

Standard Chartered

Standard Chartered
Bank Nepal Limited



स्टैंडार्ड चार्टर्ड
बैंक नेपाल लिमिटेड



Annual Report 2016-2017

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

31st Annual General Meeting

Wednesday, 10th January 2018



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

We are a leading international banking group, with more than 80,000 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 490 local staff, Standard Chartered Bank Nepal Limited is serving its clients and customers through an extensive domestic network. In addition, the global network of Standard Chartered Group enables the Bank to provide truly international banking services in Nepal. Standard Chartered Bank Nepal Limited offers a full range of banking products and services to a wide range of clients and customers 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. 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 or [f/StandardCharteredNP](https://www.facebook.com/StandardCharteredNP)

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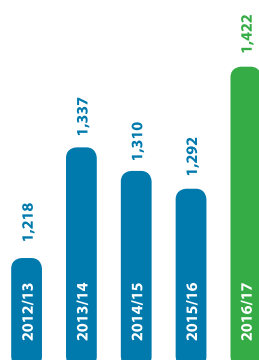
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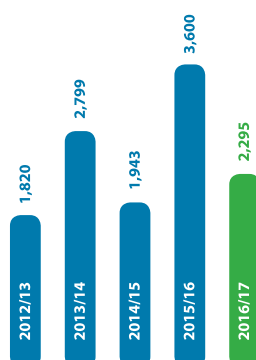
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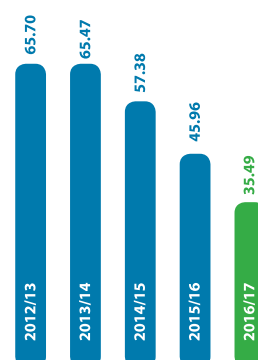
Performance highlights



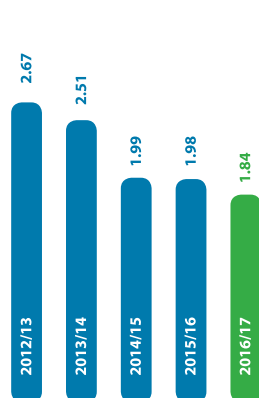
Profit After Tax
(Rs. Million)



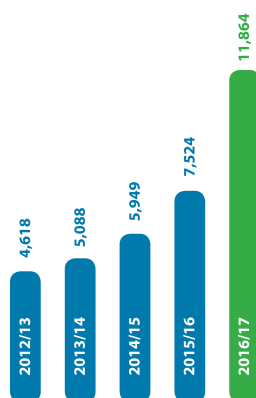
Market Value Per Share
(Rs.)



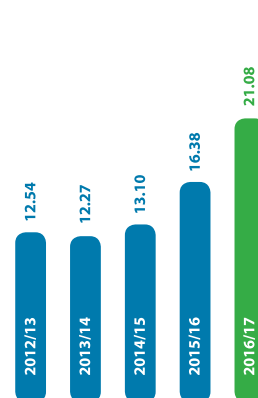
Earning Per Share
(Rs.)



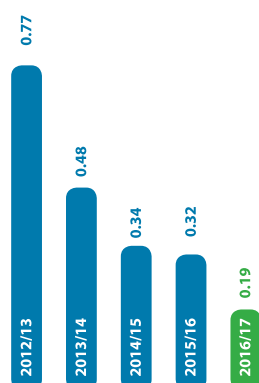
Return on Total Assets
(In %)



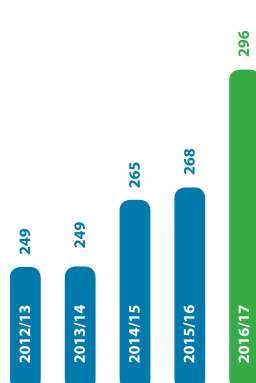
Total Shareholder's Equity
(Rs. Million)



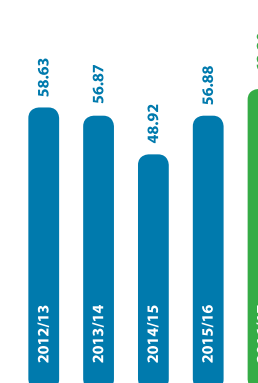
Capital Adequacy Ratio
(In %)



NPL/Total Loan
(In %)



Net Worth Per Share
(Rs.)



Total Credit to Deposit Ratio
(In %)

As per regulatory (NRB) financial statement

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. 3,349m

Operating Profit

Rs. 1,986m

Total Assets

Rs. 77,409m

Capital Adequacy

21.08%

Return on equity

11.98%

Dividend

105.26%

Non-financial highlights

Points of representation 15

Employees 495

Operational highlights

- Stable income and operating profit despite a scenario of margin compression
- Broad based and diversified income growth in both Retail Banking and Corporate & Institutional Banking business
- Conscious decision to invest to underpin future growth in both the businesses
- Disciplined and proactive approach to risk management in Retail Banking and Corporate & Institutional Banking business
- Diverse, liquid, well capitalized and robust balance sheet composition
- Strong market capitalization of ~ Rs. 92 Billion reflecting high shareholder confidence

Report of the Board of Directors

We remain committed in delivering profitable and sustainable growth

It is both an honour and a privilege to deliver this statement on behalf of the Board of Directors of the Bank. I take this opportunity to report that Standard Chartered Bank Nepal Limited has put a reasonable performance in the Financial Year 2016/17.

The Board wants to reassure you that it is positive in the Bank's compelling opportunities and believes that the current Management Team possesses the necessary focus to reposition the business for the future. I together with the Board, intend to support the Management Team while challenging appropriately to ensure that the Bank continues to fulfill its obligations towards clients, the communities that we serve and the employees. Dedicating ourselves to those objectives is how the Bank will create value for investors over the medium and longer term.

Nepal continues to remain attractive through the medium and long terms and we remain well positioned to support the growth. We believe the medium-to long-term trend towards internationalization remains and we are committed to providing cutting-edge services to our clients.

The digital delivery model is set to transform Retail Banking business. Significant improvements have been made in Corporate and Institutional Banking too. Significant progress has been made to reposition our Commercial Banking business for long-term sustainable growth and better returns. Our worldwide presence and the unique networking capability makes us efficient in enabling trade and investment around the globe. We remain committed in Nepal's economic growth by supporting our clients and customers in different ways. To fulfill our social purpose, we will and have taken decisive actions to refocus our strategy and reposition the Bank for the future.

The Board very well recognizes the importance of payouts to shareholders, and believes in balancing returns with investment in the franchise to support future growth, while preserving strong capital ratios. Our capital position will be relative to regulatory and market expectations. As you are fully aware, our priority has been to maintain well capitalized, highly liquid, and diverse balance sheet. We also remain committed in delivering profitable & sustainable growth within our risk appetite. You will appreciate that the Bank issued shares through Further Public Offer (FPO) to raise its capital and to expand the shareholder base this calendar year. It is with great pleasure we want to inform you that this historic Issue went on to receive subscription of more than 11 times of the Issue value. This was one of

the most successful and landmark events in the Bank's history in Nepal.

'Here for good', our brand promise, is firmly embedded in our culture. It signifies how we operate as a bank and conduct our business. Standard Chartered is deeply embedded in our community and we will continue to harness our efforts in remaining the best brand in our market.

Results – A Synopsis

Financial Highlights*

- Net Profit after tax was up by 10 percent to Rs. 1.42 billion compared to Rs. 1.29 billion in the previous year.
- Earnings per share has decreased by Rs. 10.47 to Rs. 35.49 due to increase in number of shares.
- Risk Assets increased by 25 percent to Rs. 39.73 billion compared to Rs. 31.70 billion last year.
- Deposits increased by 14.62 percent to Rs. 63.87 billion compared to Rs 55.73 billion last year.

* as per regulatory(NRB) financial statements

Bank's Performance

Standard Chartered Nepal has been delivering reasonable performance year on year. The Bank has contributed an amount of Rs. 596 million to the Government Exchequer as compared to Rs. 503 million last year on account of corporate tax.

In accordance with the statutory and regulatory requirements, the Board recommends a transfer of Rs. 25 million to Exchange Fluctuation Reserve and transfer of Rs. 284 million to the General Reserve Fund. Further, the Board has proposed the dividend of 5.26 percent for which Rs. 210.83 million has been appropriated towards cash dividend. Board has also proposed to increase the capital by issuing 100 percent bonus share for which Rs 4,005.72 million has been allocated from current year profit and share premium.

Our Tier 1 and Tier 2 Capital Adequacy Ratios were 19.58 percent and 1.5 percent respectively with an overall ratio of 21.08 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 III capital accord and also exceeds the international norms.



