mainstay of the Bank's values. The Bank believes in delivering shareholder value in a socially, ethically 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. It concentrates on projects that assist children, particularly in the areas of health and education. The Bank is also actively engaged with the communities in raising awareness around Financial Literacy.

Subsequent to the devastating earthquake of April and May 2015, the Bank is engaging with its disaster relief partner Habitat for Humanity in undertaking its rehabilitation and reconstruction project.

Standard Chartered launched two major initiatives in 2003 under its 'Believing in Life' campaign- 'Positive Living' and 'Seeing is Believing'. Various activities and initiatives under this banner are ongoing in Nepal.



For further information please visit
www.sc.com/np
 /StandardCharteredNP

Cover Photo: An evening view of Maitighar-Koteshwor road, Kathmandu.

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Corporate governance

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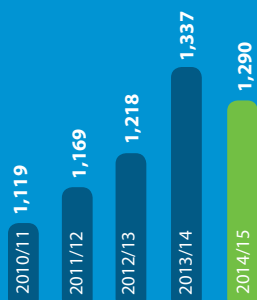
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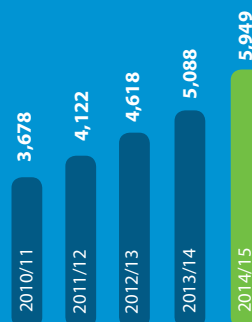
Financial statements and notes

Performance highlights

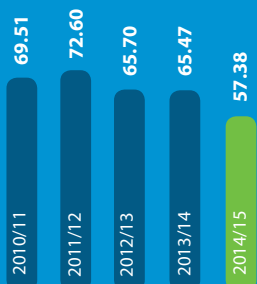
Executing our refreshed strategy



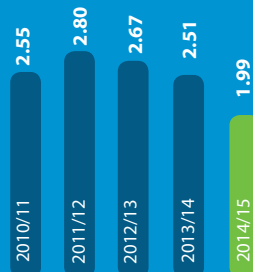
Profit After Tax (Rs. Million)



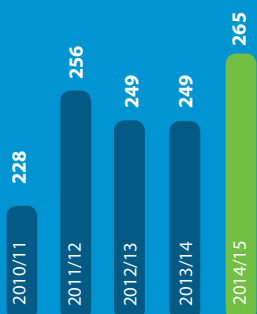
Total Shareholders Equity
(Rs. Million)



Earning Per Share (Rs.)



Return on Total Assets (ln %)



Net Worth Per Share (Rs.)



Market Value Per Share (Rs.)

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 Rs. 2,928m	Operating Profit Rs. 1,827m	Total Assets Rs. 64,927m
Capital Adequacy 13.10%	Return on equity 21.69%	Dividend 44.21%

Non-financial highlights

Points of representation 15	Employees 433
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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 Clients
- 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 Clients
- Diverse, liquid, well capitalized and robust balance sheet composition
- Strong market capitalization of ~ Rs. 44 Billion reflecting high shareholder confidence

Chairman's statement

Well positioned to drive further value for shareholders

On behalf of the Board of Directors of the Bank, I take this opportunity to report that Standard Chartered Bank Nepal has put up a restrained performance during the Financial Year 2014/15. The year proved challenging primarily because of persistently low interest rates, surplus liquidity, low volatility, some regulatory implications and, towards the end of the financial year, devastating earthquake leading to change in market dynamics. It was a challenging year, but it was also a year when we took decisive action to refocus our strategy and to reposition the Bank for the future.

In our assessment, FY 2014/15 remained satisfactory from the socio-political perspective; a sense of urgency was seen for accelerating the growth momentum. Under the circumstances, your Bank invested cautiously in enriching product suite and services; the focus was also made in enhancing skills of our people. The Bank continued to stick to the basics of good banking and followed its strategy to grow and deepen long-term relationships with its clients and customers.

As we see it, the Bank is fully positioned to take advantage of the opportunities in our markets. We remain optimistic about our future and our ability to perform and grow. Our strengths lie in our uniqueness and networking capability; our worldwide presence provides efficiency in enabling trade and investment around the globe. We continue to fulfil our social purpose of driving Nepal's economic growth by assisting our clients and customers in many ways.

We are acutely aware of the impact of our performance on you. We remain focused on the interest of shareholders and other stakeholders. Our priority has been to maintain well capitalised, highly liquid and diverse balance sheet; this will continue. Our focus also remains in delivering profitable, sustainable growth within our risk appetite. We are conscious of our need to tighten control over costs. All these steps will help us keep our earnings resilient and the balance sheet, robust.

Our brand promise 'Here for good' signifies how we operate as a bank and conduct our business. It is the essence of what we are all about; we are there for the long run and remain by the side of our clients and customers through good and bad times. We stand for the progress and prosperity of the community and society around us; we strive to do the right things in the right manner. Our brand is deeply embedded in our community and we are making all efforts to remain the best brand in this market.



Results – A Synopsis

Financial Highlights

- Net Profit after tax was down by 3.5 percent to Rs. 1.290 billion compared to Rs. 1.337 billion in the previous year.
- Earnings per share has decreased by Rs. 8.09 to Rs. 57.38 due to increase in number of shares and decrease in profits.
- Risk Assets increased by 6.4 percent to Rs. 28.02 billion compared to Rs. 26.33 billion last year.
- Deposits increased by 23.7 percent to Rs. 57.29 billion compared to Rs. 46.30 billion last year.

Bank's Performance

The Bank has been delivering a reasonable performance year on year. The Bank has contributed an amount of Rs. 594 million to the Government Exchequer as compared to Rs. 574 million last year on account of corporate tax.

In accordance with the statutory and regulatory requirements, the Board recommends a transfer of Rs. 24 million to Exchange Fluctuation Reserve and transfer of Rs. 258 million into the General Reserve Fund. Further, the Board has proposed the dividend of 19.21 percent for which Rs 432 million has been appropriated towards dividend. Board has also proposed to increase the capital by issuing 25 percent bonus share for which Rs 562 million has been allocated from current year profit.

Our Tier 1 and Tier 2 Capital Adequacy Ratios were 11.67 percent and 1.43 percent respectively with an overall ratio of 13.10 percent, post appropriations. 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 II capital accord and also exceeds the international norms.

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Economic Environment

Global Scenario

2015 was not an encouraging year for the world economy. While the lack of momentum in the world economy is likely to persist in 2016, market sentiment is expected to improve as markets make efforts to readjust expectations. This should provide time to regroup and prepare for a potential rebound in confidence and emerging-market (EM) performance. Global growth forecast for 2016 is expected to remain at ~2.5 percent.

US growth is expected to decelerate to 1.0 percent in 2016. Given the current environment, the Federal Reserve is less likely to hike interest rates again. While acknowledging an instance of one more rate hike, it can be expected the cycle to remain shallow. Monetary policy is less likely to boost the economy, but low rates should buoy market sentiment.

Euro area is expected to grow by 1.4 percent in 2016; this is likely to prove inadequate as Europe is in prolonged stagnation. Monetary policy alone so far, has seen to be less effective to boost sufficient growth. Furthermore, negative interest rates could increase pressure on European banks. The Euro area in particular needs fiscal stimulus.

China's willingness to use fiscal policy to ensure growth above 6.5 percent is significant and positive. Although China does not face the monetary policy limitations as the West does, monetary policy alone may not prove to be enough to achieve the growth target. Analysts believe that two factors viz. the way China communicates its policy and the other, how China manages its currency and capital outflows will remain crucial for international investors.

India's growth forecast for FY 2016/17 is expected to remain at 7.4 percent reflecting a weaker external sector outlook and persistent domestic headwinds. While India is a domestically oriented economy, it is not immune to a global slowdown, particularly one led by the US and the EU. These economies together account for about 35% of India's merchandise exports, 80% of its services exports and 40% of inward remittance flows.

Given the expectations on the US and China, it is expected that the market sentiment and confidence will improve in 2016, particularly for emerging markets – even with a flat global growth.

Nepal

The GDP growth remained lower in 2014/15 compared to the previous year because of the contraction in the growth rate of agriculture sector due to delayed monsoon and the negative impact of the April 25 earthquake and subsequent aftershocks. According to the preliminary estimates of the Central Bureau of Statistics, the real GDP grew by 3.0 percent at basic price and 3.4 percent at producers' price in the review year. Such growth rates were 5.1 percent and 5.4 percent respectively in the previous year.

According to the Post Disaster Needs Assessment (PDNA) report published by the National Planning Commission, the earthquake has made a total loss of about Rs. 706 billion to the overall economy. The destruction of the earthquake is estimated to be 57.8 percent in the social sector, 25.2 percent in the manufacturing sector, 9.5 percent in the infrastructure sector and 7.5 percent in the cross cutting issues. The total destruction of the earthquake is accounted one third of the real GDP of financial year 2014/15. The destruction made a loss of Rs. 36.0 billion in the GDP resulting to around 1.6 percent shrinkage in the overall economy.

The balance of payment recorded a surplus of Rs. 144.85 billion in 2014/15 compared to surplus of Rs. 127.13 billion in the previous year. Export decreased by 7.3% in 2014/15 which had increased by 19.6% the previous year. This is due to lack of enhancement in productive capacity and the development of relevant infrastructures. Imports increased by 8.4% in 2014/15, against an increase of 28.3% recorded for the previous year. The growth in imports remained low mainly due to the decline in the price of petroleum products as well as the slowdown in imports of gold, betel-nut, coal, crude soya bean oil, among others.

The trade deficit as at mid July 2014/15 increased by 10.8 percent compared to a rise of 29.7 percent recorded during the same period previous year. Due to the rise seen in growth of imports and a corresponding fall in exports, the ratio of export to import declined to 11.0 percent during the review period as compared to 12.9 percent recorded for the same period previous year.

The current account posted a surplus of USD 1.07 billion as on mid July 2014/15, compared to a surplus of USD 0.91 billion posted in the previous year. The increase in surplus in the current account was primarily due to low growth of goods imports, increase in remittance inflows and grants,

among others. Remittance inflows in Nepal during this period increased by 13.6 percent to USD 6.19 billion as compared to a growth of 25.0 percent recorded during the previous year.

The Gross foreign exchange reserves grew by 17.4 percent to USD 8.15 billion as at mid July 2014/15. On the basis of existing trend of imports, current level of reserves is sufficient for financing merchandise imports of 13.0 months and merchandise and service imports of 11.2 months.

As on mid July 2014/15, the wholesale price index increased by 6.1 percent as against an increase of 8.3 percent recorded during the same period previous year. Similarly, the Consumer Price Index increased by 7.2 percent, as against an increase of 9.1 percent recorded during the previous year.

Nepalese currency depreciated by 5.2% vis-à-vis US Dollars as at mid-July 2015 against the level recorded during the same period previous year. Nepalese rupee has a fixed parity of 1:1.6 with the Indian rupee.

The Year Ahead

FY 2014/15 was a year of accelerated political activities which resulted in promulgation of the new Constitution of Nepal. The country faced significant challenges right before and after the promulgation of the new Constitution because of the prolonged agitation going on in the Terai region. The business environments as well as the normal life of people were further impacted by the obstruction created in movement of essential supplies including fuel from the customs points adjoining India. Together with the devastating earthquake that hit the country in April and May, the business environment remained extremely challenging which have had a bearing in our performance.

Under the circumstances, your Bank delivered a restrained performance during financial year 2014/15. Steady accretion of risk assets in the balance sheet could not reflect in bottom line growth mainly because of prolonged low interest rate regime, surplus liquidity and low volatility. We, however, are confident that the coming years will be stimulating and productive for business opportunities. We continue to remain in good shape to support our clients and customers, and consider that the growth opportunities will remain compelling in our markets. Our aim remains to exploit our competitive strengths and opportunities and drive value for our shareholders. In doing this, we will be guided by our strategy by continuing to invest in our businesses. We are mindful that

there are significant factors impacting our performance which cannot be ignored; the imperative to maintain our capital levels across the industry; the investment need in enhancing our technological capabilities, and the need to change the shape of our business to fit the demands of the current economic and regulatory landscape. Our actions will be directed towards maintaining the long-term prospects of the business.

We have identified a number of priority areas for the Bank to reshape the business to restore performance and to fully realise the opportunities in our markets; recent reorganisation of our Retail Bank structure is one of them. As our markets develop and get enriched, they will continue to change and it is our aim to embrace the changes and align them to our business models. We are stepping up the pace of digitisation, automating and re-engineering key processes and standardising technology platforms. The only way we can manage the ever - increasing complexity of regulation efficiently is through technology, so we are prioritising investment in this area to achieve sustainable improvement in both compliance and productivity. This is how we can continue to remain successful. Our emphasis is on organic growth with a long-term perspective and in building diverse income streams. These actions will help us to get back to a trajectory of sustainable and profitable growth in delivering returns above our cost of capital and driving the share price.

Our balance sheet is in good shape: diversified, well structured and liquid. We have been taking a conservative approach in managing the balance sheet, maintaining a strong liquidity and in maintaining the credit quality. This will pay dividend to us in the medium to long run.

The recently completed reorganisation of our business will make a difference, enabling us to put sharper focus on the key strategic priorities, optimising the deployment of capital and investment spend.

The year 2015/16 looks ahead to be a good year for the Bank; we have started with a good momentum. We own a strong balance sheet and have a strong deal pipelines under our Corporate & Institutional business. The balance sheet has ample space to capture accelerated growth in the Retail business. Rapid growth under a scenario of political stability can be predicted.

The performance of agriculture sector is critical to our economy; based on what we have experienced so far, we can expect a mixed agricultural yield this year. However, the changing trend of using modern agricultural tools and technology and improvement in distribution of inputs & services, we can assume that the sectorial contribution from agriculture on the GDP is likely to improve. Similarly, an improvement in operating and socio political environment is also likely to benefit the industrial sector. National agenda of 'Rebuilding Nepal' after the earthquake is likely to provide impetus to the industrial sector by fuelling demand for their outputs. Thrust of the government for accelerating infrastructural spending is further likely to invigorate the much needed growth momentum. All these will go in providing respite to the economy. In addition, we also expect stability in remittances flow from the Middle East and South East Asia, which will further help in keeping the national economy active.

Although the Tourism sector has been impacted for the short term, in the medium to long term, we are hopeful that Nepal will continue to remain a preferred destination.

Corporate Governance

Governance across the Bank is robust. Strong governance is also integral to our long-term success. As you may all appreciate, banking is a relationship business, we highly value the relationships that we have with our people, regulators, clients and the other stakeholders; all efforts will be made to further deepen this relationship.

We are committed to ensuring the integrity of governance. In addition to the established committees, we have committees on Diversity and Inclusion, Health and Safety, the Environment and Community Partnership. The initiatives taken by these committees have added value to our stakeholders and delighted them. We believe good governance provides clear accountabilities, ensures strong controls, instils the right behaviours and reinforces good performance.

The Bank has been following the 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.

We can achieve rapid growth under a scenario of political stability; and the near future seems to be providing that opportunity for us. Under the situation, financial services industry is likely to grow and develop into a strong pillar of our national economy.

The management of credit, cross-border, market, liquidity, operational, reputational and other risks are inherent to the bank's business. The risk management principles followed by the Bank 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 of Standard Chartered Group covering the Board, Audit Committee, Risk Committee, Executive Committee, Business/Functional level risk management etc. Roles and responsibilities for risk management are defined under a Three Lines of Defence model i.e. business/operations as first line of defence, risk function under the business/operations as second line of defence and the independent internal audit function reporting to the Audit Committee as the third line of defence. In this way, the risk management process involves active participation from Board level to the business/operational level ensuring an effective system of risk management in the bank.

The world is currently facing a new threat – terrorism. Globalisation of standards for Anti-money laundering and countering the financing of terrorism is required if Governments have to collaborate to fight financial crime which includes the financing of terrorism. Nepal is no longer isolated from these risks; we believe the financial sector should be better equipped to manage the implementation of FATF guidelines, CDD and AML standards. Risks around Correspondent banking are bound to increase, making this a high risk and costly channel, unless banks are prepared to invest in infrastructure and staff to manage and oversee client accounts.

Mr. Anurag Adlakha, Mr. Sujit Mundul and Mr. Joseph Silvanus continue to represent Standard Chartered Grindlays Australia and Mr. Krishna Kumar Pradhan as Professional/Independent Director continues to be in the Board of the Bank. Ms. Amrit

Kumari Thapa continues to be in the Board to represent the public shareholders of the Bank. I, Sunil Kaushal, continue to represent the 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 four Non-Executive Directors of which one is Professional /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 Company Act.

In Conclusion

Our performance priorities are clear. We have taken range of actions in response to the way our market has changed. We expect to get back to a trajectory of sustainable and profitable growth in boosting our performance. We firmly believe that we can fulfil our aspiration to bank the people and companies driving trade, investment and the creation of wealth.

We expect our market to do better in year 2015/16. The political and social transitions do have a significant impact on business confidence and we are positive about our market, particularly after the progress achieved in the constitution writing. This will help in ending the transition and in focusing in the nations' economic growth. The drivers of economic growth viz. demographics, urbanisation and growth in middle class as well as infrastructural investments, all stand promising for us. However, there is an urgent need to tackle critical challenges hindering our growth viz. power shortages, widening trade deficit and the labour issues.

You will agree that the review period was not very encouraging for us primarily because of prevalence of excess liquidity in the market, pressure on margins, lower reinvestment yields and low volatility. The natural calamity that struck towards the end of the year put further pressure on our operating momentum. However, we have opened the new financial year with renewed hope and self assurance that the demand for financial services is rising rapidly. Our challenge is to capture these opportunities in a disciplined, return-focused way to drive shareholder value.

We do have a superb client franchise, a unique network and a strong balance sheet. More importantly, we have fantastic team of people - professional and collaborative, and truly believing in, and committed to being, Here for good. Our focus thus is directed in building sustainable, long-term relationships with our clients and being their trusted adviser and supporting their different needs. We operate with sophisticated technology to provide products and services of international standards to our clients; and our aim is to

continuously improve upon it. We are grateful to our clients & customers, shareholders and other stakeholders for believing in us; we value their trust.

I would also like to extend my sincere gratitude to the Ministry of Finance and Nepal Rastra Bank for their invaluable support and guidance provided to us. I appreciate their commitment in raising the bar for financial industry in Nepal. I also extend my gratitude to our investors for their strong faith and support.

Our people are much sought after by our competition, and we are acutely conscious of the importance of retaining and attracting the best talent and building their learning and development capabilities. In line with our past practice, we will reward our people for good performance as well as for their good behaviours. We are a Bank with strong performance and values culture. We continuously raise the bar on conduct & compliance and reflect of being a force for good in society. I thank all our staff for their hard work, sincerity and commitment.

Bank's Diversity and Inclusion (D&I) Council is playing an important role in embedding our D & I agenda to address the different strands of diversity in our work-force, our products and our community. This will continue to remain our key agenda.

I am proud of what we have achieved so far and am confident about what the future holds for this great institution. We have demonstrated resilience and an ability to adapt and reinvent. We are in good shape to support our clients & customers and remain focused on delivering profitable and sustainable growth to drive further value for our shareholders. We believe that the drivers of economic growth in our markets remain strong, and the demand for financial services is rising rapidly. We are therefore confident in delivering enhanced performance in the years to come.



Sunil Kaushal
Chairman

CEO and Directors Report

The Bank continues to perform well and remains in good shape.

The Bank continues to perform well and remains in good shape. The CEO & Director presents this report together with the Balance Sheet and statement of Profit and Loss for the year ended 16 July 2015. The report is in conformity with the provisions of the Companies Act, 2063 and Bank & Financial Institution Act, 2063 including the directives issued by Nepal Rastra Bank.

It is my pleasure to report that the Bank has delivered yet another year of stable performance. Financial Year 2014/15 remained a challenging year in terms of socio-political environment. Nevertheless, because of our consistent and focused strategy, we have been able to deliver on our promises. In the backdrop of a challenging business environment, a slight fall in the net profit after tax of 3.5% to Rs. 1.29 billion, can be considered satisfactory. This has been achieved by persistent focus on cost and risk management while pursuing business growth.

There is an increase in the volume of risk assets by 6.4 % to Rs. 28.02 billion compared to Rs. 26.33 billion last year. The Bank has been able to manage its credit portfolio better as a result of which the Non-performing credit to Total credit is 0.34%. The provisions made are adequate to cover all the potential credit losses as of the balance sheet date.

After transfer of Rs. 258 million to general reserve, Rs. 24 million to exchange fluctuation reserve, proposed dividend of Rs.432 million and proposed bonus shares of Rs. 562 million, total retained earnings as at 16 July, 2015 stood at Rs. 24 million. This performance reflects a good momentum in the underlying businesses and disciplined management of risks and costs.


Representation

As at 16 July 2015, the Bank maintained nineteen points of representation which included fourteen branches and five extension counters. In addition to this, services were also extended to our customers through twenty three ATMs located at different parts of the country.

Corporate & Institutional Clients (C&IC)

C&IC in line with its stated strategy has performed well over the review period. After the Gorkha Earthquake, the growth rate since has been muted, which has impacted our performance towards the last quarter of FY 2014/15. On a year-on-year basis, we recorded a growth in risk assets volume of 13% over the review period as against the liability growth of as high as 51%. Bulk of these deposits did come post the aftermath of the earthquake and the balance has been gradually declining. As anticipated, in the wake of





excess liquidity, our margins have been squeezed. The increased liquidity is not only resulting in reduction in margins but also creating unhealthy competition in the industry.

We are keen to invest in areas where there is accretive growth. We are well positioned to take advantage of opportunities post the promulgation of the Constitution. Our efforts continue to engage with clients across the product spectrum. Against the backdrop of continuously increasing competition and in the absence of mechanism for pricing for risk, we are hopeful of the industry getting matured. Our objective over this fiscal year will be to focus on digitisation and e-channels to increase efficiency in delivery. We will be more judicious about the deployment of capital and will actively engage to increase the Return on Risk Weighted Assets.

We have been deepening relationships with our existing clients by offering various Cash Management solutions. Our electronic banking solution (Straight 2 Bank) is a unique e-banking platform that can cater to client's cash, trade & FX requirements in one single view. S2B allows multiple-connectivity with clients through internet, mobile and can be used for automation & straight through processing of payments, trade transactions; it also extracts reports, statements and advices and allows automation of reconciliation for invoices with payments.

Collection products viz. RCMS, Virtual Account have been tested and already offered to our clients. We have capabilities to provide globally accepted payment solutions that provide security & efficiency to our clients. Our Trade TING (Trade Initiation Next Generation) is a world class solution for clients to open Letter of Credits and Guarantees, electronically.

We have provided support to the banking industry by providing trainings etc. through our network specialists. In the space of RMB development, our Bank, with the help of Group resources conducted sessions on emerging and changing trade & payment landscape of RMB to the central bank, commercial banks & clients. We have opened a CNY account

Leading to this, the Business has put up a decent performance in all parameters. RC business continued to assist in maintaining good liquidity position for the Bank.



with SCB China to facilitate client's payments & trade in RMB currency.

Retail Banking

Positive signs were seen in Retail Banking business subsequent to holding of the second Constituent assembly elections and formation of the new government. The business was able to deliver decent performance in all parameters with Retail Banking continuing to contribute in maintaining good liquidity position for the Bank. The devastating impact of the earthquake on the country's economy during the latter part of the fiscal year had a resulting impact on the Bank's overall business. Despite this, the Bank was able to ensure service to its clients with minimal disruption. Our branches were up and running in the shortest possible time after the earthquake to provide service to clients. However, the change in client behaviour and shift in client priorities in the aftermath of the earthquake had a significant impact on the Retail lending business, particularly in the Auto and Mortgage products.

Our focus continues to remain on low cost deposits, constituting Current and Savings Accounts (CASA). On the lending front, we have maintained a good momentum and our focus will continue in maintaining a good mix of secured and unsecured portfolio. We have revamped our Employee

Banking proposition as it will be one of the key priorities in driving the Retail Banking business further. Our Priority Banking client value propositions will continue to provide enhanced and valued added benefits to high value client base. Our strong and dedicated team of Relationship Managers provide the best in class service and client experience. Our Lazimpat Branch is home to a unique banking experience for our Priority Banking clients. The branch has an exclusive lounge, created in an art gallery to provide our high net worth clients much needed privacy and personalized service.

The cost of fund was managed well, representing one of the best in the industry. A healthy net interest margin (NIM) in lending products was maintained in spite of the fact that our borrowing rates were amongst the lowest in the industry within the retail lending space

We have renewed our focus on SME business, which is emerging as the growth engine and a key area of thrust for Retail Banking. Increasing the wallet share of non-funds based income will be given due attention.

Our commitment to support the initiative of the Government to encourage individuals for PAN card registrations continues. The Auto and Mortgage products offered by the Bank are

therefore provided with a 0.25% discount on the published rates to clients producing PAN Cards along with their loan applications. In our continuous efforts to provide increased benefits to our clients, Retail Banking plans to introduce product variants in its existing suite of products both for individuals and business.

Our 24X7 Client Care Centre provides easy access and international standard service to our clients from anywhere in the world. The increasing potential in the Retail Banking business both from within our ecosystem and beyond will be exploited to increase our reach and further improve our performance. This will be done by continually striking a balance between risk and return to ensure achievement of sustained growth of our Retail Banking business.

Client Experience

Delivering high-quality client experience is a priority for the Bank; it underpins 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 metrics and standard processing turnaround time, etc. In addition, monthly performance measures have been introduced to gauge our performance against the set standards.

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

To assess clients' experience in their day to day interactions with the Bank, at recent transaction and frontline staff specific level, monthly Client Satisfaction Surveys are conducted. The outcomes of these surveys form a part of the frontline performance scorecard, which has helped reinforce strong service culture across the Bank. Similarly, Annual Loyalty Surveys gauge whether our clients are our true advocates on overall banking relationship across the overall Bank, Segments and Products through Net Promoter Score (NPS).

We leverage on the set service standards, complaint metrics, client interactions and surveys to understand client's need, trend and drive improvement opportunities. We continue to focus on improving our productivity, through the removal of pain points for the clients, improving our processes, digitisation and also by standardising our operating rhythm.



The Bank's NPS scores have improved significantly from +36 in 2011 to +80 in 2014/15. It is a testament to the numerous service improvement initiatives that have been introduced across the Bank.

The Bank believes that each member of the staff owns and is accountable for client experience. We continue to focus on trainings on products, soft skills and client experience for our staff to ensure we are on track with our client focused strategy.

Future Plans

Our objective remains to build stronger relationships with our clients. To achieve this, we will continue to cater through client-centric new and improved product offerings. The critical driver is to move from basic lending to strategic products for our clients.

We continue to remain highly liquid, strongly capitalized and open for business. Our pursuit for growth will however be closely influenced by the competitive landscape, regulatory changes and economic fundamentals. We will continue to engage with our stakeholders in line with our brand promise – Here for good.

Over the last 12 months, we have gained significant achievement in our drive of becoming the Digital Main Bank. We will continue to strive for greater level of Digitisation of our services including repositioning of social media and revamping the Bank's website. The objective of this drive is to improve the service delivery on our part and for our clients to achieve operational efficiencies. Our clients are already experiencing our user-friendly features and benefits.



Both our businesses Corporate & Institutional Clients (C&I) and Retail Banking (RB) have been coordinating and working together in meeting the needs of our corporate and retail clients. This collaboration is helping in addressing the clients' needs more effectively and efficiently. Similarly, we are also working closely with our network points for achieving synergies in client referrals, initiation and conversions.

Like in the past, we continue to invest in training and development of our people. Good performance is being recognised and rewarded. We will be able to differentiate ourselves from the competition only by enhancing our engagement with clients; we already have an edge over our competitors by virtue of our international expertise and knowledge base.

We are in good shape to support our clients & customers; we have a highly liquid and strongly capitalised balance sheet. We are equipped with a strong risk management culture. These fundamentals will help attain higher growth in the coming years.

Credit Environment

After 80 years, Nepal was hit hard by the devastating earthquakes towards the end of FY 2014/15, which dampened the business sentiments garnered during the year

The low capacity utilisation of the manufacturing industries, narrow export base and higher Y-o-Y import growth resulting in ballooning trade deficit increased the country's economic vulnerability.

and the business momentum was lost causing wide scale damages to the economy.

According to the Post Disaster Needs Assessment (PDNA) report published by the National Planning Commission (NPC), the earthquake caused a total loss of Rs. 706 billion in the economy. The damage of the earthquake is estimated at 57.8% in the social sector, 25.2% in the productive sector, 9.5% in the infrastructure sector and 7.5% in the cross cutting issues.

The agricultural sector, which contributes about one-third to real GDP, witnessed a lower rate of growth on account of the decline in the production of principal cereal crops - paddy and maize owing to late monsoon, and losses in livestock and

some agro-products from the earthquake. Further, the service sector, which contributes over 50% to country's total GDP, had an adverse impact from the earthquake. As a result of this, the country's economic growth rate fell sharply to 3% in last fiscal year. The loss from the earthquake is estimated at about one-third of GDP of FY 2014/15.

Though annual average credit growth during the year remained higher than the previous FY, credit demand dropped significantly after the earthquake due to impact in manufacturing and service sectors. The industrial sector was marred by labour shortage, physical damages caused by the earthquake and sluggish demand for industrial production. The obstruction in highways linking Nepal to China impacted the trade business. The damage to the hydropower projects in the crisis hit districts and the reduction in the power production also impacted industrial activities.

The low capacity utilisation of the manufacturing industries also due to perennial power shortage, reduced exports and continued Y-o-Y import growth, which resulted in ballooning trade deficit, further increased country's economic vulnerability. Higher cost and lack of competitiveness have impeded expansion of export base. With the depreciation of Rupee against US Dollar, the economy, therefore, faced more challenges due to increasing import to export ratio though this will prompt Nepalese workers working abroad to remit more savings into the country.

The higher deposit growth during the FY mainly after the earthquake because of excessive remittance inflows besides high donations and grants resulted in excess liquidity in the banking sector. The excess liquidity situation contributed to reduction in interest rates impacting the interest earnings from both lending and investment portfolios of the banks. The risk posed by the continual excess liquidity in the financial market was a detriment to sustained income growth of the banking sector.

The government's capital expenditure was 67% of annual budget estimate and remained below 4% of GDP during the year. The capital expenditure was also impacted by the earthquake in the last quarter when higher expenditure used to be incurred historically. The low capital expenditure further subsided the economic growth prospects.

The steadily increasing inflow of remittance from workers and comfortable foreign exchange reserves, surplus in BOP as well as current account, reduced debt to GDP ratio, etc. were some reassuring factors for economy during the year under

review. The business confidence continued to remain weak in the current fiscal year due to the impact from earthquake and the long Bandhs and strikes in the Terai region which started from the beginning of the FY 2015/16 and subsequent blockades along the Indo-Nepal border adversely impacting trade and transport. Despite having unprecedented challenges in the economy, long term prognosis of the economy appears positive expecting more stability in political environment after the promulgation of new constitution and the government's reconstruction plans to re-build the nation with strong commitments from the donors.

The Bank has largely been successful in achieving disciplined growth in loans and advances and maintaining the credit quality of the loan portfolio. Notwithstanding the uncertainties in the credit environment, we are more resilient because of our proactive risk management approach, system and process for risk identification and measurement and focus on risk management principles which include balancing risk and return, responsibility and accountability in taking risk, anticipation of material future risks, and our competitive advantages. The Bank continues to take measured risks and stands up for what is right. Standard Chartered Bank Nepal is Here for good; Here for good in the sense of always seeking to do the right things. Consistency of strategy and disciplined and focused approach, strong relationship with the clients, rigors around the portfolio quality, debate on risk-return dynamics, vigilance and prompt actions, etc. are the fundamentals of our risk culture.

Auditor

M/S S R Pandey & Co., Chartered Accountants, were appointed as Statutory Auditors for FY 2014/15 by the 28th Annual General Meeting of the Bank held on 4th December 2014. As per the recommendation of the Audit Committee, this meeting will decide on the appointment of the auditor for next financial year.

Proposed Dividend and Bonus Shares

The 340th meeting of the Board of Directors of the Bank has proposed dividend and bonus shares to the shareholders of the Bank for the year ended 16 July 2015 at the rate of 19.21% and 25% respectively.

P. J. Silvanus

Joseph Silvanus
Director and CEO

Our approach to Corporate Governance

A Synopsis

Following are the steps taken by the management for strengthening Corporate Governance in the organization:

- 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 reports, control and compliance issues and provides feedback to the Board as appropriate.
- The 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 strategic decisions.
- The Annual General Meeting is used as an opportunity to communicate with all our shareholders.
- To ensure compliance with applicable laws and regulations and enhance resilience to external events and avoid reputational risk, the Board has adopted SCB Group policies and procedures.
- Ultimate responsibility of effective Risk Management rests with the Board supported by Audit Committee, Board Risk Committee, EXCO, Executive Risk Committee and Asset & Liability Committee (ALCO).
- Embracing exemplary standards of governance and ethics wherever we operate is an integral part of our Strategic Intent. The 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 customers, communities, investors and regulators.

Analysis

The Board of Standard Chartered Bank Nepal Limited is responsible for the overall management of the Company and for ensuring that proper corporate governance standards are maintained. The Board is also responsible & accountable to the shareholders.

The Board has complied with the principles and provisions of the Nepal Rastra Bank directives on Corporate Governance and the provisions of Companies Act, 2063 and Banks and Financial Institutions Act, 2063 (the "Corporate Governance Code"). The directors confirm that:

- Throughout FY 2071/72, the Company complied with all the provisions of the Corporate Governance Code. The Company complied with the listing rules of Nepal Stock Exchange Limited.
- Throughout FY 2071/72, the Company was in compliance with the Securities Registration and Issuance Regulation, 2065.





- The Company has adopted a Code of Conduct regarding securities transactions by directors on further terms no less than required by the Nepal Rastra Bank Directives and the Company Act and that all the Directors of the Bank complied with the Code of Conduct throughout FY 2071/72.

The Board

As on the date of this report, the Board is made up of the Non-Executive Chairman, one Executive Director and four Non-Executive Directors of which one is Professional / 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 Company Act.

The Board composition complied with the regulatory requirements. Four Directors including the Non-Executive Chairman are nominated by the SCB 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, overseeing statutory and regulatory compliance and issues related to the Bank's capital. The Board is collectively responsible for the success of the Bank.

During the year under review, the Board held 13 board meetings of which 7 were held by circulation. 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 2071/72 and fee paid:

Board Members	Scheduled Meeting 13 ¹	Meeting fee paid
Sunil Kaushal ² Chairman	13	Nil - Does not take meeting fee
Anurag Adlakha ³ Director	12	Nil - Does not take meeting fee
Sujit Mundul ⁴ Director	12	NPR 210,000 (inclusive of tax)
Krishna K. Pradhan ⁵ Professional Director	13	NPR 227,500 (inclusive of tax)
Amrit Kumari Thapa Public Director	13	NPR 227,500 (inclusive of tax)
Joseph Silvanus CEO & Director	13	Nil -Does not take meeting fee

¹ 7 Board meetings were held by circulation out of 13 Board meetings

² Attended 1 Board meeting through Video Conferencing out of 13 Board meetings.

³ Attended 2 Board Meetings through Video Conferencing out of 12 Board Meetings.

Director Induction and Ongoing Engagement Plans

We have a very extensive, robust and tailor-made induction and ongoing development programme in place for our Board members. We have been conducting induction for the new directors representing in the Board. The induction programmes are in-depth and cover areas such as the basics of banking, including modules on sources of income, geographic diversity, client distribution, and traditional and modern banking services etc.

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 called Audit Committee and Risk Committee constituted as required by local law and regulation.

Our Board has made a conscious decision to delegate a 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 fulfilment 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 and Companies Act.

The Audit Committee is chaired by a non-executive director. All other members of the Audit Committee are also non executive directors thus ensuring complete independence.

The Composition of the Audit Committee as on July 16, 2015 was as below:

1. Mr. Sujit Mundul, Chairman
2. Mr. Anurag Adlakha, Member
3. Ms. Amrit Kumari Thapa, Member
4. Mr. Sanjay Ballav Pant, Country Head of 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 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 2071/72. A total of 6 meetings were held during the period.

Audit Committee Members	Scheduled Meeting	Meeting fee paid
Sujit Mundul ¹ Chairman	6	NPR 45,000 (Inclusive of tax)
Anurag Adlakha ² Member	3	Nil – Does not take meeting fee
Amrit Kumari Thapa Public Director	6	NPR 30,000 (Inclusive of tax)
Sanjay Ballav Pant Member Secretary	6	Nil – Does not take meeting fee

¹ Attended 1 meeting through Video Conferencing and 1 through audio conferencing.

² Attended all the meetings through video conferencing.

During the financial year 2071/72 (2014/15) 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 Committee's Terms of Reference;
- Reviewed and approved the changes to the Audit Methodology;
- Reviewed and approved the Audit Charter of the Bank;

- Reviewed and approved 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 Annual Onsite Inspection Team and Statutory Auditor, and directed the management for resolution of the issues raised in their reports;
- Reviewed the status of audit issues raised in Internal Audit Reports, Statutory Audit Report and NRB Inspection Report;
- Reviewed the results of Audit Quality Assurance;
- 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 and approved Annual Compliance Plan;
- 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

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 Senior Credit Officer & Chief Risk Officer ("SCO&CRO") is the member/Secretary. The Committee meets four times annually. The committee oversees and reviews the fundamental prudential risks including operational, credit, market, reputational, capital, liquidity and country cross border risk etc.

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 advise and help, diving deeply into issues of risk so that the Board is well placed to perform its role as the ultimate owner of risk appetite.

For the Board Risk Committee to be truly effective, it needs to be forward looking. We have explored with both management and the risk function how best this can be achieved so that the Committee has enough time for the horizon scanning. Significant consideration has also been given to what information needs to be provided to the Committee on the current risk position and how this is changing, the likelihood of it continuing to change and the underlying reasons. In discharging its responsibilities, the Committee continues to be vigilant against being overwhelmed with information, while ensuring that it is provided with all the key data necessary to fulfil its Terms of Reference.

The Composition of the Board Risk Committee as on July 16, 2015 was as below:

- Krishna Kumar Pradhan, Chairman
- Sujit Mundul, Member
- Gopi Bhandari, Member Secretary

The following table illustrates the number of Board Risk Committee meetings held during the FY 2071/72 and fees paid:

Board Risk Committee Members	Scheduled Meeting	Meeting fee paid
Krishna Kumar Pradhan Chairman	4	NPR 22,500 (inclusive of tax)
Sujit Mundul Member	4	NPR 22,500 (inclusive of tax)
Gopi 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 at the date of this report, the Bank's Management Committee comprised of the following:

Mr. Joseph Silvanus
Chief Executive Officer & Head Retail Banking

Ms. Bina Rana
Head Human Resources

Mr. Gopi Bhandari
Chief Risk Officer & Senior Credit Officer

Mr. Gorakh Rana
Head Commercial Banking and International Corporates

Mr. Shobha B Rana
Head Legal & Compliance

Mr. Sujit Shrestha
Chief Information Officer

Mr. Suraj Lamichhane
Financial Controller

Risk Governance

Through its risk management framework, the Bank seeks to efficiently manage credit, market and liquidity risks which arise directly through the Bank's commercial activities as well as operational, regulatory and reputational risks which arise as a normal consequence of any business undertaking.

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

- Balancing risk and reward.
- Disciplined and focused risk taking to generate a return.
- Taking risk with appropriate authorities and where there is appropriate infrastructure and resource to manage them.
- Anticipating future risks and ensuring awareness of all risks.
- Efficient and effective risk management and control to gain competitive advantage.

In order to enhance governance/oversight and to enable earlier detection and mitigation of critical risks, a Small Country Governance Framework (SCGF) has been implemented in SCB Nepal Limited. The SCGF provides a set of guiding principles covering the four key pillars of People, Governance, Systems and Processes. It also includes a set of tools which will enable small countries to more proactively identify, assess and mitigate potential control failures.

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 CEO. The committee meets normally in every two months and reviews the Credit Risk, Operational Risk, Market Risk and Reputational Risk; analyzes the trend, assesses the exposure impact on capital and provides a summary report to the Management Committee. Its objective is to ensure the effective management of risks throughout the Bank in support of the Bank's Business Strategy.

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 and divisional committees. Information regarding material risk issues and compliance with policies and standards is communicated through the business and functional committees up to the Group-level committees, as appropriate.

Credit Risk

Credit risk is the potential for loss due to failure of counterparty to meet its obligations to pay the Bank in accordance with agreed terms. Country Portfolio Standards and the Retail Lending Policy govern the extension of credit to Corporate & Institutional (C&I) Clients and Retail Clients respectively. Each policy provides the framework for lending to counterparties, global account management, product approvals and other product related guidance, credit processes and portfolio standards.

The Corporate & Institutional Clients Monitoring and Control Policy and the Group Process Standards – Retail Clients Credit MIS provide the outline for how credit risk should be monitored and managed in the Bank.

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.

The Credit Issue Committee ("CIC") is a sub-committee of Executive Risk Committee (ERC). It is responsible for overseeing clients in C&I and Business Clients (erstwhile SME) 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 and 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 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 as the potential for loss resulting from inadequate or failed internal processes, people and systems or from the impact of external events, including legal risks. We seek to minimize our exposure to operational risk, subject to cost trade-offs. Operational risk exposures are managed through a consistent set of management processes that drive risk identification, assessment, control and monitoring. Operational Risk Framework (ORF) adopted by the Bank provides comprehensive risk management tools for managing operational risk. The Operational Risk Framework (ORF) defines how risks are managed, 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 Executive Risk Committee, chaired by the CEO, oversees the management of operational risks across the Bank. Each risk control owner is responsible for identifying risks that are material and for maintaining an effective control environment across the organization. Risk control owners have responsibility for the control of operational risk arising from the management of the following activities: External Rules & Regulations, Liability, Legal Enforceability, Damage or Loss of Physical Assets, Safety & Security, Internal Fraud or Dishonesty, External Fraud, Information Security, Processing Failure, and Model. 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 governance procedures.

The OR governance structure is as follows:

- Operational Risk governance ensures consistent oversight across all levels regarding the execution and effectiveness of Operational Risk Framework (ORF).
- Risk Control Owners for all major Risk Types are appointed as per the Risk Management Framework (RMF) and are responsible for effective management of operational risk of their respective control function.
- Operational risks are identified and graded at the business/unit level. For all risk graded low and above along with the treatment plan are agreed with the Risk Control Owner before raising the risk in Phoenix and tabling the

Operational risk exposures are managed through a consistent set of management processes that drive risk identification, assessment, control and monitoring.

risks in Country Executive Risk Committee 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 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 that have residual risk ratings which are above 'Low' in the country materiality scale, provided the residual risk rating is 'low' on the Group materiality scale. Risks categorized as Medium, High or Very High on the Group materiality scale are reported to the Executive Risk Committee (ERC) for endorsement and escalated to the Group Process Owner through the relevant country process owner for acceptance through the relevant Process Governance Committees (PGCs).
- The Group Risk Committee (GRC) provides oversight of operational risk management across the Group.
- Process Governance Committee (PGC) provides global oversight of all material operational risk arising from end-to-end processes within their Process Universes.

Market Risk

Risks arising out of adverse movements in currency exchange rates, interest rates, commodity price and equity prices are covered under Market Risk Management. 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 principally 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.

In addition to the 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.

Liquidity Risk

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 44.4% which includes a buffer of Rs.11.3 billion over the regulatory requirement.

Reputational Risk

Reputational risk is the potential for damage to the Group's franchise, resulting in loss of earnings or adverse impact on market capitalisation as a result of stakeholders taking a negative view of the Group or its actions.

The Country Head of Corporate Affairs is the RCO responsible for monitoring and reporting of reputational risk for the Bank. Reputational risk is managed by the EXCO and ERC, 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 Group's franchise. Reputational risk is registered, recorded and reviewed by the CEO through the ERC. Whilst the ERC covers all forms of reputational risks in the country, any significant business/function related reputational risks, if any, are also brought up and discussed in the ERC. Corporate Affairs has representation in the ERC. Monthly reporting from Corporate Affairs to Group Corporate Affairs is in place to ensure that significant risk issues are socialised and escalated to the Group.

Pension Risk

Pension risk is the potential for loss due to having to meet an actuarially assessed shortfall in the Bank's defined benefits pension schemes. Pension obligation risk to a firm arises from its contractual or other liabilities to or with respect to an occupational pension scheme. It represents the risk that additional contributions will need to be made to a pension scheme because of a future shortfall in the funding of the scheme.

The Pension Executive Committee (PEC), is a sub-committee of the EXCO, and is responsible for pension risk. The PEC is chaired by CEO and its other members include: Financial Controller and Head HR. It meets on a half-yearly basis. The





*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.*

Bank assesses and monitors the assets and liabilities within the defined benefit scheme on a full liability method. The gross obligation is calculated considering the last drawn salary of the individual staff and number of year's service with the Bank. The PEC reviews the assets and liabilities position of the defined benefit scheme on a half yearly basis.

Internal Control

The Board 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 SCB Group policies and procedures of risk identification, risk evaluation, risk mitigation and control/monitoring.

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 Bank's capital management approach 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.

We are all responsible for our actions and for living our values, but the Code is a framework to help us make the right decisions in difficult situations, underpinning our brand promise of Here for good.

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 is comfortable in meeting the minimum capital requirements and is very 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 effectively serious crisis that may affect the operations of the Bank. In addition to this, the Bank has a detailed Business Continuity Plan (BCP) to manage disruptions of operations and a Disaster Recovery Plan (DRP) to manage Technological disruptions.

Health, Safety and Security

We consider the health and safety of our people and the integrity of our business as most important aspect of our operations. 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 part of Health & Safety corrective action plans, the Bank during the year has completed redesigning and renovating work areas in many parts of Head office building and other branches as well.

We believe these actions will help our brand stand out from our competitors. Ultimately they underpin our business and will help us to grow stronger.

Relations with Shareholders

The Board 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 shareholder's information. The AGM is used as an opportunity to communicate with all the shareholders.

The notice of the AGM, as required by the Companies Act, was sent to shareholders at least 21 days before the date of the meeting at their mailing addresses available in the Company's records. In addition to that the notice and agenda of the AGM were also published twice in the national level daily newspaper for the shareholders information.

Group Code of Conduct – Summary

Standard Chartered is a company for which we can be proud to work. 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.

Good conduct 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 we serve.

Living the Group Code of Conduct is one way in which we can take a step towards achieving these outcomes. The Group Code of Conduct 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 you as you navigate through sometimes tough and unfamiliar situations.

The Code of Conduct is not something to be glanced at just once. It needs to be embedded in how we do business, so all of us need to know and understand it, and commit to it annually.

Do the right thing — the importance of the Code: Our values and our brand promise are integral to the way we work every day. 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 authority: Be disciplined, responsible and take accountability for the risks you take and make sure that they are appropriate to your business or

activity. You must keep to our limits and policies and not make decisions that are beyond your delegated authority.

Use good judgment: Recognise when there are situations without simple solutions. Use the Code's decision making framework to help you make decisions well, appropriately and with care.

Speaking Up: You have a responsibility to Speak Up when you see behaviour, a process or system you are not comfortable with at work. This helps to maintain a culture of strong ethics, integrity and transparency.

Comply with laws, regulations and Group standards: You are individually responsible for complying with the spirit, not just the letter, of laws, regulations and our Group standards.

Combat financial crime: It is critically important to protect the worldwide financial system. You 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. You must not give or accept bribes nor take part in any form of corruption.

Treat clients fairly: A focus on building long-term relationships helps to increase our business by improving our reputation. This includes having well-designed products and services, which:

- are clearly sold based on suitable advice
- perform as expected
- give clients choice

Manage conflicts of interest: It is important not to put yourself in a position where your judgment could be affected. You are responsible for identifying, assessing and managing conflicts of interest (whether actual or issues which could be viewed as conflicts) that arise in your daily working life.

Do not engage in or support insider dealing: The misuse of inside information undermines the financial system and unfairly disadvantages others in the market. You must keep to the Group Personal Account Dealing Policy to deal with the risk of insider dealing.

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.

Protect confidential information: Building trust is a basic part of all our relationships with clients. You must not release confidential information unless authorised to do so.

Compete fairly in the market place: You must understand and comply with the laws which affect how you compete in your markets both locally and abroad.

Treat colleagues fairly and with respect: All staff are entitled to a safe working environment that is inclusive and free from discrimination, bullying and harassment. Treating your colleagues as partners helps our people to deliver on the brand promise, resulting in a positive effect on our business results.

Be open and co-operate with regulators: Deal with regulators in a responsive, open and co-operative way and give regulators information they would reasonably expect to be told about.

Respect our communities and the environment: To contribute to economic stability in our markets, we all have a responsibility to reduce our effect on the environment and give back to our communities.

Additional Information

as required by Section 109 of the Company Act, 2006

Un-audited third quarter result of the current financial year is as follows:

	Amount in Thousands (Rs.)
Loans and advances:	29,696,191
Deposits:	58,124,051
Operating profit:	1,319,211
Profit before bonus and taxes:	1,424,940
Net Profit:	906,780

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 'Chairman's Statement' & CEO and Director's Report.

A review of the business during the previous year:

Please refer the sections 'Commercial Banking' & 'Retail Banking' under CEO and Director's Report.

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 regulators', 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:

No changes. Please refer the section 'Corporate Governance' under Chairman's Statement.

Main factors affecting the business

Please refer the sections 'Economic Environment' and 'Conclusion' under

Chairman's Statement and 'Credit Environment' under CEO & Director's Report.

Board of Directors' 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. 431,883,592 by way of dividend and Rs. 562,040,300 by way of bonus share to the shareholders.

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% 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 involved in the shares transactions of the Bank in FY 2071/72 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 thereof

Please refer section 'Our approach to Corporate Governance' under CEO & Director's Report.

Particulars of the total management expenses of the previous financial year

The management expense of the financial year is Rs. 912,723,230 (total of Staff Expenses and Other Operating Expenses as per Schedule 4.23 & 4.24 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 section 'Our approach to Corporate Governance'.

Remunerations, allowances and facilities:

Please refer section 'Our approach to Corporate Governance'

Functions discharged by the Committee:

Please refer section 'Our approach to 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 'Our approach to Corporate Governance'

Remunerations, allowances and bonus paid to the Chief Executive Officer in FY 2071/72, who also was a Director of the Board, is Rs. 1,94,78,185 (after deducting applicable tax). Chief Executive Officer is entitled for the following facilities:

- Accommodation & Utilities
- Vehicle & Driver
- House Maid / Servant / Helper / Security
- Mobile / Telephone
- Medical Reimbursement
- Leave Travel Allowance
- Children Education Reimbursement

Dividends yet to be Collected by Shareholders

Total dividends yet to be collected by the shareholders amounts to Rs. 67,896,767/99

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 Directors' report under Companies Act, 2063

Nil.

Schedule- 13 Related to Sub Rule (1) of Rule 22 of Securities Registration and Issuance Regulation, 2065

Details to be incorporated in the Annual Report

Report Functions

1. Report of Board of Directors

Covered in the CEO & Director's Report section of this Annual 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 Organized Institution in the year,
Nil
- (b) If any case relating to commission of disobedience or 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 of the Organized Institution 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 2071/72.

Ashwin end:

Maximum- Rs. 3094, Minimum- Rs. 2000, Last- Rs. 2095 total number of shares traded – 158113 and transacted days - 54 respectively.

Poush end:

Maximum- Rs. 2,190, Minimum- Rs. 1,710, Last- Rs. 1,920 total number of shares traded – 101,149 and transacted days - 58.

Chaitra end:

Maximum- Rs. 2,185, Minimum- Rs. 1,800, Last- Rs. 1,959 total number of shares traded – 315,508 and transacted days - 57.

Ashadh end:

Maximum- Rs. 2,015, Minimum- Rs. 1,639 Last- Rs. 1,943 total number of shares traded – 86,369 and transacted days -45

6. Problem and Challenge INTERNAL

1. Rise in cost of operations.
2. Managing expectations of internal stakeholders.

EXTERNAL

1. Unstable socio-political environment.
2. Deteriorating risk environment.
3. Growing local competition.
4. Cost of Regulatory Compliance.

STRATEGY

1. Proactively monitor the internal and external environmental changes.
2. Continue to address expectations of internal stakeholders.
3. Continuous enhancement in products and services to exceed customer expectations.
4. Achieve service excellence.
5. Strict portfolio management.

7. Corporate Governance

Incorporated in detail under corporate Governance section in this annual report.

Board of Directors

Sujit Mundul

Director

Sujit Mundul, Director of the Bank, holds the degree of M.Sc., BA (Hons) in Economics & English, LLB, CAIIB and AIB. He also served as a Lecturer in Kolkata and possesses over 41 years of banking experience with SCB in different senior positions.