Economic Environment

Global Scenario

The world economy is currently benefiting from strong US growth, solid export data from Asia and booming asset markets. Much of this comes down to a few common factors – moderate oil prices, China's inventory cycle, and reflation expectations in the US. Growth rates have returned to levels not seen since the global financial crisis. Geopolitical risk is difficult to price in, and we expect this to continue in the coming months; but it has declined significantly in the Euro area. A policy deviation is the biggest risk to our outlook as central banks normalise monetary policy. Tightening monetary policy without derailing growth requires a tough balancing act. But given the lagged effect of monetary policy, this is likely to be more of a concern in the second half of 2018 than now.

Economic performance in the Euro area is improving, and growth is above potential. Domestic demand is strengthening, and while southern countries still face challenges, employment is rising back to pre-crisis levels. We also expect monetary tightening in the Euro area, in the form of Quantitative Easing (QE) tapering. We expect the European Central Bank to take a very moderate approach to QE tapering. We also do not anticipate interest rate hikes in the Euro area before 2019. An easy monetary stance should give the Euro-area economy room to grow and break out of its disappointing post-financial crisis growth rates.

China had a 6.5 percent growth target for 2017, and the first half growth reached 6.9 percent. This gives the People's Bank of China room to tighten monetary policy and credit growth. Although growth is the priority, strong first half performance allows the authorities to focus on other priorities, such as deleveraging. We expect monetary tightening to lead to slightly lower (but still strong) growth in the second half.

In India's case, record Foreign Direct Investment (FDI) and rising portfolio inflows more than offset the still-contained current account deficit. Political stability and bold reforms (GST, demonetization) will widen the tax base and should boost long-term growth potential. External-sector dynamics remain favourable.

We believe the world economy still has room to run over the next few quarters. But strong confidence alone will not be enough to sustain this. The positives we are seeing right now are mostly transitory in nature. Events will be crucial to keeping this momentum strong. For now, the key risk is US policy unpredictability and the threat of trade wars.

Nepal

Nepal's real GDP (at producers' price) is expected to grow at 7.5 percent in FY 2016/17 compared to 0.4 percent in the preceding year. Similarly, the real GDP at basic price is estimated to grow 6.9 percent compared to a growth of 0.01 percent in the previous year. Good monsoon rains, improved power supply and normal supply situation helped accelerate growth from the low base of the preceding year. The growth in real GDP at producers' price of 7.5 percent in FY 2016/17 has been a record high since 1993/94.

The balance of payment recorded a surplus of Rs. 82.15 billion in FY 2016/17 compared to a surplus of Rs. 188.95 billion in the previous year. The current account slipped into a deficit of Rs.10.13 billion in FY 2016/17 as against a significant level of surplus of Rs.140.42 billion in the previous year. The surge in imports relative to exports accounted for a deficit in the current account.

The worker's remittances increased 4.6% to Rs. 695.45 billion in FY 2016/17 compared to growth of 7.7 percent in the previous year.

The trade deficit widened by 30.4 percent to Rs. 917.06 billion in FY 2016/17. The export import ratio declined to 7.4 percent in the review year from 9.1 percent in the previous year. Total merchandise trade deficit as a percentage of GDP jumped to 35.3 in the review year from 31.3 percent of the previous year. Export increased by 4.2 percent in the FY 2016/17 compared to a drop of 17.8 percent in the previous year. Imports increased by 28 percent in FY 2016/17 as against a drop of 0.1 percent in the previous year.

The gross foreign exchange reserves stood at Rs.1079.52 billion as at mid July 2017, an increase of 3.9 percent from Rs.1039.21 billion a year ago. Based on the existing trend of imports, current level of reserves is sufficient for financing merchandise imports of 13.2 months and merchandise and service imports of 11.4 months.

The annual average consumer price inflation moderated to 4.5 percent in FY 2016/17 from 9.9 percent in the previous year. The annual average inflation of FY 2016/17 has been the lowest since FY 2004/05. The higher base price of the preceding year, improved supply situation and lower global prices in both food and other commodities contributed to easing of inflation in the review year. The year-on-year (y-o-y) consumer price inflation dipped to 2.7 percent in mid-July 2017 from 10.4 percent in the previous year. The y-o-y inflation rate has been the lowest since October-November 2004.

Nepalese currency appreciated by 3.8 percent vis-à-vis US Dollars as at mid-July 2017 vis-à-vis mid-July 2016. Nepalese rupee has a fixed parity of 1:1.6 with the Indian rupee. The buying exchange rate per US dollar stood at Rs.102.86 in mid-July 2017 compared to Rs. 106.73 in mid-July 2016.

The Year Ahead

Overall economic activities in most part of FY 2016/17 remained positive.

We are happy to share that successful Local, Federal and Provincial elections within the timeline laid out in the new Constitution provided further impetus to believe that the political, social and economic environment will continue to improve and remain stable. The business opportunities remain positive and the Bank is in good shape to support the clients and customers in the coming years. Our strong cross-border capabilities, network proposition, collaboration with our Global Banking business and cutting-edge products and services are easy to be leveraged by our clients and customers.

Our digital delivery model to transform Retail Banking business resonates with the growing affluent and emerging affluent client segments. Our plan to reach growing affluent client base in the core cities will help us in expanding our Retail Banking business.

Efficiency is key in today's world. To manage the ever - increasing complexity of regulations efficiently and achieve sustainable improvement in both compliance and productivity, we are upgrading our technology platforms and re-engineering key processes.

The external environment though remains challenging, our strong balance sheet, fortified capital position and well structured & diversified business portfolio will help weather such challenges to a large extent.

Agriculture sector continues to remain a key pillar of our economy. The damaging floods in the Terai during August will likely impact the overall output though we can expect a satisfactory agricultural yield this year. The trend of moving from traditional to modern farming equipment, distribution of inputs & services should boost the sectorial contribution to the GDP. Likewise, improvement in operating and socio political landscape is expected to benefit in the expansion and growth of the industrial sector. The ongoing reconstruction work in the aftermath of the massive earthquake of 2015, the infrastructural spending of the government, remittance received from the Middle East and the South East Asian nations continue to play a key role to aid in the growth and keeping the national economy

agile. With the Tourism sector remaining positive, all these sectors are expected to support in keeping the national economy resilient.

Corporate Governance

Governance across the Bank is robust and 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 clients, regulators, staff and 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, 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 areas of risk management in banks.

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 Committees 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.

Globalisation of standards for anti-money laundering and countering the financing of terrorism is required for the governments to collectively fight against financial crime. Nepal is no longer isolated from these risks; we believe the financial sector should be better equipped to manage the implementation of Financial Action Task Force (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. The Bank adopts a policy of mitigating this risk by educating the correspondent banking clients for having a robust AML program. The revised AML/CDD standards of Nepal Rastra Bank reaffirm that Banks should invest in systems and processes to effectively manage financial crime risks.

Ms. Neeta Rege, Ms. Karen De Alwis and Mr. Joseph Silvanus represent Standard Chartered Grindlays Australia and Mr. Krishna Kumar Pradhan as Independent Director continues to be in the Board of the Bank. Public Director's post was vacant due to the resignation of the then public director. Pursuant to Section 14 (kha) of the Bank & Financial Institutions Act, 2073, the Board has appointed Mr. Mana Bahadur Rai, shareholder of the Bank, in the vacant post for interim period to represent the public shareholders in the Board of the Bank effective from 4 September 2017. I, Jitender Arora, have assumed the Chairman's role effective 8 December 2017 representing Standard Chartered Bank, U.K. in the Board of Standard Chartered Bank Nepal Limited.

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

In Conclusion

Financial Year 2017/18 needs to be the year we demonstrate we have the capacity to grow safely and sustainably. By using variety of financial and non-financial key performance indicators (KPIs), we will measure the performance and progress of the Bank and also at an individual business level. Our renewed focus on putting clients rather than products at the core of our coverage should respond well not to forget that we have a good and valuable franchise, core financial strength, outstanding client relationships, and the right team of staff.

We are taking continuous actions in getting leaner and more focused. We are also creating capacity to invest and in the process, have set clear performance priorities for better returns and sustainable growth.

While political and social transitions do play a significant role on business confidence, we remain positive about our market and its prospects for economic growth.

Key indicators for driving economic prosperity i.e. demographics; urbanization and growth in the middle class remain promising. Given this situation, we can expect our market to do better in FY 2017/18 and beyond. While the intensity of some headwinds has eased, it will take time to fully capitalize on the opportunities that a better environment will present. We are now building deliberately and patiently to deliver safe business growth. There however are some challenges facing the country such as stability in the supply of power and trade imbalance etc.