Sunil Kaushal **Chairman**

Sunil Kaushal, Chairman of the Bank, is the Regional Chief Executive, India & South Asia of Standard Chartered Bank. He has over 28 years of banking experience. Prior to moving into his current role, Sunil was the President and CEO of SCB (Taiwan) Ltd. He has also assumed the roles of Global Head SME and New Ventures based in Singapore and Head of Corporate Banking in UAE. Sunil holds a Bachelor of Commerce degree from Bombay University, India. He also holds a post-graduate qualification as a Chartered Accountant from the Institute of Chartered Accountants of India. Sunil has completed general management courses at Harvard Business School, INSEAD, Oxford University, and London Business School.

Joseph Silvanus

Director & Chief Executive Officer

Joseph Silvanus has been with Standard Chartered Bank for more than 24 years. He had earlier assumed the role of CEO Afghanistan, and the Regional Head, Development Organizations, Southern Asia. Prior to joining the Bank, he also worked with other renowned organizations like Pepsi Foods and Voltas in India. He holds a Post Graduate degree in Management and an honours degree in Economics.



Krishna Kumar Pradhan
Professional Director

Krishna Kumar Pradhan has been in the Board of the Bank since May 2014 in the capacity of a Professional Director. Prior to this 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.

Amrit Kumari Thapa
Public Director

Amrit Kumari Thapa, Public Director is Masters in Business Administration with specialisation in Budgeting, Profit Planning & Control, Tax Laws and Tax Planning. She was earlier the Director in Synchro Media Pvt. Ltd. and the MD of Vibes Media Pvt. Ltd., Kathmandu. She was also associated with Princeton College in the capacity of Instructor cum Teacher.

Anurag Adlakha
Director

Anurag Adlakha, Director of the Bank, is a Chartered Accountant by profession. He has over 29 years of professional career of which 22 years in financial services industry including HSBC India. He is presently working as the Chief Financial Officer, India and South Asia.



Management Team

SHOBHA BAHADUR RANA

Head - Legal and Compliance

SUJIT SHRESTHA

Chief Information Officer

GORAKH RANA

Head - Commercial Banking
& International Corporates

JOSEPH SILVANUS

Chief Executive Officer & Head Retail Banking



BINA RANA

Head - Human Resources

SURAJ LAMICHHANE

Financial Controllor

GOPI BHANDARI

Chief Risk Officer and Senior Credit Officer

DIWAKAR POUDEL

Head - Brand & Marketing and Corporate Affairs



Sustainability

Our social and economic contribution

Sustainability and our business

Using our position as a leading financial institution, we are committed to promoting positive social and economic development in the countries where we operate.

Sustainability to us is not just about using less energy, or raising money for good causes, although we are proud of our efforts in both. Sustainability is embedded in our brand promise, Here for good, 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.

Our ambition is to be the world's best international bank. This means getting the basics right: being financially stable, continuously improving our governance and seizing the opportunities presented by our markets to provide and promote sustainable economic growth.

Our approach continues to focus on three key priorities: contributing to sustainable economic growth, being a responsible company and investing in communities.

Financial crime prevention

Financial crime hinders economic progress and harms individuals and communities. We strive to have the most effective financial crime compliance programmes in order to protect our clients, employees and the places where we do business. Our goal is to prove that we are leading the way in combating financial crime, while providing a quality service for our clients. Over the past two years, the Group has dedicated substantial leadership attention, investment and training to financial crime compliance. In 2014, we more than doubled the staff working in Financial Crime Compliance and hired industry leaders into the function. Each year more than 80,000 employees complete training to prevent bribery, corruption and money laundering. While we have made progress, we still have more to do to ensure our own behaviours and processes are operating above regulatory standards. Our commitment to this work is absolute.

Responsible selling and marketing

Supporting the needs of our clients and delivering a high-quality client experience is a priority across the business. We focus on treating clients fairly and work closely with them to deliver appropriate and suitable products. We have robust global policies and procedures in place to make sure that complaints are identified and resolved quickly. To support our continual focus on conduct, in 2014 we exited our engagement of third-party vendors as representatives of the Group for the sale of our retail products.





Environment

We seek to minimise the impact of our operations on the environment. In 2014, Standard Chartered reduced its energy use intensity by 4 per cent, its water use intensity by 3 per cent and its office paper use by 6 per cent per full-time employee. The Bank remains broadly on track to meet its respective committed targets. To manage energy and water use across its properties, in 2014 we collaborated with landlords to make sure that 34 per cent of our new and renewed leases are green. We are working towards accelerating energy and water savings across our property footprint.

Suppliers

We made further progress in engaging our suppliers to meet leading environmental and social standards by joining the United Nations Global Compact (UNGC) Supply Chain Sustainability Workstream in 2014. In addition to adhering to our Supplier Charter established in 2012, we encourage our suppliers to adopt the 10 UNGC principles relating to issues such as human rights and labour.

Investing in communities

Promoting the social and economic development of communities is fundamental to our strategy supporting sustainable economic growth in our markets. In 2014, we invested \$64.2 million, or the equivalent of 1.06 per cent of our 2013 operating profit, in community programmes. Our programmes focus on health and education, with youth as a target demographic. We support emergency response efforts across our markets.

Community programmes

The economic prosperity of a community depends on a healthy and productive population. Seeing is Believing (SiB), Standard Chartered's flagship community programme, provides funding to address avoidable blindness and promote quality eye health. Through fundraising and bank matching, the Bank raised \$10 million in 2014. From 2003 to 2014, the Bank raised more than \$79.4 million and reached 65.8 million people. In 2014, the Bank awarded nine grants from the SiB Innovation Fund to promote and develop pioneering solutions to tackle blindness around the world.

***Our performance reviews
have taken into account the
extent to which our employees
demonstrate our values through
their everyday actions.***

For Nepal, Standard Chartered Bank is funding a major expansion project being undertaken by Tilganga Institute of Ophthalmology (TIO). The Bank has agreed to grant USD 1,000,000 to fund the TIO's project titled 'Upgrading the facilities at District Community Eye Centres (DCEC) for sustainable eye care in rural and semi-urban Districts' covering the areas of Bhaktapur and Nuwakot districts for the period 2014 to 2018. The project aims to reduce avoidable blindness by developing a surgical facility in rural and semi-urban areas. The objective of the project is to construct two permanent eye centres in two districts: upgrade Bhaktapur District Community Eye Centre (DCEC) into Secondary Level Eye Centre (SLEC) and upgrade Nuwakot DCEC into a periodic surgical facility. The project also aims to create an awareness of eye care among school teachers through training program; train 750 primary school teachers on basic eye care; screen school children and supply 3,810 spectacles and provide cataract surgery service to people in need through cross-subsidy model.

Standard Chartered's Living with HIV (LwHIV) programme marked 15 years of providing education on HIV and AIDS to its staff and communities in 2014. The Bank focused on 'Positive Living' initiatives across its markets, encouraging colleagues to get involved in reducing the fear and stigma associated with HIV and AIDS. Bank's employees delivered over 5,000 volunteering days for LwHIV in 2014, an increase of 15 per cent over 2013. The Bank established a partnership with the MTV Staying Alive Foundation to provide funding to organisations delivering local education and awareness programmes on HIV and AIDS in several of its markets. Standard Chartered Nepal has a pool of 12 HIV Champions who are consistently working with the community in creating awareness around the subject.

Education provides opportunities for individuals and communities. Goal, Standard Chartered's leading education programme, combines sports with life-skills training to empower girls with the confidence, knowledge and skills they need to be integral economic leaders in their families and communities. The Bank reached more than 50,000 girls across 24 markets in 2014. From 2006 to 2014, the Bank empowered nearly 146,000 girls. The

The Bank has a Diversity and Inclusion council which is actively engaged in addressing different strands of diversity.

Bank is contemplating launch of Goal program in Nepal in the near future.

Standard Chartered's global Financial Education for Youth programme trained over 13,100 young people across 15 markets in 2014. Alongside this, the Bank expanded its Education for Entrepreneurs training programme by developing a training toolkit enabling staff volunteers to deliver sessions on financial management to micro and small businesses in its communities. In 2014, the programme ran in eight markets and reached 835 entrepreneurs. Standard Chartered Nepal pioneered Financial Literacy program in Nepal in partnership with World Vision Nepal (WVN) and provided education to around 300 youths identified by WVN in Lalitpur district. The Bank is organising regular sessions on Financial Literacy to the students of various schools in Kathmandu and Lalitpur.

Standard Chartered Bank provides emergency response and support reconstruction efforts across its markets. In 2014, the Bank contributed more than \$700,000 to relief efforts focusing on flood recovery in several countries in Asia and the Ebola Virus Disease (EVD) in West Africa. To support the local and international EVD response, the Bank is utilising its local banking network to open accounts for aid organisations and to process payments for health workers. We also joined together with other private sector companies and signed the UN Business Action Pledge on Ebola Elimination.

Standard Chartered Bank's contribution on Nepal's relief, rehabilitation and reconstruction project, post massive earthquakes in Nepal in April and May 2015, is explained in detail in the succeeding section.

Earthquake: Relief & Reconstruction Project

The Bank raised over USD 670,000 including Bank matching across our markets. USD 271,000 of the total was donated to the Red Cross and Red Crescent Society of the UAE for immediate relief such as emergency search and rescue and first-aid. Also we funded specialist health teams for healthcare provision, mass water treatment facilities and mobile clinics. The rest of the funds were utilised through partnerships with Habitat for Humanity and the wider Habitat for Humanity Group of companies for reconstruction efforts. Habitat's "Build Nepal" strategy is aligned with the National Reconstruction Authority policy for the government of Nepal, which will focus on an owner driven approach for reconstructing houses. The "Build Nepal" strategy consists of four pillars: Social Mobilization (empowering communities to join and rebuild), Technical Assistance (training to provide improved construction skills for safer reconstruction), Tiered Assistance (providing vulnerable households non-financial support for



income generating activities so that they can build their own capacity) and Market Development (improving housing value through access to better construction materials and labor).

The 'Technical Assistance' project is expected to commence in Q3 2016 and run for 18-24 months. We are integrating local staff volunteering over the coming period. An SCB Graduate Alumni EV build is being planned for Q4 2016.

Employee volunteering

The Bank supports its local communities by encouraging its staff to volunteer 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.

With an aim to drive Employee Volunteering agenda, the Bank organised various programs that saw active participation from the staff. Employee Volunteering was conducted in various areas viz. relief and rubble clearance after the earthquake, eye camps, financial literacy, Living with HIV/AIDS workshops, environmental activities, visits to shelter homes, schools and other needy organisations etc. Our aim is to provide thrust on employee volunteering through the earthquake rehabilitation project being undertaken with Habitat for Humanity.

The Bank achieved EV days of 505 against a target of 480 EV days in 2014.



A summary of activities conducted during FYE 2014/15

- Tree plantation at Bishankhu Narayan community area on 30 August 2014 and 27 June 2015. We have been working with the local community of Bishankhu Narayan and have been planting and maintaining tree saplings numbering ~10,000. Our staff actively volunteered in the activities.
- Celebration of Teej at Karuna Bhawan and Missionary of Charity on 24 August in line with the initiative of our D&I Council. The Bank also organised internal activities during the Teej celebrations.
- A blood donation camp was organised at the behest of Global Technology and Operations (GTO), which was participated by over 70 staff members.
- A volunteering program was organised at Safalta Sikshya Niketan in Kirtipur on 18 October 2014. Safalta is a school for children Living with HIV. Stationery and other food items were distributed to the children by our staff; our staff also helped paint the school buildings.
- The Bank partnered with Tilganga Institute of Ophthalmology (TIO) in celebrating the World Sight Day on 9 October. Our staff also participated in a cycle rally organised to mark the occasion from TIO premises to Bhaktapur.
- The Bank signed an agreement with World Vision Nepal (WVN) in sharing Financial Literacy sessions to the youths identified by WVN Nepal.
- The Bank on November 22 organised its flagship fundraising event 'Walkathon 2014' with active participation from its clients, staff, vendors, media and other stakeholders.
- A surgical eye camp was held by TIO in Nuwakot district on 20-22 December in partnership with the Bank. The camp was organised in line with the Project sanctioned to TIO under SiB Phase V program.
- International Women's Day was organised on March 8 by organising various internal and external events.



- An eye camp was organised at Chapacho, Thimi in partnership with TIO on 28th of March. Staff actively volunteered during the event.
- An awareness session on Swine Flu was held at our HO premises by inviting Dr Sameer Mani Dixit, Director of Research & Public Health/CMDN.
- Staff members volunteered in Walkathon organised to mark Global Money Week on 14 th March. The Walkathon was organised by Nepal Rastra Bank.
- Our staff members have been participating in Clean Bagmati Campaign on a regular basis under the Bank's banner.
- An employee volunteering program was organised at Maiti Nepal on May 9; the program was held with a view to help release stress and trauma of children and women residing in Maiti Nepal. Maiti Nepal was also handed over edible items to overcome the food shortage because of the earthquake.
- Staff members participated in an employee volunteering program organised at Ganesh Memorial School, Dukuchhap. Some essential stationery items were distributed to children.
- #IOU campaign was launched by the Bank to reinforce Employee Volunteering agenda in Nepal.
- Our staff members actively participated in 'post earthquake rubble removal' initiatives organised at different places including Bungmati village of Lalitpur. This initiative is continuing in partnership with our Global Disaster Relief Partner – Habitat for Humanity.

Our People

Supporting the organisation through change

The Bank believes in driving high performance by working with its people to bring out their strengths. In every step of its way in employee engagement, performance management and in learning and development, the Bank takes into account the strengths, in order to create a virtuous cycle leading to high performance.

During FY 2014/15, the Bank was able to leverage the strengths of 40 new employees selected through Bank's sourcing channels viz. Internal Job Watch and SCB Career Website. The Bank is proud of its employer brand and aims to provide both supporting and welcoming environment to the new hires. With an objective to offer scalable approach by leveraging on technology, giving more time for line managers to engage with the new hires and, to enable our new joiners to be productive, the "On-Boarding Program" was launched in second half of year 2014. Other than this, as per the Bank's mandatory requirement, Day 1 Readiness was conducted for the new Relationship Managers in Retail Banking.

As at the end of financial year 2014/15, the Bank had a strong people base of 433 with a gender mix of 62:38. During this year, the Bank facilitated in development of people through cross function/business moves, short term attachment programs, internal transfers, job rotation, succession planning and mentoring programs.

Staff Wellbeing

The Bank is Here for people – committed to making the Bank a great place to work, focused on development,

growth and overall wellbeing of its people. As a proof point, Standard Chartered Nepal is unique in the industry in providing Day Care Centre (Orèche) and Mother's room at its Head Office premises, for expecting & nursing mothers. This is a much deserved relief to young working parents.

In addition, the Bank operates on a 5 day week basis by enabling staff to maintain a healthy work/life balance. The Bank also introduced industry first initiative of providing 90 days of maternity leave as well as provision of paternity leave for male staff. Among the industry, Standard Chartered is also unique in having a Health, Safety and Environment programs and policies. Likewise, the Bank has a policy to encourage staff to work closely with the community in which it operates; for this purpose, in addition to the annual leave of 25 days in a calendar year, the Bank provides 3 additional days of Employee Volunteering Leave to its employees. These are some of the features that differentiate Standard Chartered.

Employee Engagement and Relation

Employee engagement and relation is integral in the Bank's focus on its people. The Bank encourages behaviors that bring out the very best of every employee, and assess performance that is not only based on results, but also on how the results were achieved. In 2014, My voice, a new global employee survey was rolled out successfully where targeted staff were encouraged to participate. The survey was conducted globally with an aim to understand and measure the employee engagement.



Our commitment towards the society and community are driven through volunteering programs. Employee volunteering is at the heart of our unique culture and is the reason why many of our people choose to work for us. In the calendar year 2014 our people spent 493 days in volunteering activities through which our people contribute to a range of local initiatives, including those aligned to our community investment strategy. Volunteering activities for the year included blood donation, supporting schools with LwHIV children, Financial Literacy, eye camps and environmental initiatives.

To supplement our engagement initiatives, the Bank has increased its efforts to improve employee relations and communications. On a regular basis, Nepal Leadership Team meetings, Town Halls are organized wherein employees get updated on the Bank's performance and also get an opportunity to understand matters of interest to them. Similarly, interactive sessions are organized to mark senior executive visits. The Bank also recognizes staff for their long service by honoring them with loyalty awards; as in previous years, staff serving five, ten, fifteen, twenty and twenty five years were awarded this year also. Similarly engagement activities were conducted viz. the Chairman's Here for good Award at the Group level and CEO's Award at the local level, annual fund raising event Walkathon, Family Fun Day etc.

Promoting Diversity & Inclusion

Diversity and Inclusion is Bank's initiative that revolves around creating a workplace culture that enables employees to fulfill their potential and broaden perspectives. The initiative brings diverse cultural and thinking styles together to enable employees to recognize their values and skills they bring to the Bank. Diversity and Inclusion is not confined to Standard Chartered employees, it also includes customers, clients and communities.

During the year, the Bank enabled staff engagement through various D&I initiatives viz. talk programs on useful topics, Poster Competition, celebration of Teej, Bhai Tika, International Women's Day, World AIDS Day and World Sight Day etc. D&I Committee of the Bank played a key role in increasing the number of toddler enrolment and in monitoring the management of Day Care Centre.

Learning and Development Programs

The Bank is actively engaged in unleashing strength of its people by putting focus on their learning and development.

Growth of people remains a focal point and the Bank has been helping its staff in drawing a career long learning and development path to utilize their true or hidden potential.

Recognizing the fact that an individual can evaluate himself better in learning process, the Bank has developed a process whereby it recommends people to set and manage their own development objectives along the 70-20-10 principle. The Bank believes that managing development objectives enhances an individual's professional development and career potential and provides its people with access to tools and learning resources that can support their development.

As in the past, the Bank provided opportunities of learning and development for its people through various learning channels viz. paper based, web based, classroom and through phone. Launch of Right Start Live session for new joiners, general induction within one week of joining and Train the Facilitator session are few initiatives that were organized this year. Apart from this, the initiatives such as Day 1 Readiness for Relationship Managers, Master Class and Learn & Grow sessions, Group & local programs and other in-house programs also received continuity.



Branch Network

KATHMANDU

Boudha

Branch - Boudha
Bhatbhateni Premises (Ground Floor)
Chuchhepati, Boudha-7, Kathmandu, Nepal
Tel: 977-1-4481819/4481822
Fax: 977-1-4481821

Lazimpat

Branch- Lazimpat
PO Box 3990, Lazimpat, Kathmandu, Nepal
Tel: 977-1-4418456
Fax: 977-1-4417428

Naya Baneshwor

Branch- Naya Baneshwor
PO Box 3990, Naya Baneshwor,
Kathmandu, Nepal
Tel: 977-1-4782333, 4783753
Fax: 977-1-4780762

New Road

Branch- 1st Floor, 22, People's
Plaza (Pako Wing) Pako,
New Road Kathmandu, Nepal
Tel: 977-1-4157527/28
Fax: 977-1-4157530

LALITPUR

Branch- Jawalakhel, Lalitpur
PO Box 3990, Jawalakhel, Lalitpur, Nepal
Tel: 977-1-5540544, 5540566
Fax: 977-1-5523266

BIRATNAGAR

Branch- Biratnagar, Morang
PO Box 201, Main Road, Biratnagar-3, Nepal
Tel: 977-21-528983
Fax: 977-21-528982

BIRGUNJ

Branch- Birgunj
Adarsha Nagar 13, Birgunj, Nepal
Tel: 051-529494
Fax: 051-529677

BUTWAL

Branch-Butwal, Rupandehi
Milan Chowk, Butwal Municipality-11,
Rupandehi, Nepal
Tel: 977-71-546832
Fax: 977-71-546882

DHARAN

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

POKHARA

Pokhara- New Road

Branch- New Road Pokhara, Nepal
PO Box 08
Tel: +977-061-523875, 523876, 536231, 524297
Fax: +977-061-531676

NARAYANGARH

Branch- Lions Chowk Bharatpur Height,
Narayangarh, Nepal
Tel: 056-571277/8
Fax: 056-571279

NEPALGUNJ

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

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

US Embassy

Embassy Premises
Maharajgunj
Kathmandu

ATM Network

KATHMANDU

Maharajgunj

Saleways Department Store
Maharajgunj, Kathmandu

Boudha

Near main entrance of
Boudhanath stupa, Kathmandu

Durbar Marg

Hotel De'l Annapurna,
Durbar Marg, Kathmandu

New Road

Bishal Bazaar, New Road, Kathmandu

Naya Baneshwor

Standard Chartered Bank Nepal Ltd.
Naya Baneshwor, Kathmandu

Jawalakhel, Lalitpur

Standard Chartered Bank Nepal Ltd
Jawalakhel, Lalitpur

UN Building

Standard Chartered Bank Nepal Ltd.,
UN Counter,

Pulchowk, Lalitpur

Standard Chartered Bank Nepal
Limited,
Near UNDP Complex, Lalitpur

Thamel

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

Kathmandu Guest House,
Thamel, Kathmandu

Lazimpat

Standard Chartered Bank Nepal Ltd.
Lazimpat, Kathmandu

DHARAN

Standard Chartered Bank Nepal Limited,
Dharan

BPKIHS

B P Koirala Institute of Health Science
Dharan

BIRATNAGAR

Standard Chartered Bank Nepal Ltd,
Biratnagar

BIRGUNJ

Standard Chartered Bank Nepal Limited,
Birgunj

NARAYANGARH

Standard Chartered Bank
Nepal Limited, Narayangarh

POKHARA

New Road
Branch Pokhara, Nepal

Lake side

ATM Lounge, Centre Point
Hallan Chowk, Lakeside,
Pokhara

BUTWAL

Standard Chartered Bank
Nepal Limited, Butwal

REPORT OF THE INDEPENDENT AUDITORS

TO THE SHAREHOLDERS OF STANDARD CHARTERED BANK NEPAL LIMITED

1. We have audited the accompanying financial statements of Standard Chartered Bank Nepal Limited, which comprise the Balance Sheet as at Ashadh 31, 2072 (July 16, 2015), and the Profit and Loss Account, Profit and Loss Appropriation Account, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a Summary of significant Accounting Policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Nepal Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider the internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Bank's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion


4. In our opinion, the accompanying financial statements give a true and fair view, in all material respects, the

financial position of Standard Chartered Bank Nepal Limited as at Ashadh 31, 2072 (16 July, 2015) and of the results of its financial performance and its cash flows for the year then ended in accordance with Nepal Accounting Standards- so far as applicable in compliance with the prevailing Laws and comply with Company Act 2063, Banks and Financial Institutions Act, 2063 and Directives of Nepal Rastra Bank.

Report on Other Legal and Regulatory Requirements

5. On the basis of our examination, we would like to further report that:
- We have obtained all the information and explanations, which were considered necessary for the purpose for our audit.
 - The Balance Sheet, Profit and Loss Account, Profit and Loss Appropriation Account, Statement of Changes in Equity, Cash Flow Statement and attached Schedules dealt with by this report are prepared as per Directives of Nepal Rastra Bank and are in agreement with the books of account maintained by the Bank.
 - In our opinion, proper books of accounts as required by the law have been kept by the Bank. The Bank has accounted for Interest Income from Loans & Advances on cash basis as per Nepal Rastra Bank's Directives.
 - During our examination of the books of account of the Bank, we have not come across the cases where the Board of Directors or any member thereof or any representative or any office holder or any employee of the Bank has acted contrary to the provisions of law or caused loss or damage to the Bank.
 - The operations of the Bank were within its jurisdiction
 - In our opinion, so far as it appeared from our examination of the book, the Bank has maintained adequate capital funds and adequate provisions for possible impairment of assets in accordance with the directives of Nepal Rastra Bank;
 - The Bank has written-off loans amounting Nrs. 3,136,687 during F/Y 2014/15;
 - The Bank has been functioning as per the directives of Nepal Rastra Bank.
 - The Bank has not acted in a manner to jeopardize the interest and security of the depositors and shareholders.
 - The returns received from branches of the Bank though the statements are independently not audited were adequate for the purpose of our audit, and
 - We have not come across any fraudulence in the accounts, so far as it appeared from our examination of the book.
 - This Audit Report replaces Audit Report issued by us on December 7, 2015 as the board of directors decided to propose 25% and 19.21% bonus share and cash dividend respectively on Paid up Capital as of July 16, 2015 replacing earlier proposal of 15% and 27.11% respectively vide their meeting dated February 22, 2016.