The actions taken during FY 2016/17 and before made us nimbler & fitter to find and execute the opportunities as its important to remain so, so that the resources, the capability and the will should help us overcome the challenges & execute the strategies.

We are aware of the fact that our financial returns are not yet where they need to be and do not reflect the earnings capability we believe we possess. Having worked hard to secure our foundations, we are now focused on realizing the earnings potential. We will do this by fully re-engaging with our clients, improving productivity, and investing in our people and culture. Our efforts will help enhance the quality of service that we can provide to our clients, improve our ability to capture profitable and safe growth opportunities and differentiate us from our competitors.

We are passionate about advancing our Conduct agenda. We have made good progress in the recent years and have invested to build effective and sustainable systems and infrastructure to ensure we can play a leading role in discovering and disrupting financial crime. We have sharpened our focus on all aspects of conduct, not simply on combating financial crime, and have taken appropriate action where we find conduct inconsistent with our standards. We are focusing on the behaviors, values and principles that we follow as individuals to enable us each to make the right decisions and exercise good judgement. We do this because it is the right thing to do, and because it makes us stronger and more sustainable, and that it also helps in reinforcing stakeholder confidence.

Our client and customers have enormous affection for the Bank and value our product capability and our presence in the cities we serve. Some have been clear though that we have become more difficult to deal with. We have restructured our organization to address this, putting clients rather than products at the core of our coverage and they are responding well to our renewed focus. We will continue to balance support for strong, high-returning clients with discipline on our risk tolerances. We will continue to take out costs and invest much of these savings into the future

of the Bank. After the increase in paid up capital base, we have a strong balance sheet which both protects us for economic volatility and positions us for future opportunity when conditions allow. The successful execution of our strategy will allow us to enhance the shareholder returns. As mentioned earlier, year 2017/18 needs to be year we demonstrate we have the capacity to grow safely and sustainably and we will continue to track the progress we make. We have a clear path, an experienced Management Team and Here for good, our brand promise, firmly embedded in our culture. The Board is determined that the Bank continues to adapt to the changing external environment and to realise the opportunities prevalent in our markets.

I take this opportunity to thank the Ministry of Finance and Nepal Rastra Bank for their invaluable support and guidance provided to the Bank. I appreciate their continuous efforts to raise the standards of financial industry by introducing suitable measures through policy decisions and regulations. I cannot remain without thanking our investors for their strong and unflinching support.

We are conscious of the importance of retaining and attracting the best talent and building their learning and development capabilities. We will continue to reward our staff for good performance as well as for their good behaviours. We are a Bank with strong performance and values culture. I thank our staff members for their share of contribution; I appreciate their efforts.

We recognize the importance of re-energising growth in income together with strong cost and risk management so that returns to shareholders can be restored to a sustainable level. While year 2017/18 will undoubtedly have its share of challenges and uncertainty, we are determined to deliver on our promises.



Jitender Arora
Chairman



Chief Executive Officer's Report

We are taking significant actions to strengthen our long term growth

I am pleased to report that the Bank has delivered yet another year of stable performance in an eventful year. Financial Year 2016/17 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

There is an increase in the volume of risk assets by 25.34 percent to Rs. 39.73 billion compared to Rs. 31.70 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 0.19 percent. The provisions made are adequate to cover all the potential credit losses as of the balance sheet date.

After transfer of Rs. 284 million to general reserve, Rs. 25 million to exchange fluctuation reserve, proposed dividend of Rs.211 million and proposed bonus shares of Rs. 4,006 million, total retained earnings as at 15 July, 2017 stood at Rs. 10 million. This performance reflects a good momentum in the underlying businesses and disciplined management of risks and costs.

Representation

As at 15 July 2017, the Bank maintained fifteen points of representation which included twelve branches and three extension counters. In addition to this, services were also extended to our clients & customers through twenty three ATMs located at different parts of the country.

Global Banking (GB) & Commercial Banking (CB)

We deepened our relationships with our clients in line with our strategy to be the core bank and capitalize on growth opportunities. Vis-à-vis last year, we achieved a growth of 19 percent in our GB & CB books. Our focus remains to diversify our revenue stream. Our market continues to be asset heavy but we are making efforts to increase the share of cash and trade revenues.

From the second quarter of FY 2016/17, market witnessed unprecedented interest rate volatility. We stood firm by our clients in our belief of delivering Fair Outcomes for Clients. We are pleased to report that our efforts are being much appreciated by our Clients. Nepal Rastra Bank's introduction of Base Rate linked lending rates is expected to bring further fair and transparent pricing in the system. We will continue to deliver on our digital drive, to bring efficiencies and automation at both our and clients' end. Our strategy remains to grow within our risk appetite focusing on growth areas of the economy.

Standard Chartered Bank has been supporting entire banking community by providing comprehensive

Correspondent Banking services. This includes cash management and payment services in all major currencies from respective locations/countries including international trade services through our Documentary Credit Services to the commercial Banks in Nepal. Our Straight2Bank (S2B) is a world class digital platform which provides payments, collections and trade services to our Corporate clients through various levels of online connectivity. We have also recently integrated S2B with Nepal Clearing House Limited (NCHL) to provide seamless and straight through national payment processing via Inter-bank Payment System (IPS) which is expected to improve payment & collection experience for our clients. Our Financial Market business offers wide range of Online trading services which include FX Spot, Forward and Derivative Products thus enabling counter parties to directly access global platform for Foreign Exchange Dealing & Trading.

Most importantly, as a correspondent banking service provider and as mandated by the regulator, we are contributing largely for upliftment of AML and Sanction Control adapted by commercial banks as recipients of our correspondent banking services in Nepal. We are sharing our best practices and holding workshop and seminars such as Correspondent Banking Academy on an annual basis. The Bank has been organising Correspondent Banking Academy Workshops in Nepal jointly in association with Nepal Rastra Bank.

Retail Banking

Retail Banking has had an encouraging start to the fiscal year, with increased business momentum. The economic environment has shown signs of improvement although the geopolitical outlook will largely remain influenced by the progress we make in the economic agenda after the recently held elections.

The second half of the review year saw severe pressure on the liquidity bearing down on Retail business. As a result, both deposit and asset drive was impacted with underlying interest rates being impacted as a consequence. Retail Banking continues to play a key role in maintaining overall liquidity for the Bank. It is also regaining business momentum, particularly post return of normalcy in the liquidity situation.

Our strategic priorities in Retail Banking, which include, revitalising our liability base, boosting risk assets, re-engineering our footprints, ramping up sales capabilities and several digitisation initiatives are all working to deliver us benefits. Our efforts at Strategic Alliances/Partnerships, reengineering processes and capabilities continue to be key in improving our Client Experience and helping us become a Core Bank to our Clients.

The business is making steady progress against its strategic objectives. We are stronger, leaner and becoming more efficient. We are taking significant actions to strengthen our long term growth. Retail Banking has undertaken several initiatives/actions during the review year to propel business to the next level.

In order to continue to expand our client base & improve engagement, we have refreshed our liability strategy and launched an emerging affluent programme. We have revamped coverage model for all segments of clients, to ensure we remain a market leader in pricing and Client Value Propositions delivery.

Our Employee Banking proposition is steadily working to drive our focused strategy of banking the ecosystem of our International Corporate, Commercial Banking and Business Banking (BB) clients. This has led to strong momentum in attracting new-to-bank clients.

We have simplified and improved product offerings, updated our back end processes and policies to provide greater benefits to our clients. Reengineering of processes and capabilities remains a key focus area in our continuous improvement plans to enhance Client Experience. We continue to improve our end-to-end sales processes, resulting in significant efficiencies in the way we do our business.

Driving cost efficiencies continues to remain key to prioritising investments in Retail Banking e.g. the cost efficiencies achieved has enabled us to increase investment in strengthening our frontline capacity with additional Sales resources.

The Bank has undertaken several digitisation initiatives to overcome its footprint challenges. Online Banking capability has been enhanced to provide faster and better client experience for Personal Clients. Straight 2 Bank (S2B) is driving convenience for our Business Banking clients, with ease of banking from their offices.

The Bank has introduced SC Mobile app to give its clients easier and convenient access to Online Banking. The Good Life (TGL) App was launched to provide clients with an exclusive program to allow the Credit and Debit Cardholders to enjoy the best-in-class privileges at various retail outlets. Access to over 2,000 ATMs across Nepal, over and above the SCB Nepal ATM network, has been implemented at free and/or lower transaction fees for cash withdrawals. The Bank is already working on a complete SMS Alert solution for both debit and credit transactions and for online purchases (eCommerce transactions) from the Bank issued Debit and Credit Cards.