Date: February 22, 2016
Place: Kathmandu


CA. Sudarshan Raj Pandey
Senior Partner

Balance Sheet

As at 16 July, 2015 (31 Ashadh

Capital & Liabilities	Schedule	This Year Rs.	Previous Year Rs.
1. Share Capital	4.1	2,810,201,500	2,245,839,200
2. Reserves and Funds	4.2	3,138,353,154	2,842,251,698
3. Debentures and Bonds	4.3	-	-
4. Loans and Borrowings	4.4	-	-
5. Deposit Liability	4.5	57,286,482,037	46,298,532,040
6. Bills Payables	4.6	177,086,075	67,439,885
7. Proposed Dividend		431,883,592	847,293,880
8. Income Tax Liability		-	-
9. Other Liabilities	4.7	1,082,798,762	1,022,745,469
Total Liabilities		64,926,805,120	53,324,102,172

Assets	Schedule	This Year Rs.	Previous Year Rs.
1. Cash Balance	4.8	785,636,090	613,768,499
2. Balance with Nepal Rastra Bank	4.9	9,308,116,260	6,862,452,256
3. Balance with Banks/Financial Institutions	4.10	1,478,689,578	1,712,083,452
4. Money at Call and Short Notice	4.11	11,973,546,000	7,960,305,000
5. Investments	4.12	12,971,231,533	9,391,378,664
6. Loans, Advances and Bills Purchased	4.13	27,681,313,256	25,976,584,629
7. Fixed Assets	4.14	83,853,400	68,725,873
8. Non-Banking Assets	4.15	-	-
9. Other Assets	4.16	644,419,003	738,803,799
Total Assets		64,926,805,120	53,324,102,172

Contingent Liabilities	Schedule 4.17
Declaration of Directors	Schedule 4.29
Capital Adequacy Table	Schedule 4.30 (Ka 1)
Statement of Credit Risk	Schedule 4.30 (Kha)
Statement of Eligible Credit Risk Mitigation	Schedule 4.30 (Ga)
Statement of Operational Risk	Schedule 4.30 (Gha)
Statement of Market Risk	Schedule 4.30 (Nga)
Key Indicators	Schedule 4.31
Significant Accounting Policies	Schedule 4.32
Notes to Accounts	Schedule 4.33

Schedules 4.1 to 4.17 form integral part of the Balance Sheet

As per our report of even date

Suraj Lamichhane
Financial Controller

Joseph Silvanus
CEO & Director

CA. Sudarshan Raj Pandey
Partner
For and on behalf of
S.R. Pandey & Co
Chartered Accountants

Sujit Mundul
Director

Krishna Kumar Pradhan
Director

Amrit Kumari Thapa
Director

Date: February 22, 2016

Profit and Loss Account

for the period 17 July 2014 to 16 July 2015 (1 Shrawan 2071 to 31 Ashadhh 2072)

Particulars	Schedule	This Year Rs.	Previous Year Rs.
1. Interest Income	4.18	2,574,590,303	2,583,957,771
2. Interest Expenses	4.19	661,074,838	576,298,811
Net Interest Income		1,913,515,465	2,007,658,960
3. Commission and Discount	4.20	362,963,897	383,611,041
4. Other Operating Incomes	4.21	38,009,978	44,156,805
5. Exchange Fluctuation Income	4.22	613,935,937	477,996,116
Total Operating Income		2,928,425,277	2,913,422,922
6. Staff Expenses	4.23	505,669,073	482,083,447
7. Other Operating Expenses	4.24	407,054,157	368,029,767
8. Exchange Fluctuation Loss	4.22	-	-
Operating Profit Before Provision for Possible Loss		2,015,702,047	2,063,309,708
9. Provision for Possible Losses	4.25	188,682,237	84,400,931
Operating Profit		1,827,019,810	1,978,908,777
10. Non-Operating Income/ (Loss)	4.26	63,860,761	51,873,871
11. Provision for Possible Loss Written Back	4.27	149,688,331	63,530,968
Profit from Ordinary Activities		2,040,568,902	2,094,313,616
12. Income/(Expenses) from Extra Ordinary Activities	4.28	17,525,496	(1,523,804)
Net Profit after considering all Activities		2,058,094,398	2,092,789,812
13. Provision for Staff Bonus		187,099,491	190,253,619
14. Provision for Income Tax		580,969,559	565,947,006
Current Year's Tax Provision		586,716,733	571,524,721
Upto Previous Year's Tax Provision		7,746,200	2,367,159
Current Year's Deferred Tax Income/Expenses		(13,493,374)	(7,944,874)
Net Profit/Loss		1,290,025,348	1,336,589,187

Schedules 4.18 to 4.28 form integral part of this Profit and Loss Account

As per our report of even date

Suraj Lamichhane
Financial Controller

Joseph Silvanus
CEO & Director

CA. Sudarshan Raj Pandey
Partner
For and on behalf of
S.R. Pandey & Co
Chartered Accountants

Sujit Mundul
Director

Krishna Kumar Pradhan
Director

Amrit Kumari Thapa
Director

Date: February 22, 2016

Profit and Loss Appropriation Account

for the period 17 July 2014 to 16 July 2015 (1 Shrawan 2071 to 31 Ashadhh 2072)

Particulars	Schedule	This Year Rs.	Previous Year Rs.
Income			
1. Accumulated Profit up to Previous Year		10,028,482	31,582,090
2. This Year's Profit		1,290,025,348	1,336,589,187
3. Exchange Fluctuation Fund		-	-
Total		1,300,053,830	1,368,171,277
Expenses			
1. Accumulated Loss up to Previous Year		-	-
2. Current Year's Loss		-	-
3. General Reserve Fund		258,005,070	267,317,837
4. Contingent Reserve		-	-
5. Institutional Development Fund		-	-
6. Dividend Equalisation Fund		-	-
7. Employees Related Reserves		-	-
8. Proposed Dividend		431,883,592	847,293,880
9. Proposed Issue of Bonus Shares		562,040,300	204,167,200
10. Special Reserve Fund		-	-
11. Exchange Fluctuation Fund		23,883,456	25,742,140
12. Capital Redemption Reserve Fund		-	-
13. Capital Adjustment Fund		-	-
14. Deferred Tax Reserve		-	8,159,238
15. Investment Adjustment Reserve		-	5,462,500
Total		1,275,812,418	1,358,142,795
Accumulated Profit/(Loss)		24,241,412	10,028,482

As per our report of even date

Suraj Lamichhane
Financial Controller

Joseph Silvanus
CEO & Director

CA. Sudarshan Raj Pandey
Partner
For and on behalf of
S.R. Pandey & Co
Chartered Accountants

Sujit Mundul
Director

Krishna Kumar Pradhan
Director

Amrit Kumari Thapa
Director

Date: February 22, 2016

Statement of Changes in Equity

Financial Year 2071/72 (FY 2014/15)

Particulars	Share Capital	Accumulated Profit	General Reserve	Capital Reserve Fund	Share Premium	Exchange Fluctuation Fund	Deferred Tax Reserve	Investment Adjustment Reserve	Other Reserve & Fund	Rs Total
Opening Balance as at 17 July 2014	2,245,839,200	10,028,482	2,381,024,791	-	-	360,597,688	89,556,937	1,043,800	-	5,088,090,898
Adjustments	-	-	-	-	-	-	-	-	-	-
Restated Balance as at 17 July 2014	2,245,839,200	10,028,482	2,381,024,791	-	-	360,597,688	89,556,937	1,043,800	-	5,088,090,898
Surplus/ Deficit on revaluation of properties	-	-	-	-	-	-	-	-	-	-
Surplus/ Deficit on revaluation of investments	-	-	-	-	-	-	-	-	-	-
Net Profit for the Period	-	1,290,025,348	-	-	-	-	-	-	-	1,290,025,348
Transfer to General Reserve	-	(258,005,070)	258,005,070	-	-	-	-	-	-	-
Proposed Dividend	-	(431,883,592)	-	-	-	-	-	-	(431,883,592)	-
Issue of Bonus Share	-	-	-	-	-	-	-	-	-	-
Proposed Issue of Bonus Shares	562,040,300	(562,040,300)	-	-	-	-	-	-	-	-
Issue of Share Capital	2,322,000	-	-	-	-	-	-	-	-	2,322,000
Exchange Fluctuation Fund	-	(23,883,456)	-	-	-	23,883,456	-	-	-	-
Deferred Tax Reserve	-	-	-	-	-	-	-	-	-	-
Investment Adjustment Reserve	-	-	-	-	-	-	-	-	-	-
Closing Balance as at 16 July 2015	2,810,201,500	24,241,412	2,639,029,861	-	-	384,481,144	89,556,937	1,043,800	-	5,948,554,654

Cash Flow Statement

for the period 17 July 2014 to 16 July 2015 (1 Shrawan 2071 to 31 Ashadhh)

Particulars	This Year Rs.	Previous Year Rs.
(A) Cash Flow from Operating Activities	5,788,412,895	(699,012,314)
1. Cash Receipts	3,491,062,288	3,477,670,974
1.1 Interest Income	2,452,635,409	2,527,527,738
1.2 Commission and Discount Income	364,838,482	394,163,716
1.3 Income from Foreign Exchange Transaction	613,935,937	477,996,116
1.4 Recovery of Loan Written Off	20,662,183	33,654,248
1.5 Other Income	38,990,277	44,329,156
2. Cash Payments	3,046,411,955	2,902,524,631
2.1 Interest Expenses	649,559,280	566,675,104
2.2 Staff Expenses	661,898,109	639,269,612
2.3 Office Operating Expenses	337,196,537	374,505,641
2.4 Income tax Payment	569,217,536	597,857,391
2.5 Other Expenses	828,540,493	724,216,883
Cash Flow before Changes in Working Capital	444,650,333	575,146,343
Decrease/ (Increase) of Current Assets	(5,717,708,259)	(8,209,428,275)
1. Decrease / (Increase) in Money at Call and Short Notice	(4,013,241,000)	(4,951,241,000)
2. Decrease / (Increase) in Short-term Investment	-	-
3. Decrease / (Increase) in Loan and Bills Purchase	(1,698,598,229)	(3,225,169,188)
4. Decrease / (Increase) in Other Assets	(5,869,030)	(33,018,087)
(Decrease) / Increase of Current Liabilities	11,061,470,821	6,935,269,618
1. (Decrease) / Increase in Deposits	10,987,949,997	6,832,078,800
2. (Decrease) / Increase in Certificate of Deposits	-	-
3. (Decrease) / Increase in Short Term Borrowings	-	-
4. (Decrease) / Increase in Other Liabilities	73,520,824	103,190,818
(B) Cash Flow from Investment Activities	(3,406,597,174)	3,479,935,740
1. Decrease/ (Increase) in Long term Investment	(3,579,852,869)	3,404,442,790
2. Decrease/ (Increase) in Fixed assets	22,405,684	(213,653)
3. Interest Income from Long Term Investment	139,716,630	67,747,992
4. Dividend Income	11,133,381	7,958,611
5. Others	-	-
(C) Cash Flow from Financing Activities	2,322,000	2,382,000
1. Increase/ (Decrease) in Long term Borrowings (Bond, Debenture etc)	-	-
2. Increase / (Decrease) in Share Capital	2,322,000	2,382,000
3. Increase / (Decrease) in Other Liability	-	-
4. Increase / (Decrease) in Refinance /Facilities received from Nepal Rastra Bank	-	-
(D) Income/Expense from change in exchange rate in Cash and Bank Balance	-	-
(E) Current year's cash flow from all activities	2,384,137,719	2,783,305,426
(F) Opening Cash and Bank Balance	9,188,304,208	6,404,998,782
(G) Closing Cash and Bank Balance	11,572,441,927	9,188,304,208

As per our report of even date

Suraj Lamichhane
Financial Controller

Joseph Silvanus
CEO & Director

Anurag Adlakha
Director

CA. Sudarshan Raj Pandey
Partner
For and on behalf of
S.R. Pandey & Co
Chartered Accountants

Sujit Mundul
Director

Krishna Kumar Pradhan
Director

Amrit Kumari Thapa
Director

Date: February 22, 2016

Schedule 4.1:

Share Capital and Ownership

As at 16 July, 2015 (31 Ashadh 2072)

Particulars	This year Rs.	Previous Year Rs.
1. Share Capital		
1.1 Authorised Capital	3,000,000,000	2,041,672,000
A) 30,000,000 Ordinary Shares of Rs. 100 each	3,000,000,000	2,041,672,000
20,416,720 Ordinary Shares of Rs. 100 each (Last Year)		
B) - Non-Redeemable Preference Shares of Rs. - each	-	-
C) - Redeemable Preference Shares of Rs. - each	-	-
1.2 Issued Capital	2,248,161,200	2,041,672,000
A) 22,481,612 Ordinary Shares of Rs. 100 each	2,248,161,200	2,041,672,000
20,416,720 Ordinary Shares of Rs. 100 each (Last Year)		
B) - Non-Redeemable Preference Shares of Rs. - each	-	-
C) - Redeemable Preference Shares of Rs. - each	-	-
1.3 Paid Up Capital	2,248,161,200	2,041,672,000
A) 22,481,612 Ordinary Shares of Rs. 100 each	2,248,161,200	2,041,672,000
20,416,720 Ordinary Shares of Rs. 100 each (Last Year)		
B) - Non-Redeemable Preference Shares of Rs. - each	-	-
C) - Redeemable Preference Shares of Rs. - each	-	-
1.4 Proposed Bonus Share	562,040,300	204,167,200
1.5 Calls in Advance	-	-
1.6 Total	2,810,201,500	2,245,839,200

Share Ownership Details	This Year		Previous Year	
	%	Share Capital	%	Share Capital
1. Domestic Ownership	25.00	562,040,300	25.00	510,418,000
1.1 Government of Nepal	-	-	-	-
1.2 "Ka" Class Licensed Institutions	-	-	-	-
1.3 Other Licensed Institutions	-	-	-	-
1.4 Other Entities	0.94	21,194,100	2.50	51,099,700
1.5 Individuals	24.06	540,846,200	22.50	459,318,300
1.6 Others	-	-	-	-
2. Foreign Ownership	75.00	1,686,120,900	75.00	1,531,254,000
Total	100.00	2,248,161,200	100.00	2,041,672,000

Details of the Shareholders holding 0.5 % or more of the Total Shares

Sn	Name of the Shareholders	Number of Shares Held	% of Total Shares	Amount Rs.
1	Standard Chartered Grindlays Ltd, Sydney, Australia	11,240,806	50.00	1,124,080,600
2	Standard Chartered Bank, London, UK	5,620,403	25.00	562,040,300
3	Priyanka Agrawal	168,437	0.75	16,843,700
4	Avinash Agrawal	168,437	0.75	16,843,700
5	Komal Agrawal	168,437	0.75	16,843,700
6	Sashi Agrawal	168,437	0.75	16,843,700
7	Shankar Lal Agrawal	168,437	0.75	16,843,700
8	Arjun Bandhu Regmi	160,381	0.71	16,038,100

Schedule 4.2:

Reserves and funds

As at 16 July, 2015 (31 Ashadh 2072)

Particulars	This Year Rs.	Previous Year Rs.
1. General Reserve Fund	2,639,029,861	2,381,024,791
2. Capital Reserve Fund	-	-
3. Capital Redemption Reserve	-	-
4. Capital Adjustment Fund	-	-
5. Other Reserves and Funds	90,600,737	90,600,737
5.1. Contingent Reserve	-	-
5.2. Institutional Development fund	-	-
5.3. Dividend Equalisation Fund	-	-
5.4. Special Reserve Fund	-	-
5.5. Assets Revaluation Reserve	-	-
5.6. Deferred Tax Reserve	89,556,937	89,556,937
5.7. Other Free Reserves	-	-
5.8. Other Reserves	1,043,800	1,043,800
6. Accumulated Profit/ (Loss)	24,241,412	10,028,482
7. Exchange Fluctuation Fund	384,481,144	360,597,688
Total	3,138,353,154	2,842,251,698

Schedule 4.3:

Debentures and Bonds

As at 16 July, 2015 (31 Ashadh 2072)

Particulars	This Year Rs.	Previous Year Rs.
1 Percent Bond/Debentures of Rs.....each issued on.....and Maturing on..... (Outstanding balance of Redemption Reserves Rs.....)	-	-
2 Percent Bond/Debentures of Rs.....each issued on.....and Maturing on.....(Outstanding balance of Redemption Reserves Rs.....)	-	-
Total (1+2)	-	-

Schedule 4.4:

Loans and Borrowings

As at 16 July, 2015 (31 Ashadh 2072)

Particulars	This Year Rs.	Previous Year Rs.
A. Local		
1. Government of Nepal	-	-
2. Nepal Rastra Bank	-	-
3. Repo Liabilities	-	-
4. Inter Bank and Financial Institution	-	-
5. Other Institutions	-	-
6. Others	-	-
Total A	-	-
B. Foreign		
1. Banks	-	-
2. Others	-	-
Total B	-	-
Total (A+B)	-	-

Schedule 4.5:

Deposit Accounts

As at 16 July, 2015 (31 Ashadh

Particulars	This Year Rs.	Previous Year Rs.
1. Non-Interest Bearing Accounts		
A. CURRENT DEPOSITS	16,125,878,269	12,315,435,764
1. Local Currency	10,346,421,348	6,958,489,971
1.1 Government of Nepal	42,210,593	32,228,187
1.2 "Ka" Class Licensed Institutions	113,718,380	63,923,881
1.3 Other Licensed Institutions	3,015,138	1,193,444
1.4 Other Organised Institutions	9,727,958,780	6,464,387,704
1.5 Individuals	397,094,879	335,852,097
1.6 Others	62,423,578	60,904,658
2 Foreign Currency	5,779,456,921	5,356,945,793
2.1 Government of Nepal	543,311,257	40,019,482
2.2 "Ka" Class Licensed Institutions	27,464,539	28,953,892
2.3 Other Licensed Institutions	-	-
2.4 Other Organised Institutions	5,049,962,827	5,120,012,628
2.5 Individuals	157,347,867	166,462,250
2.6 Others	1,370,431	1,497,541
B. MARGIN DEPOSITS	699,771,413	1,704,085,424
1. Employees Guarantee		
2. Guarantee Margin	245,449,096	149,893,921
3. Letter of Credit Margin	366,362,012	1,214,997,525
4. Others	87,960,305	339,193,978
C. OTHERS	-	1,203,325
1. Local Currency	-	1,203,325
1.1 Financial Institutions	-	-
1.2 Other Organised Institutions	-	-
1.3 Individuals		1,203,325
2. Foreign Currency	-	-
2.1 Financial Institutions	-	-
2.2 Other Organised Institutions	-	-
2.3 Individuals	-	-
Total of Non-Interest Bearing Accounts	16,825,649,682	14,020,724,513

Schedule 4.5:

Deposit Accounts (Continued)

As at 16 July, 2015 (31 Ashadh 2072)

Particulars	This Year Rs.	Previous Year Rs.
2. Interest Bearing Accounts		
A. SAVING DEPOSITS	23,476,443,903	19,526,973,458
1. Local Currency	20,255,644,884	16,584,064,416
1.1 Organised Institutions	2,491,036,663	1,343,587,055
1.2 Individuals	17,763,797,462	15,238,090,246
1.3 Others	810,759	2,387,115
2. Foreign Currency	3,220,799,019	2,942,909,042
2.1 Organised Institutions	216,544,298	179,891,911
2.2 Individuals	2,994,971,031	2,745,169,884
2.3 Others	9,283,690	17,847,247
B. FIXED DEPOSITS	3,117,222,841	3,075,228,539
1. Local Currency	2,848,377,590	2,344,180,984
1.1 Organised Institutions	1,497,638,756	1,114,518,425
1.2 Individuals	1,350,738,834	1,229,662,559
1.3 Others	-	-
2. Foreign Currency	268,845,251	731,047,555
2.1 Organised Institutions	255,805,543	720,157,273
2.2 Individuals	13,039,708	10,890,282
2.3 Others	-	-
C. CALL DEPOSITS	13,867,165,611	9,675,605,530
1. Local Currency	4,861,965,833	4,972,198,948
1.1 "Ka" Class Licensed Institutions	-	-
1.2 Other Licensed Institutions	3,416,125	552,921
1.3 Other Organised Institutions	4,658,229,583	4,040,943,592
1.4 Individuals	198,711,857	929,486,451
1.5 Others	1,608,268	1,215,984
2. Foreign Currency	9,005,199,778	4,703,406,582
2.1 "Ka" Class Licensed Institutions	-	-
2.2 Other Licensed Institutions	-	-
2.3 Other Organised Institutions	9,005,199,778	4,703,406,582
2.4 Individuals	-	-
2.5 Others	-	-
D. CERTIFICATE OF DEPOSITS	-	-
1. Organised Institutions	-	-
2. Individuals	-	-
3. Others	-	-
Total of Interest Bearing Accounts	40,460,832,355	32,277,807,527
Total Deposits (1+2)	57,286,482,037	46,298,532,040

Schedule 4.6:

Bills Payable

As at 16 July, 2015 (31 Ashadh 2072)

Particulars	This Year Rs.	Previous Year Rs.
1. Local Currency	145,068,342	43,487,188
2. Foreign Currency	32,017,733	23,952,697
Total	177,086,075	67,439,885

Schedule 4.7:

Other Liabilities

As at 16 July, 2015 (31 Ashadh 2072)

Particulars	This Year Rs.	Previous Year Rs.
1. Pension/Gratuity Fund	127,311,630	93,287,046
2. Employees Provident Fund	-	-
3. Employees Welfare Fund	-	-
4. Provision for Staff Bonus	187,099,490	190,253,619
5. Interest Payable on Deposits	73,121,282	61,605,724
6. Interest Payable on Borrowings	-	-
7. Unearned Discount and Commission	193,917,906	259,415,987
8. Sundry Creditors	317,820,956	265,544,607
9. Branch Adjustment Account	-	-
10. Deferred Tax Liability		
11. Dividend Payable	67,896,768	49,143,381
12. Others	115,630,730	103,495,105
a) Audit Fees Payable	776,060	705,509
b) Others	114,854,670	102,789,596
Total	1,082,798,762	1,022,745,469

Schedule 4.8:

Cash Balance

As at 16 July, 2015 (31 Ashadh 2072)

Particulars	This Year Rs.	Previous Year Rs.
1. Local Currency (including coins)	629,564,134	558,692,370
2. Foreign Currency	156,071,956	55,076,129
Total	785,636,090	613,768,499

Schedule 4.9:

Balance with Nepal Rastra Bank

As at 16 July, 2015 (31 Ashadh 2072)

Particulars	Local Currency Rs.	Foreign Currency Rs.			Grand Total Rs.	Previous Year Rs.
		INR	Convertible Foreign Currency	Total		
1. Nepal Rastra Bank	9,248,094,375	-	60,021,885	60,021,885	9,308,116,260	6,862,452,256
a) Current A/C	9,248,094,375	-	60,021,885	60,021,885	9,308,116,260	6,862,452,256
b) Other A/C	-	-	-	-	-	-

Schedule 4.10:

Balance with Banks / Financial Institutions

As at 16 July, 2015 (31 Ashadh 2072)

Particulars	Local Currency Rs.	Foreign Currency (Rs.)			Grand Total Rs.	Previous Year Rs.
		INR	Convertible Foreign Currency	Total		
1. Local Licensed Institutions	49,054,738	-	-	-	49,054,738	255,802,649
a. Current Account	49,054,738	-	-	-	49,054,738	255,802,649
b. Other Account	-	-	-	-	-	-
2. Foreign Banks	-	213,918,529	1,215,716,311	1,429,634,840	1,429,634,840	1,456,280,803
a. Current Account	-	213,918,529	1,215,716,311	1,429,634,840	1,429,634,840	1,456,280,803
b. Other Account	-	-	-	-	-	-
Total	49,054,738	213,918,529	1,215,716,311	1,429,634,840	1,478,689,578	1,712,083,452

Note: Balance as per the confirmation and statement received from respective banks is NPR Rs 1,198,912,793.14 and the differences have been reconciled.

Schedule 4.11:

Money at Call and Short Notice

As at 16 July, 2015 (31 Ashadh 2072)

Particulars	This Year Rs.	Previous Year Rs.
1. Local Currency	-	-
2. Foreign Currency	11,973,546,000	7,960,305,000
Total	11,973,546,000	7,960,305,000

Schedule 4.12:

Investments

As at 16 July, 2015 (31 Ashadh

Particulars	Purpose		This Year Rs.	Previous Year Rs.
	Trading	Other		
1. Government of Nepal Treasury Bills	-	5,416,236,033	5,416,236,033	1,983,923,164
2. Government of Nepal Saving Bonds	-	-	-	-
3. Government of Nepal Others Securities	-	350,000,000	350,000,000	350,000,000
4. Nepal Rastra Bank Bonds	-	-	-	-
5. Foreign Securities	-	-	-	-
6. Local Licensed Institutions	-	-	-	-
7. Foreign Banks	-	7,149,070,000	7,149,070,000	7,001,530,000
8. Corporate Shares	-	61,925,500	61,925,500	61,925,500
9. Corporate Debenture and Bonds	-	-	-	-
10. Other Investments	-	-	-	-
Total Investments	-	12,977,231,533	12,977,231,533	9,397,378,664
Provision		6,000,000	6,000,000	6,000,000
Net Investments	-	12,971,231,533	12,971,231,533	9,391,378,664

Schedule 4.12(A):

Investment in Shares, Debentures and Bonds

As at 16 July, 2015 (31 Ashadh 2072)

Particulars	Cost Price Rs.	As per Market Price Rs.	Provision Amount Rs.	This Year Rs.	Previous Year Rs.
1. Investment in Shares	61,925,500	-	6,000,000	55,925,500	55,925,500
1.1 Nepal Grameen Bikas Bank Ltd. 600 Ordinary Shares of Rs.100 each fully paid up	6,000,000	NA (Note - 2)	6,000,000	-	-
1.2 Rural Micro Finance Development Centre Ltd. 574,090 Ordinary Shares of Rs.100 each fully paid up (including 52,190 bonus shares fully paid up)	52,190,000	376,028,950	-	52,190,000	52,190,000
1.3 Credit Information Centre Ltd. 36,599 Ordinary Shares of Rs.100 each fully paid up (including 24,244 bonus shares fully paid up)	1,235,500	NA (Note - 3)	-	1,235,500	1,235,500
1.4 Nepal Clearing House Ltd. Ordinary Shares of Rs. 100 each fully paid up	2,500,000	NA (Note - 3)	-	2,500,000	2,500,000
2. Investment in Debentures and Bonds	-	-	-	-	-
Total Investment	61,925,500	-	6,000,000	55,925,500	55,925,500
3. Provision for Loss					
3.1 Upto Previous year	6,000,000				
3.2 Increase/Decrease this Year	-				
Total Provision	6,000,000				-
Net Investments	55,925,500				

NOTE:

- The following companies have not distributed dividends in the last three years :
 - Purwanchal Grameen Bikash Bank Ltd.
 - Sudur Paschimanchal Grameen Bikash Bank Ltd.
 - Nepal Clearing House Ltd.
- After the merger of Purwanchal Grameen Bikas Bank and Sudur Paschimanchal Grameen Bikas Bank along with 3 other Bikas banks, the share certificate of the merged entity, Nepal Grameen Bikas Bank was issues to the Bank post the Balance Sheet date.
- Shares of Credit Information Centre Ltd. and Nepal Clearing House Ltd. are not listed at the Nepal Stock Exchange Ltd. (NEPSE).