As we make a steady progress in our Retail business, we also continue to do well at providing holistic financial

solutions to help the small and medium sized entities. Our Business Banking portfolio is growing steadily with increased momentum. We are working on leveraging our international network, working with our clients across the “ecosystems” of their supply chains.

Our Business Banking portfolio continues to contribute in helping the Bank in the expansion of Priority Sector business to drive the Central Bank's agenda of credit growth under this segment.

Whilst the economic environment is looking positive, we will continue to be mindful of the geopolitical uncertainties. With our continued disciplined approach in Credit Risk, Operational Risk and Compliance, we remain optimistic about our growth and we are on track to deliver the planned business outcome for our Retail segment.

Client Experience

We believe in delivering high-quality client experience which will enable us to be Here for clients and help demonstrate how we are Here for good.

With an aim to drive superior service delivery, the Bank has established various client experience service standards viz Client Care Centre service level, Online Banking and ATM uptime service level, Complaint Resolution, Client Centric/ Treating Clients Fairly approach, Performance Measurement metrics and Standard Processing Turnaround Times, etc.

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

Annual Loyalty Surveys are being conducted to gauge whether our clients are our true advocates on overall banking relationship across the Bank, Segments and Products through Net Promoter Score (NPS). Based on the feedbacks received, the Bank has been driving initiatives to enhance overall client experience.

The Bank leverages on the set service standards, complaint metrics, client interactions and surveys to understand client's needs, trends, and drive improvement opportunities. Focused group discussions are held with the frontline and support staff to understand their pain points and actions are taken to address these issues to deliver service excellence. The Bank continues to focus on improving productivity by improving the processes, digitisation initiatives and by standardising the operating rhythm.

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

Future Plans

Our aim is to build stronger relationships with our clients and to achieve this objective, we will continue to cater client-centric new and improved product offerings. We have made good progress over the last few years and will continue to focus in offering strategic products for our clients.

Our priority is to maintain well capitalised, highly liquid and diverse balance sheet. This enables us to pursue growth more aggressively. We have opportunities to grow our business by tapping infra, hydro and agri sectors. Our aspiration to grow will however be influenced by the competitive landscape, regulatory changes, and economic fundamentals.



An overwhelming response was seen from the investors in the Further Public Offer (FPO) issued by the Bank to raise its paid up capital.

We have made good progress in achieving excellence through our Digitisation agenda. This will help us to achieve improved service delivery for our clients through our operational efficiencies. Enhancement of digital channels and offerings will continue to remain a priority for us.

The collaboration between our Commercial Banking (CB) & Global Banking (GB) business and Retail Banking (RB) is helping to address the client needs more effectively and efficiently. This collaboration is working effectively, particularly in driving our Employee Banking business. We are also making effective use of our network points for achieving synergies in client referrals and conversions.

We are a Bank with strong performance and values culture. We continue to invest in training and development of our

people and firmly believe that we can distinguish ourselves from the competition only through increased engagement with our clients. Our international status, expertise and knowledge enormously help us in this process.

We believe that our market will remain attractive through the medium and long terms; and our strong financial position enables us to capture and support future growth opportunities. We remain committed in delivering profitable, sustainable growth within our risk appetite.

Credit Environment

After the disappointing economic growth seen in the last two years in a row, the economic activity rebounded in FY year 2016/17. The Central Bureau of Statistics has estimated GDP growth rate of 7.5 percent at current prices for the FY 2016/17 due to bumper agriculture output owing to good monsoon, consistent power supplies, increase in government expenditure vis-à-vis last year and increased momentum seen in the post-earthquake reconstruction works. Economic activities gradually rebounded following the ease in the trade routes with India from the beginning of Feb 2016, and imports, manufacturing and tourism activities picked up in the last fiscal year with the regular supply of petroleum products and other essential items.

Similarly, notable improvement in power supply, decline in political protests as well as labour unrests, resumption of manufacturing activities following the lull after the earthquakes in 2015 and the supplies disruption in 2016, and pick up in post-earthquake reconstruction works underpinned a manufacturing sector growth during last fiscal year. Wholesale and retail trade activities, the largest contributor to the GDP growth after agriculture, also remained higher in comparison to the previous two years. Marked improvement in the arrival of tourists in the review year in comparison to the previous two years, boosted the tourism activities. In addition, the local elections related spending as well as the disbursement of housing grants boosted the consumption demand.

Remittances continued to grow albeit slowly during last fiscal year. In the US dollar terms, the workers' remittances increased by 4.8 percent to USD 6.556 billion during the year 2016/17. Remittances, which constitute above 30 percent of country's GDP, is a major element in keeping the Balance of Payment (BoP) surplus despite a large trade deficit. The workers' remittance is one of the major pillars of the economy and remains a key factor for the financial sector stability.

During FY 2016/17, country's total exports increased by 9.9% and imports rose by a whopping 30% as compared to the previous year. Nepal remains as an import based economy and its export base continues to be very small – share of export was 6.9% only in total trade during the year

2016/17. The increased reliance on imports resulting in high import to export ratio and ballooning trade deficit have rendered economic vulnerability.

The principal uncertainties impacting overall credit environment in last FY year 2016/17 were geo-political uncertainty, tightening of liquidity / deposit crunch, lower utilization of the government's development expenditure etc. The frequent changes of the government at short tenor and its inability to address the demand raised by Madhesi parties through amendment of the constitution and their non-participation in first two phases of local elections had increased uncertainty in political arena as well as policy instability. The government's low development expenditure, decelerated growth of workers' remittances, slew of right issues/FPOs of banks and FIs, demonetization of INR notes, etc resulted in slower growth of deposits vis-à-vis credit growth during the year. Lack of political stability has played a key role for lower cap-ex year on year. The extended credit crunch also impacted the business confidence.

Credit growth of commercial banks surpassed deposit collections in the last FY 2016/17. The pressure on the banks to grow business in line with substantial capital growth also played a role in picking up credit off-take rapidly in the last fiscal year. Owing to constraints in deposit growth, NRB had to allow banks to deduct 50% of the directed lending while calculating CDC Ratio through mid-term Monetary Policy review in order to address the issue of banks and FIs in complying with the regulatory CDC ratio (80%) due to mismatch between their deposits and credit growths.

Inflation averaged at 4.5% in the last fiscal year, sharply down from 9.9% in the previous year. The downward correction of prices following the highs during and after the crippling supply disruption was expected as supplies gradually normalized along with the favorable monsoon, improved power supply and cooling off of prices in India.

The low inflation rates, comfortable foreign exchange reserves, surplus in BoP, low debt to GDP ratio, etc. were some of the reassuring factors for the economy during the year. The banking sector proved its resilience amid the extended lendable fund crunch and substantial rise in cost of deposits during the year.

During the FY 2016/17, the Bank has been successful in achieving disciplined growth in loans and advances and in maintaining the credit quality of the loan portfolios. Notwithstanding the unstable credit environment and increased refinancing risks due to deposit crunch in the second half of the last fiscal year, our portfolios showed resilience because of our risk culture, proactive portfolio measurement and adherence to risk appetite set in accordance with the Risk Management Principles, which include balancing risk and return, responsibility and accountability in taking risks, anticipation of material future risks, and our competitive advantages. The Bank continues to take measured risk exposures across all major risk types with strong focus on conduct of business. We manage risk with the objective of maximizing of risk-adjusted returns while remaining within the Bank's risk appetite. The fundamentals of our risk culture remain unchanged, particularly consistency of strategy and disciplined and focused approach, strong client relationship, rigors around the portfolio quality, debate on risk-return dynamics, vigilance and timely actions, etc.

The long term prognosis of the economy appears positive as we expect more stability in the political environment with successful holding of all elections in the process of implementation of the new constitution and consolidation in the political front. The implementation of new constitution is expected to bring political stability and prioritize economic development. However, the country has limited growth potential in the short to medium term in the absence of strong policies, sustained reforms and adequate infrastructures.

Auditor

M/S LDSA Associates, Chartered Accountants were appointed as Statutory Auditors for FY 2016/17 by the 30th Annual General Meeting of the Bank held on 15 December 2016. 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 362nd Meeting of the Board of Directors of the Bank has proposed cash dividend and bonus shares to the shareholders of the Bank for the year ended 15 July 2017 at the rate of 5.26 percent and 100 percent respectively.



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 Executive Committee (EXCO) represented by all Business and Function Heads is the apex body managing the day to day operations of the Bank. Chaired by the CEO, it meets at least once a month for formulating strategic decisions.
- The Annual General Meeting is used as an opportunity to communicate with all our shareholders.
- The Bank adheres to the applicable laws, regulations and directives to meet the local regulatory requirements. In addition to this, the Board has also adopted SCB Group policies and procedures relevant to business segments and functions.
- Ultimate responsibility of effective Risk Management rests with the Board supported by Audit Committee, Board Risk Committee, EXCO, Executive Risk Committee and Asset & Liability Committee.
- Embracing exemplary standards of governance and ethics wherever we operate is an integral part of our Strategic Intent. The Group Code of Conduct is adopted to help us meet this objective by setting out the standards of behaviour we must follow with each other and with our clients, communities, investors and regulators.

Analysis

The Board of Standard Chartered Bank Nepal Limited is responsible for the overall management of the 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, 2073 (the "Corporate Governance Code"). The directors confirm that:

- Throughout FY 2073/74, 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 2073/74, 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 2073/74.

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 Independent Director appointed as per the legal requirement and one of them is the Public Director representing General Public shareholders as per the provisions of the Bank & Financial Institutions Act & Company Act.



Bank's 30th Annual General Meeting

Our approach to Corporate Governance

The Board composition complied with the legal & 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, 12 board meetings were held. The Directors are given accurate, timely and clear information so that they can maintain full and effective control over strategic, financial, operational, compliance and governance issues.

The following table illustrates the number of Board meetings held during the FY 2073/74 and sitting fees paid to the directors:

Board Members	Scheduled Meeting	Meeting fees paid
Mr. Ananth Narayan ¹ Chairman	10	Nil - Does not take meeting fee
Anurag Adlakha ² Chairman	6	Nil - Does not take meeting fee
Sujit Mundul ³ Director	9	NPR 1,89,000 (inclusive of tax)
Krishna K. Pradhan Professional Director	12	NPR 2,52,000 (inclusive of tax)
Neeta Rege ⁴ Director	4	Nil -Does not take meeting fee
Shankar Lall Agrawal ⁵ Public Director	11	Nil -Does not take meeting fee
Joseph Silvanus CEO & Director	12	Nil -Does not take meeting fee

1. On Standard Chartered Bank Nepal's Board till October 30, 2017.

2. On Standard Chartered Bank Nepal's Board till 27 Feb 2017.

3. On Standard Chartered Bank Nepal's Board till 2 June 2017.

4. Joined Standard Chartered Bank Nepal's Board on 9 April 2017.

5. Joined Standard Chartered Bank Nepal Board on 3 June 2016 and resigned on 22 June 2017.

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

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

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

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

Audit Committee

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

The Audit Committee is chaired by a non-executive director. All other members of the Audit Committee excluding the Head of Internal Audit are also non executive directors thus ensuring complete independence. The last Audit Committee meeting for FY 2073/74 was held on 4 May 2017. The Composition of the Audit Committee as on that date was as below:

Mr. Sujit Mundul, Chairman

Ms. Neeta Rege, Member

Mr. Shankar Lall Agrawal, Member

Mr. Sanjay Ballav Pant, Head of Internal Audit,
Member Secretary

The Audit Committee meets at least on quarterly basis and reviews internal and external audit reports, control and compliance issues, bank's financial condition etc. Audit Committee provides feedback to 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 2073/74. A total of 4 meetings were held during the period.

Audit Committee Members	Meeting fee paid	Scheduled Meeting
Sujit Mundul ¹ Chairman (Inclusive of tax)	4	NPR 60,000
Anurag Adlakha ² Member	2	Nil – Does not take meeting fee
Neeta Rege ³ Member	1	Nil – Does not take meeting fee
Shankar Lall Agrawal ⁴ Public Director (Inclusive of tax)	2	Nil – Does not take meeting fee
Sanjay Ballav Pant ⁵ Member Secretary	4	Nil – Does not take meeting fee

1. On Standard Chartered Bank Nepal Board till 2 June 2017 only.
2. On Standard Chartered Bank Nepal Board till 27 Feb 2017 only. Attended one meeting through Video Conferencing.
3. Joined Standard Chartered Bank Nepal Board on 9 April 2017. Attended one meeting through Tele Conferencing.
4. Joined Standard Chartered Bank Nepal Board on 3 June 2016 and resigned on 22 June 2017. Attended one meeting through Tele Conferencing.
5. On Audit Committee till 7 July 2017 only.

During the financial year 2073/74 (2016/17) Audit Committee performed the following tasks, among others.

- Reviewed and reported to the Board on the Bank's internal control system;
- Reviewed the issues raised in the Internal Audit Reports and directed the management for resolution;
- Reviewed the work performed by Internal Audit against the country audit plan;
- Reviewed and approved the Audit Committee's Terms of Reference;
- Reviewed and approved significant changes to the

Audit Methodology;

- Reviewed the annual audit plan based on the risk assessment and regulatory requirements;
- Reviewed the audit team resourcing and development activities;
- Reviewed the findings of NRB Inspection Team and Statutory Auditor, and directed the management for resolution of the issues raised;
- Reviewed the status of audit issues raised in Internal Audit Reports, Statutory Audit Report and NRB Inspection Report;
- Recommended to the Bank's Annual General Meeting through the Board for appointment of Statutory Auditor and fixation of remuneration;
- Reviewed quarterly and annual financial statements, comparison of key financial indicators and adequacy of loan loss provisions;
- Reviewed and discussed top risks, emerging risks and themes of the country and the appropriateness of the management action plan to mitigate these risks;
- Reviewed the Compliance Monitoring Report to understand the regulatory developments, emerging regulatory hotspots, regulatory breaches and state of compliance of the Bank;
- Reviewed the Financial Crime Compliance Report;
- Reviewed the 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

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

Under Nepal Rastra Bank Directive on Corporate Governance, the Board has established a Board Risk Committee with clear terms of reference. The Board Risk Committee is chaired by an Independent Non-Executive Director (INED), Chairman of the Audit Committee is a member and Chief Risk Officer & Senior Credit Officer ("CRO & SCO") is the member/Secretary. The Committee meets minimum four times annually. The Committee oversees and reviews the fundamental prudential risks including operational, credit, market, reputational, capital, liquidity and funding, and country cross border risk, etc.

The Board Risk Committee receives regular reports on risk management, including our portfolio trends, policies and standards, stress testing, liquidity and capital adequacy, and is authorised to investigate or seek any information relating to an activity within its terms of reference. At the strategic level, risk in any business, but most

Our approach to Corporate Governance

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.

The Composition of the Board Risk Committee as on October 17, 2017 was as below:

- Krishna Kumar Pradhan, Chairman
- Neeta Rege, Member
- Gopi Bhandari, Member Secretary

The following table illustrates the number of Board Risk Committee meetings held during the FY 2017/18 and fees paid:

Risk Committee Members	Scheduled Meeting	Meeting fees paid
Krishna Kumar Pradhan Chairman (inclusive of tax)	4	NPR 52,500
Sujit Mundul Member (inclusive of tax)	1	NPR 7,500
Gopi K Bhandari Member Secretary	4	Nil - Does not take meeting fee

Executive Committee (EXCO)

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

Mr. Joseph Silvanus

Chief Executive Officer & Head Retail Banking

Mr. Adarsha Bazgain

Head, Financial Markets & Financial Markets Sales

Mr. Bimal Singh

Head, Legal & Company Secretary

Mr. Gopi K. Bhandari

Chief Risk Officer & Senior Credit Officer

Mr. Gorakh Rana

Head, Global Banking and Commercial Banking

Mr. Michael Siddhi

Head, Transaction Banking

Mr. Rajan Udas

Head, Human Resources

Mr. Sanjay Pant

Head, Compliance

Mr. Sujit Shrestha

Chief Information Officer

Mr. Suraj Lamichhane

Financial Controller

Risk Governance

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

Through our Risk Management Framework, we manage enterprise wide risks, with the objectives of maximizing risk-adjusted returns while remaining within our risk appetite.

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

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

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

Acting within an authority delegated by the Board, the Board Risk Committee, chaired by an independent non-executive director (INED), has responsibility for oversight and review of prudential risks, including but not limited to credit, country cross-border, market, pension, capital, liquidity and funding, and operational risks.

The Executive Risk Committee is responsible for the establishment of, and compliance with, policies relating to credit risk, country cross-border risk, market risk, operational risk, pension risk and reputational risk. It is responsible for the management of all risks other than those managed by ALCO.

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

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



Standard Chartered Nepal organised a Correspondent Banking Academy workshop to update Nepalese banks on emerging risks from Financial Crime and to create awareness on compliance and best practices on the subject.

Credit Risk

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

Credit risk under Retail Banking (including Business Banking), Commercial Banking and Corporate & Institutional Banking is managed through a defined framework which sets out policies, 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.