Schedule 4.12.1:

Business Investment (Held For Trading)

As at 16 July, 2015 (31 Ashadh 2072)

Particulars	Cost Price Rs.	Previous Market Price (a) Rs.	Current Market Price (b) Rs.	This Year Profit/(Loss) (b-a) Rs.	Previous Year Profit/(Loss) Rs.	Remarks
1. Nepal Government's Treasury Bills						
2. Nepal Government's Saving Bonds						
3. Nepal Government's Other Securities						
4. Nepal Rastra Bank Bond						
5. Foreign Securites						
6. Shares of Domestic Licensed Institution						
7. Debenture and Bond of Domestic Licensed Institution						
8. Shares, Debentures and Bond of Domestic Corporates						
9. Foreign Bank Investment (Placement)						
10. Interbank Lending						
11. Other Investments						
Total Investment						

Schedule 4.12.2:

Investment Held To Maturity

As at 16 July, 2015 (31 Ashadh 2072)

Particulars	Cost Price (a) Rs.	Impairment till Date (b) Rs.	Impairment this year (c) Rs.	This Year Profit/(Loss) (a-b-c) Rs.	Previous Year Profit/(Loss) Rs.	Remarks
1. Nepal Government's Treasury Bills	5,416,236,033	-	-			
2. Nepal Government's Saving Bonds	-	-	-			
3. Nepal Government's Other Securities	350,000,000	-	-			
4. Nepal Rastra Bank Bond	-	-	-			
5. Foreign Securites	-	-	-			
6. Shares of Domestic Licensed Institution	-	-	-			
7. Debenture and Bond of Domestic Licensed Institution	-	-	-			
8. Shares, Debentures and Bond of Domestic Corporates	-	-	-			
9. Foreign Bank Investment (Placement)	7,149,070,000	-	-			
10. Other Investments	-	-	-	-	-	
Total	12,915,306,033	-	-	-	-	

Schedule 4.12.3:

Business Investment (Available for Sale)

As at 16 July, 2015 (31 Ashadh 2072)

Particulars	Cost Price Rs.	Previous Market Price (a) Rs.	Current Market Price (b) Rs.	This Year Fund Adj (b-a) Rs.	Previous Year Profit/ (Loss) Rs.	Remarks
1. Nepal Government's Treasury Bills						
2. Nepal Government's Saving Bonds						
3. Nepal Government's Other Securities						
4. Nepal Rastra Bank Bond						
5. Foreign Securites						
6. Shares of Domestic Licensed Institution	58,190,000	58,190,000	58,190,000	-		
7. Debenture and Bond of Domestic Licensed Institution						
8. Shares, Debentures and Bond of Domestic Corporates	3,735,500	3,735,500	3,735,500	-		
9. Foreign Bank Investment (Placement)						
10. Other Investments						
Total	61,925,500	61,925,500	61,925,500	-	-	

The market price of the investments which are either not listed or are not actively traded are shown at cost price.

Schedule 4.13: Classification of Loans, Advances and Bills Purchased and Provisioning
As at 16 July, 2015 (31 Ashadh

Particulars	Loans & Advances				Bills Purchased and Discounted					
	Domestic				Total Rs.	Foreign Rs.	Domestic Rs.	Total Rs.	This Year Rs.	Previous Year Rs.
	Insured Rs.	Uninsured Rs.	Other Rs.	Foreign Rs.						
1. Performing Loans	-	1,298,138,759	26,499,879,823	109,702,544	27,907,721,126	-	21,331,925	27,929,053,051	26,201,013,530	
1.1 Pass		1,298,138,759	25,972,609,596	109,702,544	27,380,450,899	-	21,331,925	27,401,782,824	26,201,013,530	
1.2 Watch list	-	-	527,270,227	-	527,270,227	-	-	527,270,227	-	
2. Non-Performing Loans	-	-	94,769,956	-	94,769,956	-	-	94,769,956	127,347,934	
2.1 Restructured/ Rescheduled	-	-	-	-	-	-	-	-	-	
2.2 Substandard	-	-	48,224,865	-	48,224,865	-	-	48,224,865	45,058,061	
2.3 Doubtful	-	-	6,129,920	-	6,129,920	-	-	6,129,920	11,048,106	
2.4 Loss	-	-	40,415,171	-	40,415,171	-	-	40,415,171	71,241,767	
(A) Total Loans	-	1,298,138,759	26,594,649,779	109,702,544	28,002,491,082	-	21,331,925	28,023,823,007	26,328,361,464	
3. Loan Loss Provision										
3.1 Pass	-	12,981,388	262,136,267	1,097,025	276,214,680	-	213,319	276,427,999	263,746,500	
3.2 Watch list	-	-	10,545,405	-	10,545,405	-	-	10,545,405	-	
3.3 Rescheduled/ Restructured	-	-	-	-	-	-	-	-	-	
3.4 Substandard	-	-	12,056,216	-	12,056,216	-	-	12,056,216	11,264,515	
3.5 Doubtful	-	-	3,064,960	-	3,064,960	-	-	3,064,960	5,524,053	
3.6 Loss	-	-	40,415,171	-	40,415,171	-	-	40,415,171	71,241,767	
(B) Total Provision	-	12,981,388	328,218,019	1,097,025	342,296,432	-	213,319	342,509,751	351,776,835	
4. Provision up to Previous Year										
4.1 Pass	-	10,886,830	250,796,182	1,949,462	263,632,474	-	114,026	263,746,500	231,140,146	
4.2 Watch list	-	-	-	-	-	-	-	-	-	
4.3 Rescheduled/Restructured loan	-	-	-	-	-	-	-	-	-	
4.4. Substandard	-	-	11,264,515	-	11,264,515	-	-	11,264,515	21,519,759	
4.5 Doubtful	-	-	5,524,053	-	5,524,053	-	-	5,524,053	34,317,197	
4.6 Loss	-	234,363	71,007,405	-	71,241,768	-	-	71,241,768	22,554,769	
(C) Total Provision upto Previous Year	-	11,121,193	338,592,155	1,949,462	351,662,810	-	114,026	351,776,836	309,531,871	
(D) Previous Year's Provision written back	-	9,339,805	138,346,613	1,887,887	149,574,305	-	114,026	149,688,331	42,155,968	
(E) This Year's additional provision	-	11,200,000	127,972,476	1,035,451	140,207,927	-	213,319	140,421,246	84,400,931	
Net Adjustments of the Year	-	1,860,195	(10,374,136)	(852,437)	(9,366,378)	-	99,293	(9,267,085)	42,244,964	
Net Loan (A-B)	-	1,285,157,371	26,266,431,760	108,605,519	27,660,194,650	-	21,118,606	27,681,313,256	25,976,584,629	

Schedule 4.13(A):

Securities Against Loan, Advance and Bills Purchased

As at 16 July, 2015 (31 Ashadh 2072)

Particulars	This Year Rs.	Previous Year Rs.
(A) Secured	28,023,823,007	26,328,361,464
1. Movable / Immovable Assets	22,194,549,959	20,850,020,782
2. Guarantee of Local Licensed Institutions	-	-
3. Government Guarantee	138,807,033	138,807,033
4. Guarantee of Internationally Rated Banks	2,591,521,307	2,202,356,412
5. Export Documents	-	-
6. Fixed Deposit Receipts	313,732,453	456,278,449
(a) Own Fixed Deposit Receipts	3,554,202	13,185,077
(b) Fixed Deposit Receipts of Other Licensed Institutions	310,178,251	443,093,372
7. Government Securities/ Bonds	5,500,000	61,847,138
8. Counter Guarantee	-	-
9. Personal Guarantee	-	-
10. Other Securities	2,779,712,255	2,619,051,650
(B) Unsecured	-	-
Total	28,023,823,007	26,328,361,464

Schedule 4.14:

Fixed Assets

As at 16 July, 2015 (31 Ashadh 2072)

Particulars	Assets					This Year Rs.	Previous Year Rs.
	Freehold and Buildings Rs.	Vehicles Rs.	Machinery Rs.	Office Equipment Rs.	Others Leasehold Assets Rs.		
1. Cost							
a. Balance upto Previous Year	21,718,550	53,651,417	-	232,206,394	90,963,246	398,539,607	477,125,149
b. Addition this year	-	5,216,000	-	28,688,218	4,476,818	38,381,036	1,653,349
c. Revaluation/Written-back this year			-			-	-
d. Sold this year	(11,294,142)		-	(2,644,700)	(138,816)	(14,077,658)	(80,238,891)
e. Written-off this year	-					-	-
Total Cost (a+b+c+d+e)	10,424,408	58,867,417	-	258,249,912	95,301,248	422,842,985.00	398,539,607
2. Depreciation							
a. Upto Previous Year	7,510,567	53,651,416	-	220,459,359	59,122,948	340,744,290	406,537,554
b. For this Year	290,022	217,333		9,812,387	4,922,428	15,242,170	14,445,627
c. Depreciation on Revaluation / Written-back	-						
d. Depreciation adjustment/write back	(4,673,303)			(2,644,700)	(138,816)	(7,456,819)	(80,238,891)
Total Depreciation (a+b+c+d)	3,127,286	53,868,749	-	227,627,046	63,906,560	348,529,641	340,744,290
3. Book Value (WDV)* (1-2)	7,297,122	4,998,668	-	30,622,866	31,394,688	74,313,344	57,795,317
4. Land	8,511,756					8,511,756	10,930,556
5. Capital Work in Progress (To be Capitalised)		-	-		1,028,300	1,028,300	-
6. Leasehold Assets	-	-	-	-	-	-	-
Total (3+4+5+6)	15,808,878	4,998,668	-	30,622,866	32,422,988	83,853,400	68,725,873

* Written Down Value.

Schedule 4.15:

Non-Banking Assets

As at 16 July, 2015 (31 Ashadh 2072)

Name and Address of Borrower or Party	Date of assuming Non Banking Assets	Total Amount of Non-Banking Assets Rs.	Provision for Loss		Net Non Banking Assets Rs.	Previous Year Rs.
			%	Amount Rs.		
-	-	-	-	-	-	-
-	-	-	-	-	-	-
Total	-	-	-	-	-	-

Schedule 4.16:

Other Assets

As at 16 July, 2015 (31 Ashadh 2072)

Particulars		This Year Rs.	Previous Year Rs.
1. Stock of Stationery		-	-
2. Income Receivable on Investments		12,830,889	30,592,625
3. Accrued Interest on Loan	116,821,305	-	131,340,855
Less: Interest Suspense Amount	(116,821,305)		(131,340,855)
4. Commission Receivable		131,781,948	199,154,614
5. Sundry Debtors		32,421,470	19,300,961
6. Staff Loan and Advances		277,442,894	267,165,726
7. Prepayments		21,769,693	22,821,961
8. Cash in Transit		-	2,825,000
9. Other Transit Items (Including Cheques)		-	-
10. Drafts Paid without Notice		-	-
11. Expenses Not Written-off		13,006,995	16,585,310
12. Branch Adjustment Account		-	-
13. Deferred Tax Assets		103,050,310	89,556,936
14. Others		52,114,804	90,800,666
a) Advance Income Tax (net of Provision)	18,290,410	-	-
b) Others	33,824,394	-	-
Total		644,419,003	738,803,799

Schedule 4.16 (A):

Other Assets (Additional Statement)

As at 16 July, 2015 (31 Ashadh 2072)

Particulars	This Year (Rs.)			Total	Previous Year
	Up to 1 Year	1 to 3 Year	Above 3 Year		Rs.
1. Accrued Interest on Loans and Advances	110,085,141	6,736,164	-	116,821,305	131,340,855
2. Drafts Paid without Notice	-	-	-	-	-
3. Branch Adjustment Account	-	-	-	-	-
4. Local/Foreign Agency Account	-	-	-	-	-

Schedule 4.17:

Contingent Liabilities

As at 16 July, 2015 (31 Ashadh 2072)

Particulars	This Year Rs.	Previous Year Rs.
1. Claims on Bank but not Acknowledged as Liabilities by the Bank	475,000	3,205,000
2. Letters of Credit (Full amount)	2,146,922,055	3,583,306,786
(a) Maturity period of less than 6 months	1,687,186,299	2,384,450,328
(b) Maturity period of more than 6 months	459,735,756	1,198,856,458
3. Rediscounted Bills	-	-
4. Unmatured Guarantees/Bonds	713,406,271	1,202,937,636
(a) Bid Bonds	55,694,495	641,439,575
(b) Performance Bonds	500,976,790	456,311,608
(c) Other Guarantee/Bonds	156,734,986	105,186,453
5. Unpaid amount on Investment in Shares	-	-
6. Outstanding Liabilities of Forward Exchange Contracts	1,377,680,957	1,100,001,164
7. Bills for Collection	608,583,127	190,019,210
8. Acceptance and Endorsements	321,817,055	488,697,485
9. Underwriting Commitment	-	-
10. Irrevocable Loan Commitments	6,595,213,162	3,253,749,473
11. Guarantee against Counter Guarantee of Internationally Rated Banks	10,237,012,285	11,407,849,925
12. Advance Payment Guarantee	106,464,088	154,814,650
13. Financial Guarantee	18,800,375	14,280,600
14. Contingent Liabilities on Income Tax	1,047,493	29,254,817
15. Others	929,308,410	750,778,300
Total	23,056,730,278	22,178,895,046

Schedule 4.18:

Interest Income

for the period 17 July 2014 to 16 July 2015 (1 Shrawan 2071 to 31 Ashadh 2072)

Particulars	This Year Rs.	Previous Year Rs.
A. On Loan, Advances and Overdraft	2,432,303,441	2,450,821,365
1. Loan and Advances	2,100,448,885	2,096,400,847
2. Overdrafts	331,854,556	354,420,518
B. On Investment	55,002,955	56,430,033
1. Government of Nepal Securities	55,002,955	56,430,033
a. Treasury Bills	32,776,104	25,216,164
b. Development Bonds	22,226,851	31,213,869
c. National Savings Certificates	-	-
2. Foreign Securities	-	-
3. Nepal Rastra Bank Bonds	-	-
4. Debenture and Bonds	-	-
5. Interest on Inter bank Investment	-	-
a. Financial Institutions	-	-
b. Other Organisations	-	-
C. On Agency Balances	3,287,053	1,065,924
1. Local Banks / Financial Institutions	-	-
2. Foreign Banks	3,287,053	1,065,924
D. On Money at Call and Short Notice	16,629,504	10,894,122
1. Local Banks / Financial Institutions	-	-
2. Foreign Banks	16,629,504	10,894,122
E. On Others	67,367,350	64,746,327
1. Certificate of Deposits	-	-
2. Inter-Bank / Financial Institution Loan	415,411	10,959
3. Placement with Foreign Banks	66,951,939	64,735,368
4. Others	-	-
Total	2,574,590,303	2,583,957,771

Schedule 4.19:

Interest Expenses

for the period 17 July 2014 to 16 July 2015 (1 Shrawan 2071 to 31 Ashadh 2072)

Particulars	This Year Rs.	Previous Year Rs.
A. On Deposit Liabilities	656,474,775	568,701,093
1. Fixed Deposits	126,196,014	121,615,422
1.1. Local Currency	123,273,637	118,265,250
1.2. Foreign Currency	2,922,377	3,350,172
2. Savings Deposits	351,352,192	357,807,717
2.1. Local Currency	339,209,517	346,575,415
2.2. Foreign Currency	12,142,675	11,232,302
3. Call Deposits	178,926,569	89,277,954
3.1. Local Currency	174,379,957	85,282,901
3.2. Foreign Currency	4,546,612	3,995,053
4. Certificate of Deposits	-	-
B. On Borrowings	-	-
1. Debentures and Bonds	-	-
2. Loans from Nepal Rastra Bank	-	-
3. Inter Bank /Financial Institutions Borrowings	-	-
4. Other Institutions	-	-
5. Other Loans	-	-
C. On Others	4,600,063	7,597,718
1. Premium on Development Bonds	3,578,314	3,578,314
2. Others	1,021,749	4,019,404
Total	661,074,838	576,298,811

Schedule 4.20:

Commissson and Discount

for the period 17 July 2014 to 16 July 2015 (1 Shrawan 2071 to 31 Ashadh 2072)

Particulars	This Year Rs.	Previous Year Rs.
A. Bills Purchased and Discounted	9,505,619	14,529,376
1. Domestic	83,909	73,058
2. Foreign	9,421,710	14,456,318
B. Commission	250,364,609	268,725,336
1. Letters of Credit	35,726,675	27,292,334
2. Guarantees	131,796,875	159,869,905
3. Collection Fees	9,459,424	7,400,472
4. Remittance Fees	41,528,830	44,590,156
5. Credit Cards	31,850,113	29,570,320
6. Share Underwriting/Issues	-	-
7. Government Transactions	-	-
8. E.Pra. Commission	-	-
9. Exchange Fees (Batta Income)	2,692	2,149
C. Others	103,093,669	100,356,329
1. Management Fees	5,438,467	4,107,494
2. Loan Processing Fees	54,552,908	56,405,862
3. Ledger and Activity Fees	5,718	61,560
4. Commission on Travellers Cheque	-	268,353
5. Others (including income from Derivatives)	43,096,576	39,513,060
Total	362,963,897	383,611,041

Schedule 4.21:

Other Operating Income

for the period 17 July 2014 to 16 July 2015 (1 Shrawan 2071 to 31 Ashadh 2072)

Particulars	This Year Rs.	Previous Year Rs.
1. Rental on Safe Deposit Locker	5,428,422	5,295,433
2. Issue and Renewals of Credit Cards	12,594,609	15,619,599
3. Issue and Renewals of ATM Cards	4,485,118	10,423,323
4. Telex /T.T.	14,092,392	11,703,944
5. Service Charges	-	-
6. Renewal Fees	-	-
7. Others	1,409,437	1,114,506
Total	38,009,978	44,156,805

Schedule 4.22:

Exchange Fluctuation Gain/Loss

for the period 17 July 2014 to 16 July 2015 (1 Shrawan 2071 to 31 Ashadh 2072)

Particulars	This Year Rs.	Previous Year Rs.
A. Revaluation Gain	95,533,824	102,968,560
B. Trading Gain (except Batta)	518,402,113	375,027,556
Total Income (Loss)	613,935,937	477,996,116

Schedule 4.23:

Staff Expenses

for the period 17 July 2014 to 16 July 2015 (1 Shrawan 2071 to 31 Ashadh 2072)

Particulars	This Year Rs.	Previous Year Rs.
1. Salary	293,216,453	272,231,940
2. Allowances	1,302,054	1,275,081
3. Contribution to Provident Fund	14,319,040	12,187,092
4. Training Expenses	2,457,880	1,553,093
5. Uniform	239,484	325,405
6. Medical	6,752,729	8,885,264
7. Insurance	3,116,507	54,797
8. Pension and Gratuity Provision	58,744,097	54,522,170
9. Others	125,520,829	131,048,605
a) Staff Incentive	83,061,354	95,920,564
b) Others	42,459,475	35,128,041
Total	505,669,073	482,083,447

Schedule 4.24:

Other Operating Expenses

for the period 17 July 2014 to 16 July 2015 (1 Shrawan 2071 to 31 Ashadh 2072)

Particulars	This Year Rs.	Previous Year Rs.
1. House Rent	69,782,466	66,315,284
2. Light, Electricity and Water	24,424,734	28,486,688
3. Repair and Maintenance	22,246,928	16,720,223
(a) Building	5,512,993	3,241,367
(b) Vehicles	2,837,495	3,037,633
(c) Others	13,896,440	10,441,223
4. Insurance	14,075,192	13,927,624
5. Postage, Telex, Telephone, Fax	22,672,915	23,370,381
6. Office Equipment, Furniture and Repair	35,381,126	22,602,946
(a) Office Equipment and Furniture (non capitalised item)	23,923,079	11,065,703
(b) Repairs	11,458,047	11,537,243
7. Travelling Allowances and Expenses	18,013,143	22,055,987
8. Stationery and Printing	17,177,446	17,998,080
9. Periodicals and Books	175,365	123,288
10. Advertisement	16,266,874	19,935,238
11. Legal Expenses	1,275,130	384,958
12. Donations	-	-
13. Expenses Relating to Board of Directors	1,081,728	785,929
(a) Meeting Allowance	822,500	647,500
(b) Others Expenses	259,228	138,429
14. General Meeting Expenses	1,061,186	960,014
15. Expenses Relating to Audit	1,100,001	999,676
(a) Audit Fees	786,501	715,000
(b) Other Expenses	313,500	284,676
16. Commission on Remittances	-	-
17. Depreciation on Fixed Assets	15,242,170	14,445,627
18. Amortization of Pre Operating Expenses	-	-
19. Share Issue Expenses	-	-
20. Technology Support Cost (Technical Services Fees)	48,145,906	34,256,892
21. Entertainment	2,253,612	4,030,495
22. Written Off Expenses	1,286,833	726,655
23. Security Expenses	29,870,569	32,453,537
24. Credit Guarantee Premium	-	-
25. Commission and Discount	10,498,989	7,714,958
26. Others	55,021,844	39,735,287
(a) Software Expenses	9,142,362	7,477,511
(b) Cleaning, Pest Control and Waste Management	11,047,370	9,823,454
(c) Share Listing and Registration Expenses	1,109,371	581,373
(d) Other Professional Fees	12,093,940	6,374,543
(e) Hire of Vehicle and Equipments	2,977,430	2,533,245
(f) Clearing House Charges	1,887,591	1,798,083
(g) Credit information and Collection Expenses	788,594	1,666,030
(h) Others	15,975,186	9,481,048
Total	407,054,157	368,029,767

Schedule 4.25:

Provision for Possible Losses

for the period 17 July 2014 to 16 July 2015 (1 Shrawan 2071 to 31 Ashadh 2072)

Particulars	This Year Rs.	Previous Year Rs.
1. Increase in Loan Loss Provision	140,421,246	84,400,931
2. Increase in Provision for Loss on Investments	-	-
3. Provision for Non-Banking Assets	-	-
4. Provision for Other Assets	48,260,991	-
Total	188,682,237	84,400,931

Schedule 4.26:

Non Operating Income/ (Loss)

for the period 17 July 2014 to 16 July 2015 (1 Shrawan 2071 to 31 Ashadh 2072)

Particulars	This Year Rs.	Previous Year Rs.
1. Profit (Loss) on Sale of Investment		42,303,215.00
2. Profit (Loss) on Sale of Assets	51,747,081	1,439,695
3. Dividend (Net)	11,133,381	7,958,611
4. Subsidies Received from Nepal Rastra Bank	-	-
a. Compensation against Losses of Specified Branches	-	-
b. Interest Indemnity	-	-
c. Exchange Counter	-	-
5. Others	980,299	172,350
Net Non Operating Income/ (Loss)	63,860,761	51,873,871

Schedule 4.27:

Provision for Possible Loss Written Back

for the period 17 July 2014 to 16 July 2015 (1 Shrawan 2071 to 31 Ashadh 2072)

Particulars	This Year Rs.	Previous Year Rs.
1. Loan Loss Provision Written Back	149,688,331	42,155,968
2. Provision against Non-Banking Assets Written Back	-	-
3. Investment Provision Written Back	-	21,375,000
4. Provision against Other Assets Written Back	-	-
Total	149,688,331	63,530,968

Schedule 4.28:

Income / (Expenses) from Extra-Ordinary Activities

for the period 17 July 2014 to 16 July 2015 (1 Shrawan 2071 to 31 Ashadh 2072)

Particulars	This Year Rs.	Previous Year Rs.
1. Recovery of Loans Written Off	20,662,183	33,654,248
2. Voluntary Retirement Scheme Expenses	-	-
3. Unrecoverable Loan Write Off (Schedule 4.28A)	(3,136,687)	(35,178,052)
4. Other Expenses/Income		
Total	17,525,496	(1,523,804)

Schedule 4.28 A:

Statement of Loans Written Off

for the period 17 July 2014 to 16 July 2015 (1 Shrawan 2071 to 31 Ashadh 2072)

S.N	Types of Loan	Written off Amount Rs.	Type of Security and Amount Rs.	Basis of Valuation of Security	Loan Approving Authority / Designation	Initiations made for Recovery	Remarks
1	Working Capital Loan	-					
2	Project Loan	-					
3	Fixed Capital Loan	-					
4	Personal Loan	-					
5	Other Loans	3,136,687					
	a) Credit Cards	2,902,324	None	NA	Manager Credit/ Head Retail Clients	Follow up through phone calls, SMS, letters & visit. Accounts written off as per Loan Write Off Bylaws and Collection & Recovery Guidelines of the Bank.	Recoveries from Current year write off is Rs. 505,985 and previous Fiscal Years is Rs. 542,855
	b) Gramin Prathamik Karja	-					
	c) Auto Loan	-					
	d) Corporate loan	234,363	Term loan		Manager Credit/ GSAM Head		
Total Loan		3,136,687					

During the year, Bank has recovered the amount against the written off loans as shown under Remarks column.