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

For Retail exposures, portfolio delinquency trends are monitored continuously at a detailed level. Individual customer behaviour is also tracked and considered for lending decisions. Accounts that are past due are subject to a collections process, managed independently by the Risk Function. Charged-off 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 the system, 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 provided the residual risk rating is 'low' on the Group Operational Risk Assessment Matrix. All Risks that are rated Medium or above on the Group Operational Risk Assessment Matrix are reported to the Executive Risk Committee (ERC) for endorsement and escalated to the Group Process Owner by the relevant country process owner for acceptance through the relevant Process Governance Committees (PGCs).
- The Financial Crime Risk Committee, a sub-committee of ERC chaired by the CEO, ensures appropriate governance of Financial Crime risk and oversees the implementation of the Risk Management Framework as it relates to Financial Crime.
- The Group Risk Committee (GRC) determines the Group's approach to the management of operational risk in accordance with the RMF. The GRC fulfils its responsibilities in part through delegation of authorities to properly constituted committees as listed below:
 - Group Operational Risk Committee (GORC) is responsible for governing operational risk across all functions, client segments and products. It is in turn supported by Business Process Governance Committees (PGCs) appointed by Process Universe Owners, which provide global oversight of all operational risks arising from end-to-end processes within their Process Universes.
 - Group Financial Crime Risk Committee (GFCRC) is responsible for governing financial crime risks across the Group Process Universe. This includes financial crime operational risks arising from non-compliance with external rules and regulations relating to International Sanctions, Anti-money-laundering & Terrorist financing and Anti-bribery and Corruption.

- Group Information Management Governance Committee (GIMGC) provides oversight and drives best practice in information management and data governance.
- Business and Geographic Risk Committees are responsible for ensuring the effective management of risk in the businesses and across the geographies in support of the Group's strategy.

Market Risk

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

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

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 57 percent which includes a buffer of Rs. 24 billion over the regulatory requirement.

Reputational Risk

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

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

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

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 ERC is responsible for pension risk. The Bank assesses and monitors the assets and liabilities within the defined benefit scheme on actuarial value method.

Internal Control

The Bank is committed to managing risks and in controlling its business and financial activities in a manner which enables it to maximize profitable business opportunities, avoid or reduce risks which can cause loss or reputational damage, ensure compliance with applicable laws and regulations and enhance resilience to external events. To achieve this, the Board has adopted the SCB Group policies and procedures of risk identification, risk evaluation, risk mitigation and control/monitoring, besides implementation of the local regulations / NRB directives.

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

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

Our approach to Corporate Governance

Capital Management

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

As Capital is the centerpiece of the Bank's performance matrix, a sound capital management forms the very core of the overall performance landscape to ensure that the Bank delivers on its objective of maximizing the shareholder's value. The senior management of the Bank is engaged and responsible for prudent capital management at all times. In compliance with the regulatory requirement of increasing the capital base as prescribed by the Central Bank, the Bank is comfortable in meeting the minimum capital requirements and is strongly positioned to meet the performance benchmarks.

Crisis Management

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

Health, Safety and Security

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

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 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.

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 (First Amendment), 2006

Un-audited first quarter result of financial year 2017/18 is as follows:

	Amount in Thousands (Rs.)
Loans and advances	39,851,258
Deposits	71,421,579
Operating profit	742,694
Profit before bonus and taxes	758,263
Net Profit	482,531

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

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

A review of the business during the previous year:

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

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:

Please refer the section on 'Corporate Governance and Board of Director Report.

Main factors affecting the business:

Please refer the sections 'Economic Environment' and 'Conclusion' under Board of Directors Report and 'Credit Environment' under CEO 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. 210,827,123 by way of dividend (for tax purpose) and Rs. 4,005,715,333 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 percent of the paid up capital of the Company. There has been no information received from the SCB Group in this regard.

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

Directors and office bearers, except mentioned above, have not involved in the shares transactions of the Bank in FY 2073/74 as per the declaration provided by them to the Bank.

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

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

Purchase of own Shares:

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

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

Please refer section on 'Corporate Governance' and 'Our approach to Corporate Governance' under CEO Report.

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

The management expense of the financial year is Rs. 1,061,404,705 (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 2073/74, is Rs. 21,036,375.26 (the tax at prevailing rate was borne by the Bank). 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
- Partner Support
- Club Membership & Utilities

Dividends yet to be Collected by Shareholders:

As of Kartik end 2074, total dividends yet to be collected by the shareholders amounts to Rs. 48,957,705.53.

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 (First Amendment), 2063:

Nil.

Board of Directors



Jitender Arora

Chairman

Based in Singapore Jitender leads and manages the Commercial Banking (CB) business in 9 countries for Standard Chartered Bank – Singapore, India, Malaysia, Indonesia, Bangladesh, Thailand, Vietnam, Sri Lanka, and Nepal. He is also responsible for driving the Transaction Banking business for the Commercial Banking segment globally.

Jitender joined the Bank in 2001, overseeing product development for Cash Management. He held several management positions for Transaction Banking in South & Southern Asia and then managed Transaction Banking Sales globally. He was also Head of Corporate & Institutional Clients, ASEAN from 2013 to 2015. He holds a Masters in Finance, from the Institute of Management Technology in India.

Joseph Silvanus

Director & Chief Executive Officer

Joseph Silvanus has been with Standard Chartered Bank for more than 26 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.



Neeta Rege

Director

Neeta is currently the Head of Compliance, India. She has assumed Compliance roles in various capacities since 2006. Neeta in the past assumed roles of Head Retail Clients Compliance – South Asia, Head Consumer Banking Compliance India & South Asia. She has also served as Head Quality Assurance and Risk Control and took responsibility of Head Consumer Bank Integration between 2000 to 2002.

Neeta holds Masters in Management Studies (MMS) from Mumbai University and Bachelor of Commerce also from Mumbai University.



Mana Bahadur Rai

Public Director

Mana Bahadur Rai was the CEO of Sagarmatha Finance Limited between December 2011 to July 2017. He served as MD/CEO in Sagarmatha Finance Limited between 2005 to 2011. He has also assumed the responsibility of Executive Chairman at Grihini Departmental Store, Baluwatar. He was associated with different institutions viz. Netex Pvt Ltd, SDB Brick and Tile Ind, BPFUMN Agro Forestry Program and Taragon Bikash Samiti in different capacities. He is currently serving as the 1st Vice Chairman in Nepal Financial Institution Association, Kathmandu. He is an MBA from Sikkim Manipal University, Gangtok, India.

Krishna Kumar Pradhan

Independent 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.



Karen De Alwis

Director

Karen is the General Counsel, ASEAN & South Asia and Head, Legal, Corporate Finance and Capital Markets. She started her career as a banking litigation lawyer and since then, held various legal and compliance roles with Singapore Exchange and several US investment banks including JP Morgan as Head, Private Banking Compliance, Asia. Karen has over 18 years of Legal & Compliance experience in the banking sector. Karen joined the Bank in 2009 and led the global compliance and legal teams for Corporate Finance, Capital Markets, Research and Control Room based in HK and Singapore before taking up her current roles.

Management Team



JOSEPH SILVANUS

Chief Executive Officer & Head, Retail Banking



ADARSHA BAZGAIN

Head, Financial Markets & Financial Market Sales



BIMAL SINGH

Head, Legal & Company Secretary



DIWAKAR POUDEL

Head, Brand & Marketing and Corporate Affairs



GOPI K. BHANDARI

Chief Risk Officer and Senior Credit Officer



GORAKH RANA

Head, Global Banking & Commercial Banking



MICHAEL SIDDHI
Head, Transaction Banking



RAJAN UDASS
Head, Human Resources



SANJAY PANT
Head, Compliance



SRIPRASAD BHANDARI
Head, Internal Audit



SUJIT SHRESTHA
Chief Information Officer



SURAJ LAMICHHANE
Financial Controller

Schedule- 13

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

Report Functions

1. Report of Board of Directors:

Covered in the Board of Directors Report 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 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 2073/74:

Ashwin end:

Maximum- Rs. 3952, Minimum- Rs. 3145 Last- Rs. 3612. total number of shares traded – 2,43,973 and transacted days 40

Poush end:

Maximum- Rs. 3893, Minimum- Rs.1870 Last- Rs. 1998, total number of shares traded – 361499 and transacted days 57

Chaitra end:

Maximum- Rs. 2,507, Minimum- Rs. 1,754 Last- Rs. 2020 total number of shares traded – 3,3,0916 and transacted days -50.

Ashadh end:

Maximum- Rs. 2,390, Minimum- Rs. 2,076 Last- Rs. 2,295 total number of shares traded – 7,17,078 and transacted days -57.

6. Problem and Challenge:

INTERNAL

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

EXTERNAL

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

STRATEGY

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

7. Corporate Governance:

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

As a bank operating across 68 countries with a focus on Asia, Africa and the Middle East, we have long recognized the role we can play in promoting economic and social development in our markets.

We express this through our three sustainability priorities: **contributing to sustainable economic growth, being a responsible company and investing in communities.** These priorities inform how we work, and are the main structure of our achievements in year 2016/17. We have made good progress during the year across each of the priorities. One major highlight has been the continued engagement of our employees and partners in delivering impactful community programs.

We seek to ensure that our core business of banking supports sustainable growth in our markets.

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. 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.

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.

Financial Crime Prevention

Financial crime hinders economic progress and harms individuals and communities. We strive to have the most effective financial crime compliance programmes 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 few years, the Group has dedicated substantial leadership attention, investment and training to financial crime compliance. During the last few years the Group has 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 behaviors' and processes are operating above regulatory standards. Our commitment to this work is absolute.

Contributing to Sustainable Economic Growth

Through our financing, we support key sectors of the economy that are driving sustainable growth from infrastructure to microfinance.

Against a requirement to lend 20 percent of the total loans and advances to the Productive Sector, the Bank achieved 26.78 percent, which constitute total approved credit limits as on the date towards the Productive Sector.

The Bank also achieved an inner limit exposure of 15.25 percent on Agri & Energy Sector within the Productive Sector lending requirement of 20 percent; this constituted all approved credit limits towards Agri & Energy Sectors. The minimum requirement for outlay of loans and advances for Agri & Energy within the Productive Sector lending stands at 15 percent.

Similarly, as per the regulatory requirements, the Bank has been advancing funds towards the Deprived Sector. The outstanding towards Deprived Sector as at the financial year end of 2016/17 was Rs 35.542 billion. This included Rs. 35.490 billion in loans and advances and Rs. 52.25 million in the form of investments made in Rural Microfinance Development Centre (RMDC) and Nepal Grameen Bikash Bank. The total exposure under the Deprived Sector constituted 5.18 percent of the Bank's total loans and advances for the close of financial year end 2016/17.

Our commitment towards small & medium enterprises is reflected under our segmental portfolio of **Business Banking.** This segment, considered as a growth engine for the Bank, has been expanding with CAGR of 20 percent and currently has an exposure of over Rs.8 billion which constitutes over 15 percent of the Bank's total loans and advances. This business is well diversified with exposures in 16 key industries. Through this business, the Bank has helped in creating direct and indirect employment to ~5,000 & 20,000 people respectively.

Being a Responsible Company

Being a responsible company is about how we manage our business and promote the behaviours, values and principles that enable us to make the right decisions. We focus on preventing financial crime, investing in our people and minimizing our environmental footprint. We continue to strengthen our Financial Crime Compliance standards by enhancing our financial crime controls, training our staff and sharing best practice with clients and partners. In 2016/17, more than 99 per cent of our Nepal staff members completed Financial Crime Compliance eLearning.

Sustainability

We recognise that our diversity is a critical lever for delivering our business priorities and we actively work to build an inclusive workplace. In 2016, we engaged staff through country-based Employee Networks and three Global Networks (Women, Disability, LGBT and Allies).

Between 2013 and 2016, Standard Chartered Bank Nepal reduced its energy consumption by 5 percent, water consumption by 3 per cent for its Head Office Building.

Our Sustainability Aspirations highlight our focus on embedding the highest standards of conduct across the organisation. In 2017, we will take forward our Aspirations on people, conduct, financial crime compliance and environment.

Investing in Communities

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

Our global community programmes include Seeing is Believing to address avoidable blindness; Positive Living and Financial Education to build the financial capability of the community stakeholders.

Seeing is Believing (SiB)

Nepal is one of the countries where the Group funded projects, are running. The local projects are also being supported through local fund raising. Walkathon is a major

fund raising event of the Bank in support of Seeing is Believing.



Standard Chartered periodically organises cataract screening as well as surgical eye camps in partnership with Tilganga Institute of Ophthalmology.

Under the project Eastern Region Eye Care Program (EREC-P), Standard Chartered Bank, with the help of the Group, extended a financial support of USD 1,000,000 (approx NPR 103 million) in the construction of Biratnagar Eye Hospital. SCB's funding for the project was in the construction of pre-operative ward, canteen building, hostel building, establishment of a spectacles shop, state of the art affluent treatment plan. The Bank also supported in several other initiatives including



The Bank regularly organises Employee led tree plantation campaigns with an aim to help protect the environment.

establishing 5 community eye centers in different districts of the Eastern Region, up scaling capabilities of Human Resources, Finance and Administration staff through a project launched with Nepal Netra Jyoti Sangh (NNJS) and financing of a bus for transferring patients from different parts of the Eastern Region. The then Honorable President Ram Baran Yadav inaugurated the Project which came to successful completion in 2013.

Similarly, project activities are currently underway in line with the Bank's agreement and partnership with Tilganga Institute of Ophthalmology (TIO) to fund a major expansion project of TIO. The Bank has agreed to grant USD 1,000,000 (approx. NPR 103 million) to fund the TIO's project.

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.

Similarly, the Bank has established a unique banking lounge created in an art gallery at its Lazimpat Branch premises. The exclusive lounge provides much needed privacy and personalised service for its High Net Worth clients. Art is the new emerging source for wealth creation and now clients can order works from their favourite artists. Aptly named Drishti, this in-house art gallery aims to provide emerging artists a platform to show case their talent. Part of the proceeds of sales will go towards funding the Bank's "Seeing is Believing" initiative on tackling avoidable blindness by increasing access to eye-care. The Bank believes that, this market-first initiative will go a long way in not only enhancing the banking experience but in raising awareness about avoidable blindness and eye sight restoration.

Positive Living

Bank's Positive Living (erstwhile Living with HIV) program provides education on HIV and AIDS to our staff and the communities where we operate. The Bank launched initially a 'Living with HIV' – a workplace HIV education in 1999 and currently has a large network of HIV Champions all across the countries. In Nepal, the Bank has ~ 12 HIV Champions who work to raise awareness of HIV and AIDS in the Bank, communities and the external organisations. 2017 is the 17th year of our Living with HIV program.

Financial Literacy

The Bank runs Financial Literacy programs for the communities targeting schools and other community partners. The objective is to create awareness around by imparting knowledge related to basics of banking and finance. The Bank pioneered Financial Literacy program in year 2014 in partnership with World Vision Nepal (WVN) and then gave continuity in subsequent years by mobilising the staff members. To this effect, Financial Literacy programs are run through different locations, primarily targeting the government run schools and communities across our footprints. Our staff members in the Head Office and Branches actively volunteer in spreading the financial education in schools and the communities. This initiative of the Bank will continue in 2017/18.

Earthquake Reconstruction Project

Devastating earthquakes hit Nepal in April 25 and 12 May, 2015. This unfortunate event was a cause for the death of ~9,000 people, more than 20,000 injured, and 2.8 million people were displaced. It was one of the biggest tragedies in the history of Nepal.

In line with our brand promise Here for good, the Bank immediately took actions and announced relief support and launched fundraising initiative to assist long term rehabilitation of the impacted to supplement efforts of Nepal Government.

Our global staff fundraising appeal in support of the relief and rehabilitation received huge support; the Bank raised over USD 673,000 including the Banks' match funding across our markets. Red Cross and Red Crescent Society of the UAE immediately absorbed USD 271,000 for conducting emergency search and rescue services, combined with first-aid relief. The Bank even funded their specialist health teams, mass water treatment facilities and mobile clinics.

The balance, USD 402,000 was then channeled through Habitat for Humanity in support of their 'Build Nepal' strategy, focusing on an owner-driven approach for reconstructing houses. Habitat utilised the funds to provide a permanent housing program in the Kavre district of Nepal.

The Project has now delivered 20 demonstration homes which will be used as 'technical assistance' to train 21 construction engineers and local community leaders.

While the Bank has contributed directly by extending financial support in construction of permanent core houses, it is also supporting 58 additional families with

tiered grant support equivalent to USD 2,500 per family for reconstruction, repair and retrofit and/or skilled labor support and gifts-in-kind to repair/retrofit homes. The Bank is also helping the impacted through non-financial technical support to enable self-recovery.

Employee Volunteering

The Bank supports its local communities by encouraging its staff for volunteering their time and skills, and seeking to maximise Bank's impact by encouraging skills-based volunteering. All the Bank's employees are entitled to three days of paid volunteering leave annually.

The Bank has constituted Standard Chartered Nepal Community Partnership Forum (SCNCPF) for providing impetus to community initiatives. The Forum has been registered with District Administrative Office and is also affiliated to Social Welfare Council.