Schedule 4.29:

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

As at 16 July, 2015 (31 Ashadh 2072)

The Statement of amount, included under total amount of Bills Purchased and Discounted, Loans, Advances and Overdraft, provided to the Directors, Chief Executive Officer, Promoters, Staff, Shareholders and to the individual members of their undivided family or against the guarantee of such persons or to the organisations or companies in which such individuals are managing agent, are as follows:

Name of Promoter/ Director/Chief Executive Officer	Balance upto Previous Year		Recovery made This Year		Additions during the year Rs.	Balance as at Ashadh end	
	Principal Rs.	Interest Rs.	Principal Rs.	Interest Rs.		Principal Rs.	Interest Rs.
(A) Directors					-	-	
(B) Chief Executive Officer	-	-	-	-	-	-	-
(C) Promoters	-	-	-	-	-	-	-
(D) Staff	-	-	-	-	-	-	-
(E) Shareholders	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

Schedule 4.30 (Ka 1):

Capital Adequacy Table

As at 16 July, 2015 (31 Ashadh 2072)

		amount in Rs. '000s	
1.1 RISK WEIGHTED EXPOSURES		This Year	Previous Year
A	Risk Weighted Exposure for Credit Risk	41,171,574	39,210,395
B	Risk Weighted Exposure for Operational Risk	4,291,049	4,135,917
C	Risk Weighted Exposure for Market Risk	627,249	124,115
Adjustments Under Pillar-II			
	Add: 2% of the Gross Income(6.4 a 7)	582,781	-
	Add: 3% of the total RWE due to non compliance to Disclosure Requirement (6.4 a 10)	-	-
	Add: ...% of the total deposits due to insufficient liquid assets (6.4 a 6)	-	-
Total Risk Weighted Exposures (A+B+C)		46,672,653	43,470,427
1.2 CAPITAL FUND		This Year	Previous Year
Core Capital (Tier 1)		5,446,972	4,709,864
a	Paid up Equity Share Capital	2,248,161	2,041,672
b	Irredeemable Non-cumulative preference shares	-	-
c	Share Premium	-	-
d	Proposed Bonus equity Shares	562,040	204,167
e	Statutory General Reserves	2,639,030	2,381,025
f	Retained Earnings	24,241	10,028
g	Current year profit/loss	-	-
h	Capital Redemption Reserve	-	-
i	Capital Adjustment Reserve	-	-
j	Dividend Equalization Reserves	-	-
k	Debenture Redemption Reserves	-	-
l	Other Free Reserve	89,557	89,557
	Less		
a	Goodwill	-	-
b	Deferred Tax Assets	(103,050)	-
c	Fictitious Assets	(13,007)	(16,585)
d	Investment in equity in licensed Financial Institutions	-	-
e	Investment in equity of institutions with financial interests	-	-
f	Investment in equity of institutions in excess of limits	-	-
g	Investments arising out of underwriting commitments	-	-
h	Reciprocal crossholdings	-	-
i	Land building unutilised and purchased in excess of limits	-	-
j	Other Deductions	-	-
Adjustments Under Pillar-II		-	-
	Less: Shortfall in provisions (6.4 a 1)	-	-
	Less: Loans and Facilities extended to related parties and restricted lending (6.4 a 2)	-	-
Supplementary Capital (Tier 2)		664,816	623,652
a	Cumulative and/or Redeemable Preference Share	-	-
b	Subordinated Term Debt	-	-
c	Hybrid Capital Instruments	-	-
d	General loan loss provision	279,291	262,010
e	Exchange Equilization Reserve	384,481	360,598
f	Investment Adjustment Reserve	1,044	1,044
g	Assets revaluation reserve	-	-
h	Other Reserves	-	-
Total Capital Fund (Tier 1 and Tier 2)		6,111,788	5,333,516
1.3 Capital Adequacy Ratios		Current Period	Previous Period
Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)		11.67%	10.83%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures (After Bank's Adjustments of Pillar II)		13.10%	12.27%

Schedule 4.30 (Kha):

Credit Risk

As at 16 July, 2015 (31 Ashadh 2072)

amount in Rs. '000s

Assets Balance Sheet Exposure	16th July, 2015 (32 Asadh 2072)					Previous Year		
	Book Value a	Specific Provision b	Eligible CRM c	Net Value d=a-b-c	Risk Weight e	Risk Weighted Exposures f=d*e	Net Value	Risk Weighted Exposures
Cash Balance	785,636	-	-	785,636	0%	-	613,768	-
Balance With Nepal Rastra Bank	9,308,116	-	-	9,308,116	0%	-	6,862,452	-
Gold	-	-	-	-	0%	-	-	-
Investment in Nepalese Government Securities	5,766,236	-	-	5,766,236	0%	-	2,333,923	-
All claims on Government of Nepal	138,807	-	-	138,807	0%	-	138,807	-
Investment in Nepal Rastra Bank securities	-	-	-	-	0%	-	-	-
All claims on Nepal Rastra Bank	-	-	-	-	0%	-	-	-
Claims on Foreign Government and Central Bank (ECA Rating 0-1)	-	-	-	-	0%	-	-	-
Claims on Foreign Government and Central Bank (ECA Rating 2)	-	-	-	-	20%	-	-	-
Claims on Foreign Government and Central Bank (ECA Rating 3)	-	-	-	-	50%	-	-	-
Claims on Foreign Government and Central Bank (ECA Rating 4-6)	-	-	-	-	100%	-	-	-
Claims on Foreign Government and Central Bank (ECA Rating 7)	-	-	-	-	150%	-	-	-
Claims On BIS, IMF, ECB, EC and on Multilateral Development Banks (MDBs) recognized by the framework.	-	-	-	-	0%	-	-	-
Claims on Other Multilateral Development Banks	-	-	-	-	100%	-	-	-
Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	20%	-	-	-
Claims on Public Sector Entity (ECA 2)	-	-	-	-	50%	-	-	-
Claims on Public Sector Entity (ECA 3-6)	-	-	-	-	100%	-	-	-
Claims on Public Sector Entity (ECA 7)	-	-	-	-	150%	-	-	-
Claims on domestic banks that meet capital adequacy requirements	1,206,822	-	-	1,206,822	20%	241,364	915,331	183,066
Claims on domestic banks that do not meet capital adequacy requirements	1,565	-	-	1,565	100%	1,565	250,348	250,348
Claims on foreign bank (ECA Rating 0-1)	13,363,575	-	-	13,363,575	20%	2,672,715	9,400,054	1,880,011
Claims on foreign bank (ECA Rating 2)	-	-	-	-	50%	-	-	-
Claims on foreign bank (ECA Rating 3-6)	7,149,070	-	-	7,149,070	100%	7,149,070	7,001,530	7,001,530
Claims on foreign bank (ECA Rating 7)	-	-	-	-	150%	-	-	-
Claims on Foreign bank incorporated in SAARC Region operating with a buffer of 1% above their respective regulatory capital requirement	39,606	-	-	39,606	20%	7,921	16,532	3,306
Claims on Domestic Corporates	11,577,276	-	339,747	11,237,529	100%	11,237,529	11,332,900	11,332,900
Claims on Foreign Corporates (ECA rating 0-1)	-	-	-	-	20%	-	-	-
Claims on Foreign Corporates (ECA rating 2)	-	-	-	-	50%	-	-	-
Claims on Foreign Corporates (ECA rating 3-6)	-	-	-	-	100%	-	-	-
Claims on Foreign Corporates (ECA rating 7)	-	-	-	-	150%	-	-	-
Regulatory Retail Portfolio (Not Overdue)	3,713,628	-	-	3,713,628	75%	2,785,221	3,768,192	2,826,144
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	100%	-	-	-
Claims secured by residential properties	4,187,849	-	-	4,187,849	60%	2,512,709	3,660,832	2,196,499
Claims not fully secured by residential properties	-	-	-	-	150%	-	-	-
Claims secured by residential properties (Overdue)	96,988	17,250	-	79,738	100%	79,738	59,427	59,427
Claims secured by Commercial real estate	4,984,409	-	-	4,984,409	100%	4,984,409	3,652,157	3,652,157
Past due claims (except for claim secured by residential properties)	335,023	40,814	-	294,209	150%	441,314	490,200	735,300
High Risk claims	1,830,511	3	31,389	1,799,119	150%	2,698,679	1,905,187	2,857,780
Investment in equity and other capital instruments of institutions listed in the stock exchange	55,190	3,000	-	52,190	100%	52,190	52,190	52,190
Investment in equity and other capital instruments of institutions not listed in the stock exchange	6,736	3,000	-	3,736	150%	5,604	3,736	5,603
Staff loan secured by residential property	131,879	-	-	131,879	60%	79,127	133,580	80,148
Interest Receivable/claim on government securities	4,225	-	-	4,225	0%	-	4,123	-
Cash in transit and other cash items in the process of collection	-	-	-	-	20%	-	2,825	565
Other Assets	695,983	116,821	-	579,162	100%	579,161	650,415	650,415
Total	65,379,130	180,888	371,136	64,827,106		35,528,316	53,248,509	33,767,390

Schedule 4.30 (Kha):

Credit Risk (Continued)

As at 16 July, 2015 (31 Ashadh 2072)

amount in Rs. '000s

Off Balance Sheet Exposures	16th July, 2015 (32 Asadh 2072)						Previous Year	
	Book Value a	Specific Provision b	Eligible CRM c	Net Value d=a-b-c	Risk Weight e	Risk Weighted Exposures f=d*e	Net Value	Risk Weighted Exposure
Revocable Commitments	211,774	-	-	211,774	0%	-	323,223	-
Bills Under Collection	608,583	-	-	608,583	0%	-	190,019	-
Forward Exchange Contract	1,377,681	-	-	1,377,681	10%	137,768	1,100,001	110,000
LC Commitments With Original Maturity Up to 6 months (domestic counterparty)	1,687,186	-	186,649	1,500,537	20%	300,107	2,145,792	429,158
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%	-	-	-
L C Commitments With Original Maturity Over 6 months (domestic counterparty)	459,736	-	426,216	33,520	50%	16,760	2,182	1,091
Foreign Counterparty ECA Rating 0-1	-	-	-	-	20%	-	-	-
Foreign Counterparty ECA Rating 2	-	-	-	-	50%	-	-	-
Foreign Counterparty ECA Rating 3-6	-	-	-	-	100%	-	-	-
Foreign Counterparty ECA Rating 7	-	-	-	-	150%	-	-	-
Bid Bond, Performance Bond and Counter Guarantee (domestic counterparty)	362,923	-	153,315	209,608	50%	104,804	159,561	79,780
Foreign Counterparty ECA Rating 0-1	3,896,503	-	3,046,799	849,704	20%	169,941	882,477	176,495
Foreign Counterparty ECA Rating 2	3,124,128	-	1,476,153	1,647,974	50%	823,987	2,393,335	1,196,668
Foreign Counterparty ECA Rating 3-6	315,910	-	-	315,910	100%	315,910	201,337	201,337
Foreign Counterparty ECA Rating 7	-	-	-	-	150%	-	-	-
Underwriting commitments	-	-	-	-	50%	-	-	-
Lending of Bank's Securities or Posting of Securities as collateral	-	-	-	-	100%	-	-	-
Repurchase Agreements, Assets sale with recourse	-	-	-	-	100%	-	-	-
Advance Payment Guarantee	3,188,671	-	2,069,330	1,119,341	100%	1,119,341	1,294,307	1,294,307
Financial Guarantee	23,885	-	3,267	20,618	100%	20,618	13,731	13,731
Acceptances and Endorsements	321,817	-	8,351	313,466	100%	313,466	463,081	463,081
Unpaid Portion of Partly paid shares and Securities	-	-	-	-	100%	-	-	-
Irrevocable credit commitments (short term)	6,595,213	-	77,572	6,517,641	20%	1,303,528	3,180,269	636,054
Irrevocable Credit commitments (Long Term)	-	-	-	-	50%	-	-	-
Other Contingent Liabilities	1,094,020	-	77,895	1,016,125	100%	1,016,125	840,662	840,662
Unpaid Guarantee Claims	475	-	24	451	200%	902	321	641
Total	23,268,505	-	7,525,571	15,742,933		5,643,257	13,190,298	5,443,005
Total RWE for Credit Risk (A) +(B)	88,647,635	180,888	7,896,707	80,570,039		41,171,573	66,438,811	39,210,403
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)	88,647,635	180,888	7,896,707	80,570,039		- 41,171,573	66,438,806	39,210,395

Schedule 4.30 (Ga):

Eligible Credit Risk Mitigants

As at 16 July, 2015 (31 Ashadh 2072)

amount in Rs. '000s

Credit exposures	Deposits with Bank	Deposits with other banks/FI	Gold	Govt. & NRB Securities	G'tee of Govt. of Nepal	Sec/G'tee of Other Sovereigns	G'tee of domestic banks	G'tee of MDBs	Sec/G'tee of Foreign Banks	Total
Cash Balance	-	-	-	-	-	-	-	-	-	-
Balance With Nepal Rastra Bank	-	-	-	-	-	-	-	-	-	-
Gold	-	-	-	-	-	-	-	-	-	-
Investment in Nepal Government Securities	-	-	-	-	-	-	-	-	-	-
All claims on Government of Nepal	-	-	-	-	-	-	-	-	-	-
Investment in Nepal Rastra Bank securities	-	-	-	-	-	-	-	-	-	-
All claims on Nepal Rastra Bank	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Government and Central Bank (ECA Rating 0-1)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Government and Central Bank (ECA Rating 2)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Government and Central Bank (ECA Rating 3)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Government and Central Bank (ECA Rating 4-6)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Government and Central Bank (ECA Rating 7)	-	-	-	-	-	-	-	-	-	-
Claims on Other Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 2)	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 3-6)	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 7)	-	-	-	-	-	-	-	-	-	-
Claims on domestic banks that meet capital adequacy requirements	-	-	-	-	-	-	-	-	-	-
Claims on domestic banks that do not meet capital adequacy requirements	-	-	-	-	-	-	-	-	-	-
Claims on foreign bank (ECA Rating 0-1)	-	-	-	-	-	-	-	-	-	-
Claims on foreign bank (ECA Rating 2)	-	-	-	-	-	-	-	-	-	-
Claims on foreign bank (ECA Rating 3-6)	-	-	-	-	-	-	-	-	-	-
Claims on foreign bank (ECA Rating 7)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign bank incorporated in SAARC Region operating with a buffer of 1% above their respective regulatory capital requirement	-	-	-	-	-	-	-	-	-	-
Claims on Domestic Corporates	-	223,674	-	5,500	-	-	-	-	110,573	339,747
Claims on Foreign Corporates (ECA 0-1)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Corporates (ECA 2)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Corporates (ECA 3-6)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Corporates (ECA 7)	-	-	-	-	-	-	-	-	-	-
Regulatory Retail Portfolio (Not Overdue)	-	-	-	-	-	-	-	-	-	-
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	-	-	-	-	-	-
Claims secured by residential properties	-	-	-	-	-	-	-	-	-	-
Claims not fully secured by residential properties	-	-	-	-	-	-	-	-	-	-
Claims secured by residential properties (Overdue)	-	-	-	-	-	-	-	-	-	-
Claims secured by commercial real estate	-	-	-	-	-	-	-	-	-	-
Past due claims (except for claim secured by residential properties)	-	-	-	-	-	-	-	-	-	-
High Risk claims	31,389	-	-	-	-	-	-	-	-	31,389
Investment in equity and other capital instruments of institutions listed in the stock exchange	-	-	-	-	-	-	-	-	-	-
Investment in equity and other capital instruments of institutions not listed in the stock exchange	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-

Schedule 4.30 (Ga):

Continued...

amount in Rs. '000s

Credit exposures	Deposits with Bank	Deposits with other banks/FI	Gold	Govt. & NRB Securities	G'tee of Govt. of Nepal	Sec/G'tee of Other Sovereigns	G'tee of domestic banks	G'tee of MDBs	Sec/G'tee of Foreign Banks	Total
Off Balance Sheet Exposures	-	-	-	-	-	-	-	-	-	-
Forward Exchange Contract Liabilities	-	-	-	-	-	-	-	-	-	-
LC Commitments With Original Maturity Up to 6 months (domestic counterparty)	186,649	-	-	-	-	-	-	-	-	186,649
Foreign Counterparty ECA Rating 0-1	-	-	-	-	-	-	-	-	-	-
Foreign Counterparty ECA Rating 2	-	-	-	-	-	-	-	-	-	-
Foreign Counterparty ECA Rating 3-6	-	-	-	-	-	-	-	-	-	-
Foreign Counterparty ECA Rating 7	-	-	-	-	-	-	-	-	-	-
L C Commitments With Original Maturity Over 6 months (domestic counterparty)	426,216	-	-	-	-	-	-	-	-	426,216
Foreign Counterparty ECA Rating 0-1	-	-	-	-	-	-	-	-	-	-
Foreign Counterparty ECA Rating 2	-	-	-	-	-	-	-	-	-	-
Foreign Counterparty ECA Rating 3-6	-	-	-	-	-	-	-	-	-	-
Foreign Counterparty ECA Rating 7	-	-	-	-	-	-	-	-	-	-
Bid Bond, Performance Bond and Counter Guarantee (domestic counterparty)	153,315	-	-	-	-	-	-	-	-	153,315
Foreign Counterparty ECA Rating 0-1	-	-	-	-	-	-	-	-	3,046,799	3,046,799
Foreign Counterparty ECA Rating 2	-	-	-	-	-	-	-	-	1,476,153	1,476,153
Foreign Counterparty ECA Rating 3-6	-	-	-	-	-	-	-	-	-	-
Foreign Counterparty ECA Rating 7	-	-	-	-	-	-	-	-	-	-
Underwriting commitments	-	-	-	-	-	-	-	-	-	-
Lending of Bank's Securities or Posting of Securities as collateral	-	-	-	-	-	-	-	-	-	-
Repurchase agreements, Assets sale with recourse	-	-	-	-	-	-	-	-	-	-
Advance Payment Guarantee	1,921	-	-	-	-	-	-	-	2,067,409	2,069,330
Financial Guarantee	725	-	-	-	-	-	-	-	2,542	3,267
Acceptance and Endorsements	8,351	-	-	-	-	-	-	-	-	8,351
Unpaid Portion of Partly paid shares and Securities	-	-	-	-	-	-	-	-	-	-
Irrevocable Credit Commitments(short term)	-	13,741	-	-	-	-	-	-	63,831	77,572
Irrevocable Credit Commitments(long term)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign bank incorporated in SAARC Region operating with a buffer of 1% above their respective regulatory capital requirement	-	-	-	-	-	-	-	-	-	-
Other Contingent Liabilities	74,392	-	-	-	-	-	-	-	3,502	77,894
Claim Received on Guarantee (As per directive 13/065/66)	24	-	-	-	-	-	-	-	-	24
Total Eligible CRM	882,982	237,415	-	5,500	-	-	-	-	6,770,809	7,896,707

Schedule 4.30 (Gha):

Operational Risk

As at 16 July, 2015 (31 Ashadh 2072)

amount in Rs. '000s

SN	Particulars	15.07.2013	16.07.2014	16.07.2015	16.07.2014
1	Net Interest Income	1,923,977	2,007,659	1,913,515	
2	Commission and Discount Income	294,968	383,611	362,964	
3	Other Operating Income	42,727	44,157	38,010	
4	Exchange Fluctuation Income	515,050	477,996	613,936	
5	Additional/ Deduction Interest Suspense during the period	(9,564)	(12,389)	(14,520)	
	Gross Income (a)	2,767,158	2,901,034	2,913,905	
	Fixed Percentage (b)	15%	15%	15%	
	Gross Income as per Fixed Percentage[c=(a*b)]	415,074	435,155	437,086	
	Capital Requirement for Operational Risk(d) (average of c)			429,105	413,592
	Risk Weight (reciprocal of capital requirement of 10%) in times (e)			10	10
	Equivalent Risk Weight Exposure for Operational Risk[f=(d*e)]			4,291,050	4,135,917

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 or g)]	4,291,050 4,135,917

Schedule 4.30 (Nga):

Market Risk

As at 16 July, 2015 (31 Ashadh 2072)

amount in Rs. '000s

S. No.	Currency	As on 16 July, 2015			Previous Year Relevant Open Position (NPR) as on 16.07.2014
		Open Position (FCY)	Open Position (NPR)	Relevant Open Position (NPR)	
1	INR	735,457	1,177,282	1,177,282	211,189
2	USD	600	60,984	60,984	3,169
3	EUR	20	2,187	2,187	1,150
4	GBP	(17)	(2,670)	2,670	7,834
5	CHF	(5)	(541)	541	1,492
6	AUD	1	49	49	6,451
7	CAD	32	2,492	2,492	3,774
8	SGD	30	2,219	2,219	3,004
9	JPY	752	617	617	1,024
10	CNY	14	223	223	220
11	SAR	35	957	957	2,644
12	QAR	1	29	29	58
13	THB	1	1	1	71
14	AED	13	355	355	589
15	MYR	15	412	412	177
16	SEK	90	1,070	1,070	1,171
17	DKK	94	1,395	1,395	2,314
18	HKD	72	949	949	1,514
19	BHD	-	-	-	-
20	KRW	496	44	44	384
21	KWD	-	22	22	-
Total Open Position (a)				1,254,498	248,229
Fixed Percentage (b)				5%	5%
Capital Charge for Market Risk [c=(a*b)]				62,725	12,411
Risk Weight (reciprocal of capital requirement of 10%) in times (d)				10	10
Equivalent Risk Weight Exposures for Market Risk [e=(c*d)]				627,255	124,115

Schedule 4.31:

Key Indicators

Particulars	Indicators	FY	FY	FY	FY	FY
		2010/2011	2011/2012	2012/2013	2013/2014	2014/2015
1. Net Profit/Gross Income	Percent	31.40	30.12	34.96	36.73	33.74
2. Earning Per Share	Rs.	69.51	72.60	65.70	65.47	57.38
3. Market Value Per Share	Rs.	1,800	1,799	1,820	2,799	1,943
4. Price Earning Ratio	Ratio	25.90	24.78	27.70	42.75	33.86
5. Dividend (including bonus) on Share Capital	Percent	50.00	60.00	50.00	51.50	44.21
6. Cash Dividend on Share Capital	Percent	50.00	45.00	40.00	41.50	19.21
7. Interest Income/Loan & Advances	Percent	10.34	11.16	9.76	9.31	8.68
8. Staff Expenses/Total Operating Expenses	Percent	21.86	22.19	29.79	33.80	32.13
9. Interest Expenses on Total Deposit and Borrowings	Percent	2.62	2.80	1.55	1.24	1.15
10. Exchange Fluctuation Income/Total Income	Percent	10.86	12.07	14.78	13.14	16.06
11. Staff (statutory) Bonus/Total Staff Expenses	Percent	30.40	30.22	29.24	28.30	27.01
12. Net Profit/Loan and Advances	Percent	6.00	5.90	5.26	5.08	4.60
13. Net Profit/Total Assets	Ratio	2.55	2.80	2.67	2.51	1.99
14. Total Credit/Deposit	Percent	49.11	55.13	58.63	56.87	48.92
15. Total Operating Expenses/Total Assets	Percent	3.82	4.18	3.10	2.67	2.42
16. Adequacy of Capital Fund on Risk Weighted Assets						
a. Core Capital	Percent	12.10	12.29	11.03	10.83	11.67
b. Supplementary Capital	Percent	2.12	1.64	1.51	1.44	1.43
c. Total Capital Fund	Percent	14.22	13.93	12.54	12.27	13.10
17. Liquidity (CRR)	Ratio	6.10	22.40	16.43	21.18	24.03
18. Non-performing Credit/Total Credit	Percent	0.62	0.78	0.77	0.48	0.34
19. Weighted Average Interest Rate Spread (different basis till 2012/13)	Percent	3.28	3.92	4.12	7.09	5.27
20. Book Net-worth	Rs'000	3,677,777	4,122,169	4,617,574	5,088,091	5,948,555
21. Total Shares	No.	16,101,680	16,101,680	18,539,000	20,416,720	22,481,612
22. Total Staff	No.	429	424	454	460	433
23. Networth Per Share	Rs.	228	256	249	249	265
24. Return on Equity	Percent	30.43	28.36	26.38	26.27	21.69
25. Profit per Employee	Rs'000	2,609	2,757	2,683	2,906	2,979

Schedule 4.32:

Significant Accounting Policies

Financial Year 17 July 2014 to 16 July 2015 (1 Shrawan 2071 to 31 Ashadh 2072)

1. Background

The accompanying financial statements for the year ended 16th July 2015 comprise the accounts of Standard Chartered Bank Nepal Ltd. The Bank 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 Banks ultimate holding company is Standard Chartered Plc (SCPLC), which is incorporated in United Kingdom.

2. Approval of Financial Statements

Accompanied financial statements have been adopted by the Board of Directors on its meeting held on 22nd February 2016 and have recommended for approval of shareholders in the Annual General Meeting.

3. Basis of Preparation

The financial statements are prepared under the historical cost convention on the accrual basis of accounting (except for interest income on loans and advances which is accounted for on cash basis), and in accordance with Generally Accepted Accounting Principles (GAAP), Statutory requirements of Banks and Financial Institutions Act 2063, The Companies Act 2063, directives, circulars and guidelines issued by Nepal Rastra Bank (NRB) from time to time, Nepal Accounting Standards to the extent applicable and current practices prevailing within the banking industry in Nepal.

4. Use of Estimates

The preparation of financial statements in conformity with GAAP requires

management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosures relating to the contingent liabilities reported in the financial statements. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

5. Significant Accounting Policies

5.1 Income Recognition

Interest income on Loans and advances is accounted for on cash basis.

Interest income on discounted instruments is recognised over the tenor of the instrument on a constant effective yield basis.

Commission on guarantees and letters of credit are recognised over the facility tenure, except for commission on sight bills which is recognised upfront.

Fees on loans and credit cards are recognised at the inception of the transactions.

Dividend on equity shares is recognised as income when the right to receive the same is established, i.e. after it is declared in the company's Annual General Meeting.

5.2 Foreign Currency Transactions and Balances

Transactions in Foreign currency are recorded at exchange rates prevailing on the date of transaction. Exchange differences arising on foreign exchange

transactions settled during the year are recognised as trading gains/losses in the Profit and Loss Account.

Monetary assets and liabilities denominated in foreign currencies are translated at mid-point exchange rates on a daily basis and resultant exchange differences are recognised as revaluation gain/loss in the profit and loss account. In conformity with the directives of Nepal Rastra Bank, 25% of the total revaluation gain is transferred to Exchange Fluctuation Fund by charging to Profit and Loss Appropriation Account.

5.3 Loans, Advances and Bills Purchased

Classification and provisioning of Loans, Advances and Bills Purchased is carried out in accordance with the directives issued by Nepal Rastra Bank.

Classification

Loans, Advances & Bills Purchased are classified into performing loans and Non Performing Loans based on management's periodical internal assessment and NRB's directives on classification. Further Performing Loans are classified into Good Loan and Watch List Loan and Non Performing Loans are classified into Restructured/Rescheduled, Substandard, Doubtful & Loss assets based on the criteria stipulated by NRB.

Loans and advances granted to staff in accordance with the Staff loan scheme as prescribed by Staff By laws are reflected under Other Assets.

Provisioning

Loans Advances and Bills Purchased are stated net of specific & General Loan Loss provisions. Specific provisions are maintained in line with the minimum provisioning norms laid down by NRB. The Bank also maintains a General Loan Loss Provision at rates and as per the norms prescribed by NRB.

Write off

The bank has written off unrecoverable loans and advances as per the procedures prescribed in the directives issued by NRB. Amounts recovered against loans written off in earlier as well as current year are recognized as income in the year of recovery.

5.4 Investments

Classification and valuation of Banks Investments is carried out in accordance with the directives issued by NRB.

Classification

Investments are classified as 'Held to Maturity (HTM)' or 'Held for Trading' (HFT) or 'Available for Sale' (AFS) at the time of their purchase. Investments acquired by the Bank with the intention and ability to hold up to maturities are classified as HTM. Investments acquired with the intention to trade by taking advantage of short term price/interest rate movement are classified as HFT. All other investments are classified as AFS.

The Bank follows the settlement date accounting for its investments.

Valuation

Investments classified as HTM are carried at acquisition cost. Any premium or discount on acquisition is

amortised over the remaining period till maturity on the basis of a constant yield to maturity. Where in the opinion of management and in accordance with NRB guidelines, there is a diminution in the value of any HTM security, which is other than temporary, appropriate provisions are made and charged to Profit and Loss account

Investments classified as AFS are marked to market regularly and any movement in the value is adjusted through reserves, while the permanent decline in value is charged to profit and loss account. Similarly increase in the recoverable value of the impaired equity investment (up to cost value) is recognised in Investment Adjustment Reserve.

Investments classified as HFT are marked to market on a daily basis and any appreciation/depreciation in the value is recognised in the profit and loss account.

Treasury Bills being discounted instruments are disclosed at cost including the pro rata discount accreted for the holding period.

As required by NRB Directives, the Bank also maintains Investment Adjustment Reserve to the extent of 2% of Available for Sale Portfolio. This Reserve is considered as Tier 2 capital.

All investments are subject to regular review according to the directives of Nepal Rastra Bank.

5.5 Fixed Assets and Depreciation

Fixed assets are stated at acquisition cost less depreciation. Acquisition cost includes expenditures that are directly

attributable to the acquisition of the assets.

Fixed assets individually costing less than or equal to Rs. 400,000 (Rs. Four Lakhs) are expensed in the year of purchase.

Costs of refurbishment and renovation of leasehold/owned premises are capitalised provided they are in excess of Rs. 400,000 (Rs. Four Lakhs).

Computer software costing less than or equal to Rs. 40,000,000 (Rs. Four Crores) is expensed in the year of purchase.

Licence fees for the software paid by the Bank is amortised over the period of the licence.

Profit or loss on disposal of fixed assets is recognised in the profit and loss of the year.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to amortise their cost over their estimated useful lives, as follows:

S.N.	Assets Types	Life of an Asset
1.	Equipment	36 months
2.	Furniture & Fittings/Fixtures	36 months
3.	Vehicle	36 months
4.	Computers – PC, Printer, Laptop etc.	36 months
5.	Computers – Server	60 months
6.	Computer – ATM	84 months
7.	Freehold Premises	600 months
8.	Software Applications	36 months

Costs of refurbishment and renovation of leasehold premises are depreciated over the remaining period of that lease or 120 months whichever is less.

For additions during the year, depreciation is charged from the month the assets is put to use and for disposed assets, depreciation is charged up to the month immediately preceding the month of disposal.

5.6 Accounting for Leases

Premises are taken as operating leases which are cancellable in nature. The expenses under operating leases as per the lease agreements are charged to Other Operating Expenses in the Profit and Loss account.

5.7 Retirement and Other Employee Benefits

The Bank has schemes of retirement benefits namely Gratuity and Provident Fund. Provision for expenses on account of Gratuity and Provident Fund is made on accrual basis with the amount of gratuity computed by the Bank in accordance with its applicable scheme. Contributions to approved retirement fund are made on a regular basis as per the Retirement Fund rules and regulations.

5.8 Taxation

a. Current Income Tax

Provision for current income tax is made in accordance with the provisions of the prevailing Income Tax Act, 2058 and Rules as amended.

b. Deferred Income Tax

Deferred income tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

The principal temporary differences arise on account of differences in depreciation of fixed assets, provision for diminution in the value of investment in shares, provisions for gratuity, performance bonus and premium on development bonds between financial statements and tax bases.

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

Deferred Tax Reserve equivalent to Deferred Tax Assets has been created as per the regulatory requirement is transferred to other reserve as per directive issued by Nepal Rastra Bank.

5.9 Stationery

Stationery purchased is expended directly for consumption.

5.10 Non Banking Assets

Non Banking Assets are accounted for as per the directives of Nepal Rastra Bank.

5.11 Provisions, Contingent Liabilities and Contingent Assets

The Bank creates a provision when there is a present obligation as a result of past events that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but

probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are neither recognised nor disclosed in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.

Liabilities on account of derivative contracts are reported under Contingent liabilities under sub heading Outstanding Liabilities for Forward Exchange Contract. These include notional principal on outstanding forward rate agreements.

5.12 Provision for reward points awarded to customers

The Bank has a policy of awarding reward points to customers for credit card spends. Provision for such reward points is made on the basis of behavioural analysis of utilisation trends.

5.13 Rounding off and Comparative Figures

The financial statements are presented in Nepalese Rupees, rounded off to the nearest rupee.

Notes to Accounts

Financial Year 17 July 2014 to 16 July 2015 (1 Shrawan 2071 to 31 Ashadh)

1. Provision for Bonus

Provision for bonus has been calculated and provided for at 10% of net profit, after making adjustments for loan loss provision and bonus.

2. Staff Housing Fund

The Staff By-Laws approved by our Board and also approved by NRB, has a provision for extending housing loans to the eligible staff at concessional rates. Hence a separate housing fund has not been created in accordance with Labour Act, 2048.

3. Taxation Assessment Status

Financial year 2006-07

During the year, the Bank applied to the Tax Settlement Commission (TSC) for a negotiated settlement of the case. An agreement was signed between the Bank and the TSC for settlement of the case for Rs. 45 Lakhs after the Balance Sheet date. The contingent liability of Rs. 292.55 Lakhs up to previous year relating to this tax case has been reversed in the books.

Financial Year 2009-10

For financial year 2009-10 (2066-67) LTPO has done the reassessment of tax and raised the demand of Rs. 14.78 Lakhs of tax and 3.05 Lakhs of interest. The Bank contested the order on few issues and filed for Administrative Review. LTPO is yet to issue revised assessment order as per the decision of Administrative Review. However based on the initial assessment order of LTPO, contingent liability for the tax (including interest up to year end) of Rs. 10.47 Lakhs has been created in the books.

Financial Year 2010-11

For financial year 2010-11 (2067-68) LTPO has done the reassessment of tax and raised the demand of Rs. 30.09 Lakhs of tax and Rs. 10.22 Lakhs of interest. The amount paid is charged to profit and loss account for the year.

Accordingly the issue of reverse VAT on payments made to Visa and Master Card for the services provided by them was raised and a demand of Rs. 129.80 Lakhs was made (including interest of Rs. 35.97 Lakhs). The Bank contested the order and filed for Administrative Review.

The Bank has created a provision of Rs. 482.61 Lakhs during the year for the probable liability that might arise in the future for the above issue of VAT for the years 2010-11 to 2014-15. Though the Bank has contested on this issue and accordingly filed for the administrative review, the provision has been created based on the Banks own assessment procedures.

Financial Year 2011-12 to 2013-14

The self assessment returns filed by the Bank for financial

year 2012-13 (2068-69 BS) to 2013-14 (2070-71 BS), has not yet been opened for reassessment by the LTPO.

Tax demands (including interest) amounting to Rs. 10.47 Lakhs for the assessment year 2009-10 (2066-67 BS) is pending final outcome of the appeals filed by the Bank. The Bank believes that these demands are largely unsustainable and accordingly no provision has been made.

4. Provision for Gratuity

During the year, the Bank has provided Rs. 58,744,097 (Previous Year Rs. 54,522,170) on account of gratuity. Out of the amount provided, Rs. 22,204,437 has been funded (previous year Rs. 28,199,376) and Rs. 2,515,075 (previous year Rs. 9,309,315) has been paid to the staff at the time of separation.

5. Performance Bonus

The Bank's total reward consists of fixed and variable compensation. Performance Bonus is a variable component based on the Bank's overall performance and individual employee's annual performance. It is provisioned on the basis of the individual targets set and paid in line with the actual achievements. A total of Rs 62,623,750 has been provided for the performance bonus in this year.

6. Dividend and Bonus

The Board has recommended 19.21% as cash dividend and 25% bonus shares as appropriation for the reported year. This proposal of the Board has been shown under Proposed Dividend for the cash portion and under Share Capital for the Proposed Bonus Shares issue respectively.

7. Investment Adjustment Reserve

There has been no change in the Investments Adjustment Reserve of Rs. 1,043,800 created last year as required by NRB Directives. As per IAS 39 the impairment provision on investment is charged to Profit and Loss Account while the release of impairment provision is released through Investment Adjustment Reserve.

Particulars	amount in Rs.		Remarks
	Balance 16.07.2015	Balance 16.07.2014	
Total Available For Sale (AFS) Investments	61,925,500	61,925,500	
Less; Provision held in the books	6,000,000	6,000,000	
Less; Exempted for Reserve creation as per NRB directives	3,735,500	3,735,500	Credit Information Company and Nepal Clearing House Ltd are exempted
Net AFS Investment	52,190,000	52,190,000	
Investment Adjustment Reserve@2%	1,043,800	1,043,800	
Closing balance of Investment Adjustment Reserve	1,043,800	1,043,800	Balance reported as Other Reserves

8. Unpaid Dividend

As on the balance sheet date, unpaid dividend for over five years amounts to NPR 5,185,289. The Bank published a notice in a national daily detailing the information about the unclaimed dividend on 17th August 2015.

9. Paid up Share Capital

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

Financial Year	Cumulative Paid up Capital Rs.	Remarks
1987-88 (2044-45 BS)	30,000,000	Opening Share Capital at Rs. 60 paid up
1990-91 (2047-48 BS)	50,000,000	Capitalisation of Reserve Rs. 100 paid up
1992-93 (2049-50 BS)	100,000,000	Issuance of 100% Bonus Shares
1994-95 (2051-52 BS)	150,000,000	Issuance of 50% Bonus Shares
1996-97 (2053-54 BS)	225,571,800	Issuance of 50% Bonus Shares
1997-98 (2054-55 BS)	339,548,800	Issuance of 50% Bonus Shares
2002-03 (2059-60 BS)	374,640,400	Issuance of 10% Bonus Shares
2005-06 (2062-63 BS)	413,254,800	Issuance of 10% Bonus Shares
2006-07 (2063-64 BS)	620,784,000	Issuance of 50% Bonus Shares
2007-08 (2064-65 BS)	931,966,400	Issuance of 50% Bonus Shares
2008-09 (2065-66 BS)	1,398,483,600	Issuance of 50% Bonus Shares
2009-10 (2066-67 BS)	1,610,168,000	Issuance of 15% Bonus Shares
2011-12 (2068-69 BS)	1,853,900,000	Issuance of 15% Bonus Shares
2012-13 (2069-70 BS)	2,041,672,000	Issuance of 10% Bonus Shares
2013-14 (2070-71 BS)	2,248,161,200	Issuance of 10% Bonus Shares

Share capital of Rs. 2,322,000 is issued after collecting cash from the shareholders for any odd lot bonus share.

10. Provision for Taxation

a. Current & Deferred Tax

Current tax has been provided for in the books as per the provisions of Income Tax Act 2058 and Rules thereon prevailing as on the year end. The following table details the calculation of Income Tax provisions for the current financial year:

Particulars	Amount (Rs. '000)	Permanent Difference	Temporary Difference
Profit before Tax	1,870,995		
Adjustment for tax purposes (presented on net basis)			
Depreciation	(2,056)		(2,056)
Repairs & Maintenance	9,506		9,506
Gratuity	34,025		34,025
Performance & Other Bonus	(262)		(262)
Premium on Development Bond	3,578		3,578
Dividend Income	(11,133)	(11,133)	-
Software expenses	188	-	-
Provision on VAT on Visa and Master Card payments	48,261	48,261	
Miscellaneous	2,622	2,622	-
Total	1,955,723	39,750	44,979
Current & Deferred Tax @30%	586,717		13,493
Additional tax for earlier financial years	7,746		
Net Tax charge for current year	580,970		

b. Deferred Tax

Deferred tax is calculated on temporary differences between

the book values of financial assets/liabilities and tax bases of assets/liabilities using an effective tax rate of 30.00%.

The items attributable to deferred tax assets and liabilities and their movement are as follows:

amount in Rs.

	Balance 16 Jul 2014	Movement during the year	Balance 16 Jul 2015
Deferred Tax Assets			
Fixed Assets	40,147,031	2,291,214	42,438,245
Gratuity Provision	27,986,114	10,207,375	38,193,489
Provision for Performance bonus	12,136,556	-78,710	12,057,846
Provision for investment impairment	1,800,000	-	1,800,000
Premium on Development Bond	7,487,235	1,073,494	8,560,729
Total Deferred Tax Assets	89,556,936	13,493,373	103,050,490
Deferred Tax Liabilities	-	-	-
Net – Deferred Tax Asset	89,556,936	13,493,373	103,050,490

The deferred tax movement of current year amounting to Rs. 13,493,373 has been credited to the Profit and Loss account.

11. Related Party Disclosures

a. Related Parties and the nature of their relationship with the Bank are given below:

- Ultimate Parent Company : Standard Chartered Plc
- Major Shareholders
 - Standard Chartered Grindlays Ltd, Australia : Holding 50% of shares
 - Standard Chartered Bank, UK : Holding 25% of shares
- Related parties with whom transactions have occurred during the current year.
 - Head Office and Branches of Head Office
 - Standard Chartered Bank, UK
 - Standard Chartered Bank, India
 - Standard Chartered Bank, Japan
 - Standard Chartered Bank, Singapore
 - Standard Chartered Bank, USA
 - Standard Chartered Bank, Germany
 - Standard Chartered Bank, Indonesia
 - Standard Chartered Bank, Qatar
 - Standard Chartered Bank, South Korea
 - Standard Chartered Bank, U.A.E
 - Standard Chartered Bank, Bangladesh
 - Subsidiaries of Head Office (Standard Chartered Bank UK)
 - Standard Chartered Bank (Mauritius) Limited
 - Scope International Private Limited
 - Standard Chartered Bank (Hong Kong) Limited
 - Standard Chartered Bank (China)
 - Standard Chartered Bank Malaysia
 - Standard Chartered Bank, Kenya
 - Standard Chartered Thailand

- iv) Key Management Personnel compensation
1. Total of Key Management Personnel Compensation
Rs. 50,966,087
 - a) Short Term Employee Benefits Rs. 41,017,225
(Salary, Allowance, PF)
 - b) Post Employment Benefits NIL
 - c) Other Long Term Benefits NIL
 - d) Termination Benefits Rs. 9,948,862
(Gratuity)
 - e) Share Based Payment NIL

Additional information:

- a) Key Management Personnel includes 3 expatriate staff.
(Existing - 2, repatriated - 1)
- b) Key Management Personnel are also provided with the following benefits:
 - i) Benefits as per Staff Service Bye-laws,
 - ii) Bonus to local staff as per Bonus Act,
 - iii) Performance Bonus depending on performance of the individual,
 - iv) Car Allowance as per Bank's Car Scheme.
2. Apart from above Rs. 822,500 was paid as meeting fees to the Directors in the financial year.

b. Transactions & Balances

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.

Following are the details of transactions and the end of period balances:

Transactions during the year

Transactions	amount in Rs. Total SCB Group
Placements	2,041,170,105,454
Interest on placements	102,864,999
Shared Service Center Costs	47,757,540
Training Fees	

Balances at the year end

Transactions	amount in Rs. H O & SCB Branches	SCB Subsidiaries
Placements	11,973,546,000	7,149,070,000
Nostro Balances	652,391,746	658,410,454
Interest Receivable	39,318	8,566,535
Shared Service cost Payable	-	1,784,781
Trade Contingents	1,130,403,430	1,869,976,524
Fee Income Receivables	44,122,804	85,585,090

12. Operating Lease Commitment

The future minimum lease payment under non-cancellable operating leases, where the bank is lessee is NIL.

13. Segment Reporting with description of segments and methodology.

a. Segment Description

The Bank has disclosed its operations under the following segments:

Segment Definition	Activity
Retail Banking	Retail Banking serves retail customers 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.
Corporate and Institutional Client (C&I)	Local corporate financing, advances to partnership firms, companies and statutory bodies, which are not included under Retail Banking segments are reported under C&I.
Treasury	Treasury include foreign exchange, fixed income, and money market and derivative transactions.
Others	Others include Corporate Real Estate Services and other items not allocable in the aforementioned Segments.

b. Segment Accounting Policy

Segment revenues stated below 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, C&I & Treasury 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.

c. Segmental Reporting

For the year ended 16.07.2015

amount in Rs. '000

Particulars	Retail	C& IC	Treasury	Others	Total
Net Segment Revenue	1,419,424	1,386,539	141,922	-1,914	2,945,971
Net Segment Results	903,337	963,352	7,114	-2,807	1,870,995
Profit before Tax	-	-	-	-	-
Provision for Tax	-	-	-	58,970	590,970
Net Profit	-	-	-	-	1,290,025
Segment Assets	14,757,460	13,665,881	35,707,529	800,436	64,931,305
Segment Liabilities	27,204,277	30,518,220	33,312	7,175,496	64,931,305
Capital Expenditure to acquire Fixed Assets	-	-	-	-	-
Depreciation	8,220	353	-	6,670	15,242
Contingent	231,760	20,994,801	929,308	32,222	22,188,092

For the year ended 15.07.2014

Particulars	Retail	C&IC	Treasury	Others	Total
Net Segment Revenue	1,429,827	1,130,689	404,614	166	2,965,297
Net Segment Results	796,577	731,753	374,040	166	1,902,536
Profit before Tax					1,902,536
Provision for Tax				565,947	565,947
Net Profit					1,336,589
Segment Assets	14,064,990	12,803,048	25,951,387	504,676	53,324,102
Segment Liabilities	24,625,036	20,459,955	1,655,394	6,583,716	53,324,102
Capital Expenditure to acquire Fixed Assets	-	-	-	-	-
Depreciation	11,968	2,439	38		14,446
Contingent	1,100,186	19,198,674	1,850,779	29,255	22,178,895

*FTP has been adjusted for Nepali calendar years.

14. Details of Lending/Investment qualifying as Deprived sector lending

		Rs. Mn		
S.No.	Particulars	Outstanding	% of total Loans	Requirement
a.	As of 16th July 2015	1,356	4.60%	4.50%
a.	As of 16th July 2014	1,147	4.57%	4.00%

15. Concentration of Deposits, Loans & advances and Contingents

NPR Mn

S.No.	Particulars	As at 16th July 2015	As at 15th July 2014
a.	Total deposits	57,286	46,299
b.	Total deposits of twenty largest depositors	21,624	14,983

c.	Total Deposit of a single largest depositor	8,901	5,049
d.	Percentage of deposits of twenty largest depositors to total deposit of the Bank	37.75%	32.36%
e.	Percentage of highest single depositor	15.54%	10.90%
f.	Total Loans & Advances	28,024	26,328
g.	Total loans & advances of twenty largest borrowers	12,201	11,375
h.	Total loans & advances to a single largest borrower	1,973	2,444
i.	Percentage of twenty largest borrowers to total loans and advances	43.54%	43.2%
j.	Percentage of highest exposure in a single largest borrower	7.04%	9.28%
k.	Total Contingent Liabilities	23,088	22,179
l.	Total Contingent to a single largest customer	410	1,179
m.	Highest exposure in a single largest customer	1.78%	5.32%

16. Reconciliation Status:

Particulars	Total Amount	< 3 Months	>3<9 Months	> 9<12 Months	> 12 Months
Branch Adjustments Accounts	-	-	-	-	-
Agency Accounts	24,856,039	24,853,332	2,707		

The reasons for differences are fully identified and are being addressed in regular course of business.

17. Summary of Loans and Advances Disbursed, Recovered and Principal and Interest Written-off during the year:

amount in Rs. '000s

Particulars	Amount
Loans Disbursed	54,836,531
Loans Recovered	53,137,934
Loans Written-off	3,136
Interest Written-off	412

18. Summary of Changes in Deposit Liabilities :

amount in Rs. '000s

Particulars	Balance as at 16.07.2014	Received/ (Withdrawn)	Balance as at 16.07.2015
Current and Margin Accounts	14,020,724	2,804,926	16,825,650
Saving Account	19,526,973	3,949,471	23,476,444
Call Deposits	9,675,606	4,191,560	13,867,166
Fixed Deposits	3,075,229	41,994	3,117,223
Total	46,298,532	10,987,950	57,286,482

19. Weighted Average Interest Spread:

Particulars	Rate %
a. Weighted average yield on loans and investments (Gsec)	7.01
b. Average Cost of local currency deposits	1.74
c. Spread (Yield - Cost) i.e. c=b-a	5.27

20. Particulars of Amortised Expenses yet to be Expensed Off:

Rs. in '000

Particulars	Amount
Software Costs	-
Licence Fees	-
Premium on Development Bonds	13,007
Total	13,007

21. Classification of Assets and Liabilities based on Maturity

Rs. in Mio

Particulars	1-90 Days	91-180 Days	181-270 Days	271 Days - 1 Year	Over 1 Year	Total
Assets						
Cash Balance	786	-	-	-	-	786
Balance with Banks & FIs	10,787	-	-	-	-	10,787
Investment in Foreign Banks	2,542	1,017	1,556	2,034	-	7,149
Call Money	11,974	-	-	-	-	11,974
Government Securities	330	-	224	4,963	250	5,767
Nepal Rastra Bank Bonds	-	-	-	-	-	-
Inter Bank & FI Lending	-	-	-	-	-	-
Loans, Advances & Bills Purchased	8,704	2,411	3,377	1,535	11,998	28,025
Interest Receivable	2	1	5	3	2	13
Reverse Repo	-	-	-	-	-	-
Receivables from other Institutions under Commitment	-	-	-	-	-	-
Payments under S.No. 20,21 & 22	-	-	-	-	-	-
Other Assets	-	-	-	632	140	772
Total Assets	35,125	3,429	5,162	9,167	12,390	65,273
Liabilities						
Current Deposits	3,592	-	-	-	12,534	16,126
Saving Deposits (Including call)	10,372	-	-	-	26,971	37,343
Fixed Deposits	388	357	1,499	864	8	3,116
Debentures and Bonds	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-
Call/Short Notice	-	-	-	-	-	-
Inter-bank/Financial Institutions	-	-	-	-	-	-
Refinance	-	-	-	-	-	-
Others	-	-	-	-	-	-
Other Liabilities and Provisions	568	187	-	504	343	1,602
Sundry Creditors	318	-	-	-	-	318
Bills Payable	177	-	-	-	-	177
Interest Payable	73	-	-	-	-	73
Provisions	-	187	-	-	343	530
Others	-	-	-	504	-	504
Payable to other institutions under Commitment	-	-	-	-	-	-
Irrevocable Loan Commitment	5,209	70	180	81	154	5,694
Letter of Credit/Guarantee (Net of Margin)	2,071	1,343	2,473	2,735	3,989	12,611
Repo	-	-	-	-	-	-
Payable under s.no.11	-	-	-	-	-	-
Others	88	-	432	-	5,949	6,469

Total Liabilities	22,288	1,957	4,584	4,184	49,948	82,961
Net Financial Assets	12,837	1,472	578	4,983	-37,558	-17,688
Cumulative Net Financial Assets	12,837	14,309	14,887	19,870	-17,688	-

22. Borrowing by Bank against the collateral of own asset is Nil.

23. Closure of branch at Lakeside Pokhara and disposal of assets:

The Bank has closed its branch at Lakeside Pokhara and sold its land and building at a total price of Rs. 60.71 million. This has resulted into a gain of Rs. 51.75 million and the same has been disclosed as profit on sale of assets under Non-operating Income.

24. Details of Customer complaints

S.No.	Particulars	For the fiscal year 2014/15
a.	No. of complaints pending at the beginning of the year	2
b.	No. of complaints received during the year	400
c.	No. of complaints redressed during the year	402
d.	No. of complaints pending at the end of the year	0

25. Penalties

There were no penalties paid by the Bank during the last two fiscal years to the regulators i.e. NRB, Company Registrar's Office, SEBON and NEPSE.

26. Interest Realisation after Year End

Bank has not utilised the facility given in Unified Directive 4(5)(1) for accounting in income the interest on customer loans and advances which were due as at end of financial year and were collected within 15 days of end of financial year.

27. Country Governance Framework with Chart.

The diagram below illustrates the high level risk committee structure.



Schedule 4.34:

Statement of loan availed by bank's promoter/ promoters' group from other bank and financial institutions by pledging their shares.

as on 16th July 2015 (31 Ashadhh 2072)

S.No.	Name of Promoter/ Shareholders under Promoters' Group	Shares under the ownership of Promoter		Description of Loan			Remarks
		Total no. of shares	Percentage of total paid up capital	Name of other bank/ financial institution from which loan has been taken	Loan amount Rs.	No. of shares pledged	
1							
2							
3							
4							
5							

Schedule 4.35:

Comparison of Unaudited and Audited Financial Statement as of FY 2071/72

		amount in Rs. '000s				
S. No.	Particulars	As per Unaudited Financial Statement	As per Audited Financial Statement	Variance in Amount	In %	Reasons for Variance
1	Total Capital and Liabilities (1.1 to 1.7)	65,254,673	65,269,315	(14,642)	-0.02%	As per proposed appropriation of profits
1.1	Paid up Capital	2,248,161	2,810,202	(562,041)	-25.00%	
1.2	Reserve and Surplus	4,137,079	3,138,353	998,726	24.14%	Movement in profit and proposed appropriation
1.3	Debenture and Bond	-	-	-	0.00%	
1.4	Borrowings	-	-	-	0.00%	
1.5	Deposits (a+b)	57,286,482	57,286,482	-	0.00%	
	a. Domestic Currency	38,814,201	38,814,201	-	0.00%	
	b. Foreign Currency	18,472,281	18,472,281	-	0.00%	
1.6	Income Tax Liability	-	-	-	0.00%	Provision of written off loans reinstated and proposed dividend
1.7	Other Liabilities	1,582,950	2,034,278	(451,328)	-28.51%	
2	Total Assets (2.1 to 2.7)	65,254,673	65,269,315	(14,642)	-0.02%	
2.1	Cash and Bank Balance	11,572,442	11,572,442	-	0.00%	
2.2	Money at Call and Short Notice	11,973,546	11,973,546	-	0.00%	
2.3	Investments	12,971,232	12,971,232	-	0.00%	
2.4	Loans and Advances (a+b+c+d+e+f)*	28,007,758	28,023,823	(16,065)	-0.06%	Reinstatement of written off loans
	a. Real Estate Loan	1,455,682	1,455,682	-	0.00%	
	1. Residential Real Estate Loan (Except Personal Home Loan upto Rs.10 million)	408,172	408,172	-	0.00%	
	2. Business Complex and Residential Apartments Construction Loan	-	-	-		
	3. Income generating Commercial Complex Loan	-	-	-		
	4. Other Real Estate Loan (including land purchase and plotting)	1,047,509	1,047,509	-	0.00%	
	b. Personal Home Loan of Rs. 10 million or Less	4,989,718	4,989,718	-	0.00%	
	c. Margin Type Loan	-	-	-		
	d. Term Loan	2,169,257	2,169,257	-	0.00%	
	e. Overdraft/ TR Loan/WC Loan	10,511,099	10,511,099	-	0.00%	
	f. Others	8,882,003	8,882,003	-	0.00%	
2.5	Fixed Assets	83,853	83,853	-	0.00%	
2.6	Non Banking Assets	-	-	-	0.00%	
2.7	Other Assets	645,842	644,419	1,423	0.22%	Adjustment of tax provisions & other reclassification
3	Profit and Loss Account					
3.1	Interest Income	2,574,590	2,574,590	-	0.00%	
3.2	Interest Expense	661,075	661,075	-	0.00%	
	A. Net Interest Income (3.1 - 3.2)	1,913,515	1,913,515	-	0.00%	
3.3	Fees, Commission and Discount	363,686	362,964	722	0.20%	
3.4	Other Operating Income	40,601	38,010	2,591	6.38%	Provision created for known liabilities
3.5	Foreign Exchange Gain/Loss (Net)	613,936	613,936	-	0.00%	
	B. Total Operating Income (A+3.3+3.4+3.5)	2,931,739	2,928,425	3,314	0.11%	
3.6	Staff Expenses	505,669	505,669	-	0.00%	
3.7	Other Operating Expenses	406,113	407,054	(941)	-0.23%	Accrual of expenses
	C. Operating Profit Before Provision (B -3.6 - 3.7)	2,019,957	2,015,702	4,255	0.21%	
3.8	Provision for Possible Losses	175,186	188,682	(13,496)	-7.70%	Increase in Provision amount
	D. Operating Profit (C -3.8)	1,844,771	1,827,020	17,751	0.96%	
3.9	Non Operating Income/Expenses (Net)	63,861	63,861	-	0.00%	
3.10	Write Back of Provision for Possible Loss	149,688	149,688	-	0.00%	
	E. Profit from Regular Activities (D+3.9+3.10)	2,058,320	2,040,569	17,751	0.86%	
3.11	Extraordinary Income/Expenses (Net)	1,461	17,525	(16,064)	-1099.52%	Reclassification
	F. Profit before Bonus and Taxes (E +3.11)	2,059,781	2,058,094	1,687	0.08%	
3.12	Provision for Staff Bonus	187,253	187,099	154	0.08%	Staff bonus decrease as per decrease in profit
3.13	Provision for Tax	577,700	580,970	(3,270)	-0.57%	Increase due to payment of tax for prior years
	G. Net Profit/Loss (F - 3.12 - 3.13)	1,294,828	1,290,025	4,803	0.37%	

* Loans and advances are shown on gross value.

Schedule 4.35: Kha

Unaudited Financial Results (Quarterly)

As at the end of Fourth Quarter (16/07/2015) of the Fiscal Year 2071/72 (FY 2014-2015)

amount in Rs. '000s

S. N.	Particulars	This Quarter Ending (Unaudited)	Previous Quarter Ending (Unaudited)	Corresponding Previous Year Quarter Ending (Audited)
1	Total Capital and Liabilities	65,254,673	58,821,684	53,675,879
1.1	Paid-up Capital	2,248,161	2,248,161	2,245,839
1.2	Reserves and Surplus	4,137,079	3,799,834	2,842,252
1.3	Debenture and Bond	-	-	-
1.4	Borrowings	-	-	-
1.5	Deposits (a+b)	57,286,482	51,397,991	46,298,532
a	Domestic Currency	38,814,201	33,282,466	31,295,555
b	Foreign Currency	18,472,281	18,115,525	15,002,977
1.6	Income Tax Liability (Net)	-	(26,325)	-
1.7	Other Liabilities	1,582,950	1,402,023	2,289,256
2	Total assets	65,254,673	58,821,685	53,675,879
2.1	Cash & Bank Balance	11,572,442	3,625,404	9,188,304
2.2	Money at Call and Short Notice	11,973,546	11,252,226	7,960,305
2.3	Investments	12,971,232	12,498,947	9,391,379
2.4	Loans and Advances	28,007,758	30,798,309	26,328,361
a.	Real Estate Loan	1,455,682	1,507,482	1,407,046
1.	Residential Real Estate Loan (Except Personal Home Loan upto Rs 10 million)	408,172	443,598	237,085
2.	Business complex and residential apartments construction loan	-	-	-
3.	Income generating Commercial Complex Loan	-	-	-
4.	Other Real Estate Loan (including land purchase and plotting)	1,047,509	1,063,885	1,169,961
b.	Personal Home Loan of Rs. 10 million or less	4,989,718	5,052,155	4,557,020
c.	Margin Type Loan	-	-	-
d.	Term Loan	2,169,257	2,613,483	2,563,866
e.	Overdraft/ TR loan/WC loan	10,511,099	12,745,367	9,297,525
f.	Others	8,882,003	8,879,821	8,502,905
2.5	Fixed Assets	83,853	83,276	68,726
2.6	Non Banking Assets	-	-	-
2.7	Other assets	645,842	563,523	738,804
3	Profit and Loss Account	Up to This Quarter	Up to Previous Quarter	Up to Corresponding Previous Year Quarter
3.1	Interest Income	2,574,590	1,889,900	2,583,958
3.2	Interest Expense	661,075	487,207	576,299
A	Net Interest Income	1,913,515	1,402,693	2,007,659
3.3	Fees, Commission and Discount	363,686	271,514	383,611
3.4	Other Operating Income	40,601	32,431	44,157
3.5	Foreign Exchange gain / Loss (Net)	613,936	379,786	477,996
B	Total Operating Income	2,931,738	2,086,424	2,913,423
3.6	Staff Expense	505,669	347,824	482,083
3.7	Other Operating Expenses	406,113	293,616	368,030
C	Operating Profit Before Provision	2,019,957	1,444,984	2,063,310
3.8	Provision for Possible Losses	175,186	116,937	84,401
D	Operating Profit	1,844,771	1,328,047	1,978,909
3.9	Non Operating Income / Expense (Net)	63,861	63,771	51,874
3.10	Write back of Provision for Possible Losses	149,688	110,575	63,531
E	Profit from Regular Activities	2,058,320	1,502,393	2,094,313
3.11	Extraordinary Income/ Expenses (Net)	1,461	2,380	(1,524)
F	Profit Before Bonus and Taxes	2,059,780	1,504,773	2,092,790
3.12	Provision for Staff Bonus	187,253	136,798	190,254
3.13	Provision for Tax	577,700	410,393	565,947
G	Net Profit / Loss	1,294,828	957,583	1,336,589
4	Ratios	At the End of This Quarter	At the End of Previous Quarter	At the End of Corresponding Previous Year Quarter
4.1	Capital Fund to RWA	13.86%	13.01%	12.27%
4.2	Non Performing Loan (NPL) to Total Loan	0.28%	0.18%	0.48%
4.3	Total Loan Loss Provision to Total NPL	421.66%	631.97%	276.23%
4.4	Cost of Funds (LCY)	1.74%	1.89%	1.90%
4.5	Credit to Deposit Ratio (as per NRB Directive)	62.34%	78.70%	72.55%
4.6	Base Rate	4.92%	6.41%	5.18%
4.7	Average Yield	7.01%	7.24%	8.99%
4.8	Net Interest Spread	5.27%	5.35%	7.09%

Note: Loans and Advances includes Bills Purchased amount, figures are shown in Gross Value. Figures have been regrouped wherever necessary. Above figures may change with the audited figures if modified by the External Auditors or the Regulators.

Disclosure as per Bank's disclosure policy under the Capital Adequacy Framework of Nepal Rastra Bank

1. Capital structure and capital adequacy

a. Tier 1 capital and a breakdown of its components;

in Rs.
As on 16.07.2015

Core Capital (Tier 1)	5,446,972,404
a Paid up Equity Share Capital	2,248,161,200
b Proposed Bonus Equity Share	562,040,300
c Statutory General Reserves	2,639,029,861
d Retained Earnings	24,241,412
e Current year profits	-
f Other Free Reserve	89,556,936
g Less : Deferred Tax Assets	(103,050,310)
h Less : Deferred Revenue Expenses	(13,006,995)

b. Tier 2 capital and a breakdown of its components;

in Rs.
As on 16.07.2015

Supplementary Capital (Tier 2)	664,815,475
a General loan loss provision	279,290,531
b Exchange Equalization Reserve	384,481,144
c Investment Adjustment Reserve	1,043,800

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;

- Rs. 116,057,305.

e. Total qualifying capital;

- Rs 6,111,787,879.

f. Capital adequacy ratio;

- 3.10%.

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

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 Risk and Reputational Risk; analyzes the trend, assesses the exposure impact on capital and provides a summary report to the Executive Committee.

In respect of Operational Risk, this is managed through Country Executive Risk Committee which exercises oversight of the Bank's operational risk exposures to ensure that exposures are managed in a manner consistent with the Risk Management 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 been appointed with the key responsibilities to ensure consistency in the application of the Risk Management Framework across all areas of operational risk management by monitoring the controls associated with the Risk Management Framework processes and working with the Chief Credit Officer to remediate identified gaps.

With regard to Market Risk, the Financial Market Operations maintain net open position of all currencies on a daily basis and provides data to Head FM who reviews and analyzes 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 reviews the inputs received from CERC and ALCO and provides a synopsis to the Board along with its view 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 that have direct impact on the capital adequacy level are managed in a structured manner with clear roles and responsibilities.

Operational Risk is managed through Risk Management Framework (RMF) which sets out the Bank's approach to risk management and the control framework. Through the 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 'three lines of defense' model. Each 'line of defense' describes a specific set of responsibilities for risk management and control.

- The First Line of defense comprises of all individuals that have management responsibility to ensure the effective management of risks within the scope of their direct organizational responsibilities and align business strategy with risk appetite.
- The Second Line of defense comprises of the Risk Control Owners, supported by their respective control functions. The Second Line is independent of the origination, trading and sales functions and is responsible for ensuring that the residual risks within the scope of their responsibilities remain within appetite.
- The Third Line of defense comprises the independent assurance provided by the Group Internal Audit (GIA) function, which has no responsibilities for any

of the activities it examines. GIA provides independent assurance of the effectiveness of management's control of its own business activities (the First Line) and of the processes maintained by the Risk Control Functions (the Second Line). As a result, GIA provides assurance that the overall system of control effectiveness is working as required within the Risk Management Framework. The findings from GIA's audits are reported to all relevant management and governance bodies – accountable line managers, relevant oversight function or committee and committees of the Board.

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

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.

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 Risk Management Framework, including the clear assignment of the roles and responsibilities of Risk Control Owners for the effective management of risk throughout the Bank. ERC is responsible for the management of all

risks, except those for which ALCO and Country Pension Committee have 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

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 Corporate and Institutional borrowers including SME 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.

Operational Risk

Operational Risk is the potential for loss resulting from inadequate or failed internal processes, people and systems or from the impact of external events, including legal risks.

Operational Risk Framework (ORF) adopted by the Bank provides the Bank's approach to the management of operational risk in accordance with the RMF and the Board's Risk Tolerance limit. The bank's operational risk management approach serves to continually improve the Bank's ability to anticipate all material risks and to increase our ability to demonstrate, with a high degree of confidence, that those risks are well controlled. It also clarifies and reinforces the need for clear ownership and accountability for all processes across the Bank, with no significant gaps or duplication.

We seek to minimize our exposure to operational risk, subject to cost trade-offs. Operational risk exposures are managed

through a consistent set of management processes that drive risk identification, assessment, control and monitoring.

The OR governance structure is as follows:

- Operational Risk governance ensures consistent oversight across all levels regarding the execution and effectiveness of Operational Risk Framework (ORF).
- Risk Control Owners for all major Risk Types are appointed as per the RMF and are responsible for effective management of operational risk of their respective control function.
- Operational risks are identified and graded at the business/unit level. For all risk graded low and above along with the treatment plan are agreed with the Risk Control Owner before raising the risk in phoenix and tabling the risks in Country Executive Risk Committee 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 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 that have residual risk ratings which are above 'Low' on the country materiality scale, provided the residual risk rating is 'low' on the Group materiality scale. Risks categorized as Medium, High or Very High on the Group materiality scale are reported to the Executive Risk Committee (ERC) for endorsement

and escalated to the Group Process Owner through the relevant country process owner for acceptance through the relevant Process Governance Committees (PGCs).

- The Group Risk Committee (GRC) provides oversight of operational risk management across the Group. It is supported by Global Business Risk Committee (GBRC), the Group Functions Operational Risk Committee (GFORC), the Group Financial Crime Risk Committee (GFCRC) and the Group Information Management Governance Committee (GIMGC), which oversee operational risk arising from the global businesses, Group functions, financial crime compliance and information management respectively.
- Process Governance Committee (PGC) provides global oversight of all material operational risk arising from end-to-end processes within their Process Universes.

Market Risk

We recognise 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 and liquidity risk, the Bank identifies, assesses and monitors strategic and reputational risks at a regular interval. The Board maintains the primary responsibility to establish the strategic direction of the Bank. The Country Executive Risk Committee and EXCO are also responsible for the management of reputational risk.

Monitoring and Reporting

All risks, including credit, operational and market risks are identified, escalated, monitored and mitigated to the satisfaction of the Risk Control Owner. The Risk Control 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 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 2071/72 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 on 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 16.07.2015
A Risk Weighted Exposure for Credit Risk		41,171,574,050
B Risk Weighted Exposure for Operational Risk		4,291,048,528
C Risk Weighted Exposure for Market Risk		627,248,751
D Adjustments under Pillar-II		582,781,145
Total Risk Weighted Exposures (a+b+c)		46,672,652,474

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

		In NPR	
No. Particulars	Claim As on 16.07.2015	RWE as on 16.07.2015	
1 Claims on govt. and central Bank	15,217,384,362	-	-
2 Claims on other official entities	-	-	-
3 Claims on Banks	21,760,637,305	10,072,635,184	
4 Claims on corporate and securities firm	11,639,201,784	11,295,322,547	
5 Claims on regulatory retail portfolio	3,713,627,599	2,785,220,699	
6 Claim secured by residential properties	4,416,716,263	2,671,575,090	
7 Claims secured by commercial real state	4,984,408,844	4,984,408,844	
8 Past due Claims	335,023,475	441,314,353	
9 High risk claims	1,830,510,946	2,698,677,844	
10 Other Assets	1,481,618,601	579,161,207	
11 Off Balance sheet Items	23,268,503,910	5,643,258,282	
Total	88,647,633,089	41,171,574,050	

c. Total risk weighted exposure calculation table;

Please refer Schedule 4.30 (Kha), 4.30 (Ga), 4.30 (Gha) and 4.30 (Nga) of the financial statements for details.

d. Amount of NPAs (both Gross and Net)

- Restructure/Reschedule Loan
◊ NIL
- Substandard Loan
◊ Gross value Rs. 48,224,865, Net values Rs. 36,168,649
- Doubtful Loan
◊ Gross value Rs. 6,125,920, Net value Rs 3,064,960
- Loss Loan
◊ Gross value Rs. 40,415,171, Net value: NIL

e. NPA ratios

- Gross NPA to gross advances
◊ 0.34%
- Net NPA to net advances
◊ 0.14 %

f. Movement of Non Performing Assets

Year on year downward movement of Rs. 32,577,978

g. Write off of Loans and Interest Suspense

Loans Write off during the year is Rs. 3,136,687 and interest suspense charged off during the year is Rs 412,286.

h. Movements in Loan Loss Provisions and Interest Suspense

Year on year downward movement in Loan Loss Provisions of Rs. 9,267,084. Year on year downward movement in Interest suspense of Rs. 14,519,550.

i. Details of additional Loan Loss Provisions

Additional watch-list provisions have been made as required by the regulations.

i. Segregation of Investment Portfolio into Held for Trading, Held to Maturity and Available for Sale

Investment Portfolio	Net Amount (Rs.)
Held For Trading	NIL
Held To Maturity	12,915,306,033
Available For Sale	61,925,500

3. Risk Management Function

a. For each separate risk area (Credit, Market and Operational risk), banks must describe their risk management objectives and policies, including:

- Strategies and processes;
- The structure and organization of the relevant risk management function;
- The scope and nature of risk reporting and/or measurement systems; and
- Policies for hedging and/or mitigating risk and strategies, and processes for monitoring the continuing effectiveness of hedges/mitigants.

Credit Risk Management strategies include effectively managing the risk of financial loss arising out of booking an exposure on counterparty and also ensuring independence of the Credit Risk function from the origination, trading and sales function.

Credit risk under Retail Clients (including SME) and Corporate & Institutional Clients is managed through a defined framework which sets out policies, procedures 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. A standard alphanumeric credit risk grade system is used for quantifying the risk associated with the counterparty for Corporate and Institutional Clients (including

SME clients). The grading is based on our internal estimate of probability of default over a one year horizon, with customers or portfolios assessed against a range of quantitative and qualitative factors. The numeric grades run from 1 to 14 and some of the grades are further sub-classified into A, B or C. Lower credit grades are indicative of a lower likelihood of a default. Credit Grades 1A to 12C are assigned to performing customers or accounts, while credit grades 13 and 14 are assigned to non-performing or default customers.

In addition to nominal aggregate exposure, Expected Loss and Tenor are used in the delegation of credit approval authority and must be calculated for every transaction to determine the appropriate level of approval. Significant exposures beyond the authority of Credit Officers in Retail Clients and Corporate & Institutional Clients are approved by CEO on behalf of Executive Risk Committee after support from the respective credit risk function at the Group level. The SCB Nepal Board delegates its authority to approve credit, market and other risks exposures ("Risk Authorities") to the Executive Committee for onward delegation of these Risk Authorities to the Executive Risk Committee.

The independence of the Risk function is effectively maintained to ensure that the necessary balance in risk/return decisions is not compromised by short term pressures to generate revenues. This is particularly important given that revenues are recognized from the point of sale while losses arising from risk positions typically manifest themselves over time. Credit function in Retail Clients uses standard application forms which are processed in central units and credit approval process is guided by Credit Approval Document (CAD) and Credit Operating Manual. The probability of default is calculated using portfolio delinquency flow rates and judgement, where applicable.

There are risk officers in Retail Clients (including SME) and Corporate &

Institutional Clients. They have their primary reporting line into the country and Group functional levels. Credit approval authorities are delegated by Executive Risk Committee to Senior Credit Officer in Corporate & Institutional and Commercial Clients, and Credit Head in Retail Clients based on their judgment and experience, who may further delegate the credit authorities to other credit officers in their respective segment. We have a manual approval process in Retail segment and on-line approval process in Corporate & Institutional Clients and SME segments.

The scope and nature of risk reporting and/or measurement procedures are covered in the Country Portfolio/Underwriting Standards approved by the Board, CAD and Credit Operating Manual specific to each business and other Group level policies & procedures adopted after the Board approval. The Executive Risk Committee chaired by the CEO, reviews the portfolio exposure, portfolio quality, country level risk triggers, etc on a bi-monthly (once in two months) basis.

Country Portfolio/Underwriting Standards and CAD / Credit Operating Manual outlines the Bank's policies and processes for hedging and/or mitigating and monitoring risk. We regularly monitor credit exposures, portfolio performance and external trends including political and economic trends that may impact risk management outcomes.

Internal risk management reports are presented to the Executive Risk Committee containing information on key environmental, political and economic trends, portfolio delinquency and loan impairment performance. Corporate and SME clients accounts or portfolios are placed on early alert when they display signs of actual or potential weakness or financial deterioration. Such accounts and portfolios are subjected to a dedicated process overseen by the Credit Issue Committee. Client account

plans and credit grades are re-evaluated. In addition, remedial actions are agreed and monitored. Remedial actions include, but are not limited to, exposure reduction, security enhancement, exiting the account, or immediate movement of the account into the control of Group Special Assets Management (GSAM), our special recovery unit.

In Retail Lending portfolio, delinquency trends are monitored continuously at a detailed level. Individual client behavior is also tracked and considered for lending decision. Accounts that are past due are subject to a collections process, managed independently by the Risk Function. Charged-off accounts are managed by specialist recovery teams.

Collateral is held to mitigate credit risk exposures and risk mitigation policies determine the eligibility of collateral types. Regular valuation of collateral is required in accordance with the Risk Mitigation Policy and Portfolio Standards, which prescribe both the process and the frequency of valuation for different collateral types. Collateral held against impaired loans is maintained at fair value. The Executive Risk Committee which has been formed by and receives authority from the Executive Committee is responsible for ensuring the effective risk governance and management of credit, reputational, market, operational risk etc. throughout the Bank.

b. Types of eligible credit risk mitigants used and the benefits availed under CRM.

No Credit Risk Mitigants		As on 16.07.2015
1	Deposits with Bank	882,981,941
2	Deposits with other banks/FI*	237,415,200
3	Govt. & NRB Securities	5,500,000
4	G'tee of Domestic Banks*	
5	Sec/G'tee of Foreign Banks*	6,770,809,984
Total		7,896,707,124

* net of supervisory haircut

Nepal Rastra Bank's Approval and Directions

On the basis of submitted financial statements and other documents, since the provisions of Sub-section (1) of Section 46 of Bank and Financial Institutions Act, 2063 appeared to have been complied; as per Sub-section (2) of the above Section, approval has been granted to distribute the proposed cash dividend Rs. 431,883,592 (19.21 percent of paid up capital) and bonus share of Rs. 562,040,300 (25 percent of paid up capital) only after the approval from the annual general meeting. Also the consent has been granted to publish the financial statement of FY 2071/72 for the

purpose of approval by annual general meeting with following directives:

1. To take steps to completely address the observations of the auditors and make arrangement so that such observations are not repeated
2. To bring down the net spread within prescribed limit as this is not found to be within such limit.
3. To increase the lending to productive sector so as to meet the prescribed limit as this is found to be below the prescribed minimum limit of 20 percent of total loans and advances.

Five years Financial Summary

Balance Sheet

amount in Rs. '000s

Particulars	2067-68 2010-11	2068-69 2011-12	2069-70 2012-13	2070-71 2013-14	2071-72 2014-15
Assets					
Cash and Bank Balance	2,975,795	6,366,233	6,404,999	9,188,304	11,572,442
Money at Call and Short Notice	4,280,888	2,126,035	3,009,064	7,960,305	11,973,546
Investments	17,258,682	12,966,635	12,753,518	9,391,379	12,971,232
Loans and Advances	18,427,270	19,575,968	22,828,838	25,976,585	27,681,313
Fixed Assets	106,071	89,633	81,518	68,726	83,853
Other Assets	761,812	552,548	553,163	738,804	644,419
Total Assets	43,810,520	41,677,052	45,631,100	53,324,102	64,926,805
Liabilities					
Borrowings	350,000	-	-	-	-
Deposits	37,999,242	35,965,631	39,466,453	46,298,532	57,286,482
Other Liabilities	1,783,500	1,589,253	1,547,073	1,937,479	1,691,768
Total Liabilities	40,132,743	37,554,883	41,013,526	48,236,011	58,978,250
Shareholders Fund					
Paid Up Capital	1,610,168	1,610,168	1,853,900	2,041,672	2,248,161
Proposed Bonus Shares	-	241,525	185,390	204,167	562,040
Reserve (including Exchange Reserve)	2,023,202	2,261,536	2,546,916	2,832,223	3,114,112
Undistributed Profit	44,407	8,940	31,368	10,028	24,241
Total Shareholders Fund	3,677,777	4,122,169	4,617,574	5,088,091	5,948,555
Contingent Liabilities					
Letter of Credit	1,542,549	2,605,897	3,046,891	3,583,307	2,146,922
Guarantees	4,333,115	6,535,797	8,560,504	12,779,883	11,075,683
Forward Exchange Contracts	388,522	249,067	3,097,266	1,100,001	1,377,681
Other Contingent Liabilities	4,253,643	3,590,037	3,389,423	4,715,704	8,456,444
Total Contingent Assets	10,517,829	12,980,797	18,094,084	22,178,895	23,056,730

Five years financial Summary

Profit & Loss Account

amount in Rs. '000s

Particulars	2067-68	2068-69	2069-70	2070-71	2071-72
	2010-11	2011-12	2012-13	2013-14	2014-15
Interest Income	2,718,699	2,870,971	2,535,359	2,583,958	2,574,590
Interest Expenses	1,003,100	1,007,199	611,382	576,299	661,075
Net Interest Income	1,715,599	1,863,772	1,923,977	2,007,659	1,913,515
Commission and Discount	314,674	267,766	294,968	383,611	362,964
Other Operating Incomes	36,753	38,355	42,727	44,157	38,010
Exchange fluctuation Income	394,231	468,557	515,050	477,996	613,936
Total Operating Income	2,461,257	2,638,449	2,776,721	2,913,423	2,928,425
Staff Expenses	365,986	386,823	421,631	482,083	505,669
Other Operating Expenses	305,215	349,365	382,484	368,030	407,054
Exchange fluctuation Loss					
Operating Profit Before Provision for Possible Loss	1,790,055	1,902,261	1,972,607	2,063,310	2,015,702
Provision for Possible Losses	82,739	208,251	110,125	84,401	188,682
Operating Profit	1,707,316	1,694,010	1,862,481	1,978,909	1,827,020
Non-Operating Income/ (Loss)	6,445	708	1,170	51,874	63,861
Provision for Possible Loss Written Back	67,159	190,918	50,135	63,531	149,688
Profit from Ordinary Activities	1,780,921	1,885,635	1,913,786	2,094,314	2,040,569
Income/(Expenses) from Extra Ordinary Activities	(22,765)	(42,577)	2,410	(1,524)	17,525
Net Profit after considering all Activities	1,758,156	1,843,059	1,916,196	2,092,790	2,058,094
Provision for Staff Bonus	159,832	167,551	174,200	190,254	187,099
Provision for Income Tax	479,153	506,540	524,056	565,947	580,970
Net Profit/Loss	1,119,171	1,168,967	1,217,941	1,336,589	1,290,025
Accumulated Profit up to Previous Year	22,033	44,407	10,795	31,582	10,028
This Year's Profit	1,119,171	1,168,967	1,217,941	1,336,589	1,290,025
Capital Adjustment fund upto Previous Year					
Total	1,141,204	1,213,375	1,228,736	1,368,171	1,300,054
General Reserve Fund	223,834	233,793	243,588	267,318	258,005
Proposed Dividend	805,084	724,576	741,560	847,294	431,884
Proposed Issue of Bonus Shares	-	241,525	185,390	204,167	562,040
Exchange Fluctuation Fund	18,104	47,691	27,971	25,742	23,883
Capital Adjustment Fund					
Other Appropriations	49,775	(43,151)	(1,141)	13,622	-
Accumulated Profit/(Loss)	44,407	8,940	31,368	10,028	24,241
Profit Before Tax	1,598,324	1,675,508	1,741,996	1,902,536	1,870,995
Return on Shareholder's Fund	30.43%	28.36%	26.38%	26.27%	21.69%
Cost Income ratio	33.76%	34.25%	35.23%	35.71%	37.56%
Profit per employee	2,609	2,757	2,683	2,906	2,979
Dividend Cover ratio	1.39	1.21	1.31	1.27	1.30

Disclaimer

Standard Chartered Bank Nepal Limited is an Equal Employment Opportunity/ Affirmative Action employers. Standard Chartered Bank Nepal 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 a 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 2014-2015 to reflect events or circumstances after the date on which such statement is made. Information in this Annual Report is as of July 16, 2015.



Bimal Pratap Singh
Company Secretary

Designed & Processed by:
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Contact Information

Get instant access to the Bank **24X7** by dialling a dedicated telephone number

 +977 1 4781800

 Clientcarecentre.Nepal@sc.com

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