A summary of activities conducted during FY 2016/17

- The Bank organised Financial Literacy classes in different schools through our Narayangarh, Birgunj and Pokhara Branches.
- A session on rainwater harvesting was conducted for our Priority Banking clients at Lazimpat on 5 June, the World Environment Day. Over 24 Priority Banking clients attended the event.
- Our staff took part in the cycle rally to mark 'International Youth Day 2016 on 12 August. The event was organized by 'We' for Change, our partner for the Bank's Positive Living initiative.
- Priority Banking organized a 'Stress Relief' session for the Priority Banking clients on 10th of August at the Priority Lounge in Lazimpat. Over 23 Priority Clients attended this event. The session was conducted by Mr. L P Bhanu Sharma, an educationist, spiritualist, management consultant and trainer.
- Bank's Pokhara Branch conducted a Financial Literacy session at the 'Forum for the Welfare of Himalayan Children' for 25 children in grade 7 & 8 on 25 August.
- The Bank in partnership with Tilganga Institute of Ophthalmology organized an eye camp on 27 & 28 August at Eye Centre in Bhakatpur, Chyamsing. More than 25 staff from the Bank volunteered through the Bank's Employee Volunteering program.
- Wearing the Seeing is Believing jersey, two of our staff members, Sanjeev Dhakal and Saurav Poudyal participated in half marathon event in the 10th edition of the annual Kathmandu Marathon organized by ProSports Nepal on 24 September 2016. Both Sanjeev and Saurav completed the race successfully.
- The Bank successfully organized its signature annual fund raising event Walkathon 2016 #WalkForAReason on Saturday, November 26.
- To mark the International Volunteer Day, our staff members engaged passionately with one of our disaster relief partners, Habitat for Humanity on 5 December 2016.
- Keeping in mind the importance Bank places on wellbeing of its staff, to help and support them and their immediate family members to handle their pressure better and stay healthier during time of stress, the Bank tied up with Centre for Mental Health Counselling (CMC) Nepal for a workplace wellness program viz. Staff Emotional Wellbeing Enhancement Program (SEWEP).
- In celebration of the International Wheelchair Day, the Bank supported Nepal Disabled Association, Khagendra Navajeevan Kendra, Jorpati with 20 units of wheel chairs and 25 pairs of crutches. The support was made through funds collected from Staff Family Food Fest & Fun organized during the year.
- The Bank organized a Blood Donation program in partnership with Grande International Hospital on 11 March 2017. Staff members & clients participated in the event by donating their blood. Grande team also briefed the clients & staff about the importance of human blood, its safety and use.
- To mark the 200th week of Clean Bagmati Campaign and under the Bank's Employee Volunteering program, Bank staff members represented the Bank in the Clean Campaign activities held on 11 March 2017.
- Under the Seeing is Believing program, staff members volunteered at the cataract surgical workshop at Tilganga Institute of Ophthalmology (TIO) on 25 March 2017. 164 patients were successfully operated during the cataract surgical workshop.



The Bank sponsored Britain Nepal Bicentenary Exhibition (BIEX) to mark 200 years of Nepal-Britain relationship and also hosted an exhibition of numismatic collections at the Bank's Lazimpat Branch.

- As part of celebration of 200 years of Nepal – Britain relationship, Nepal Britain Bicentenary Exhibition (BIEX) was held at the gallery of Nepal Art Council. This exhibition, which started on 15 April ran until 30 April. An extended exhibition was also put up at the Bank's Lazimpat Branch. BIEX exhibition was sponsored by the Bank.
- To mark the Cultural Diversity Day, D&I Nepal organized a Cultural Attire Day at work on 22 May 2017 with the theme – We all are Nepali.
- Staff members of the Bank volunteered at the cataract surgical workshop at Tilganga Institute of Ophthalmology (TIO) on 29 May 2017. 115 patients were successfully operated during the cataract surgical workshop.
- Information, Technology & Operations (ITO) - Risk & Control Team visited Ni:sahaya Sewa Sadan, an old age home for elderly women on 9 June 2017 and distributed water bottles and snack & food items to the elderly women residing in the premises.
- To celebrate World Environment Day 2017. A Tree Plantation campaign was organized at the Institute of Engineering (IOE) Pulchowk, Lalitpur on 17 June 2017. More than 90 staff members volunteered and participated in the event.
- As part of the Diversity and Inclusion (D&I) Council agenda, an opportunity was created to raise awareness on LGBTI within the Bank staff members in support of the LGBT community. Such awareness programs were held at majority of the Branches of the Bank, including those outside Kathmandu.
- The Bank handed over 10 units of used computers in June 2017 to its partner organization for Community Activities, Maiti Nepal. The computers are for use of students at Teresa Academy for computer literacy, a school run by Maiti Nepal for orphans and children of parents suffering from HIV/AIDS.

Our People

We are committed to creating an inclusive environment

Our Success is Built on Our People

We are proud of our people who are the foundation of the Bank, on which we operate and perform consistently and securely and central to our growth and success. We have been able to build in our employee's trust, integrity and allow them to give their best every day, committed to their organization's goals and values, motivated to contribute to organizational success, with an enhanced sense of their own well-being.

Talent, Learning & Culture

We continue to focus on our Conduct agenda. We have sharpened our focus on all aspects of conduct. We are focusing on the behaviours, values, and principles that we follow as individuals to enable us to make the right decisions and exercise good judgements. Our conduct management framework touches all parts of our business and sets out elements that we need to identify, control and govern conduct related risks. It empowers our leaders to create an ethical environment where our people are incentivized to exercise good judgement. All employees receive mandatory conduct trainings and their performance objectives and reward mechanism are explicitly linked to behaving appropriately.

We view diversity & inclusion as critical to our business success in the long term. It enables teams to bring diverse perspectives, make better decisions and manage risk. We are committed to creating an inclusive environment, free from bias where everyone can realise their full potential. We are committed to gender diversity and have been providing equal employment opportunity to aspiring candidates who have been considering Standard Chartered Bank as their employer of first choice. To achieve this, bank has robust recruitment and selection procedures with vacancies posted in our career website www.sc.com and internal job watch.

This fiscal year we hired a total of 100 new talents in different positions. As at the end of financial year 2016/17, our strong people strength was 495 with a gender balance of 59 percent male and 41 percent female.

Developing a learning culture is not merely an option but an absolute necessity in today's competitive world. We recognize the importance of learning and development to each staff and as it is equally important to develop our internal leadership pipeline learning and development has always been given very high priority. We provide learning and development opportunities to our people to create an engaged and value driven team and likewise staff are making learning and development as much a normal part of their working lives as any other activity in which they indulge at work.

With the view of providing an opportunity and platform to our staff to enhance their public speaking and leadership skills and benefit on their personal developments "Standard Chartered Bank Nepal Toastmasters Club" (SCBNTC) has been formally established on February 1, 2017.

We have sharpened our focus on quality performance and career coaching. For this we launched a new approach for developing our Managers with new career development guides and toolkits.

This fiscal year also the Bank has exploited all modes of learning for its staff, be it through self-learning, learning from others or classroom with blend of internal and external trainings. Various modes of learning and different types of programs were made available to staff - in-house trainings under Masterclass and Learn & Grow sessions; Day 1 Readiness program for Frontline sales staff of Retail Clients; Right Start Live session for new joiners; classroom trainings conducted by local external trainers; online training such as e-learning and soft skills program. Unlimited learning opportunities are readily available for staff in the Bank's Learning Portal- SABA.

Two successful Learning Weeks were conducted in first and second quarter of 2017 by Senior Facilitators of SCB India and SCB Bangladesh which provided learning opportunities to over 95 percent of our staff across all Businesses and Functions.

Employee Engagement & Wellbeing

We focus on creating a fair, safe and inclusive place to work that encourages creativity, collaboration and continuous improvement. Increasing engagement across the Bank by creating a better working environment for employees will translate into improved client experience. It's evident that regular interaction and transparent communication are key to motivate staff, provide them a platform to interact and participate with a sense of belongingness and to know that their opinion/voice counts. One of the ways by which we measure engagement of our people is through "My Voice" a global survey completed by employees across the Group.

Respecting the work life balance of its employees, 5 working days in a week, crèche or child day care facilities well managed cafeteria, availability of 24 hours bank's doctor, 3 days paid employee volunteering leave are some of the initiatives that we have provided to our people.

From April 2017, the number of leave entitlement days pertaining to Maternity Leave, Paternity Leave and Adoption Leave have been increased to further ease the lives of working parents with 140 calendar days maternity leave, 2 calendar weeks paternity leave and 14

calendar days adoption leave. These initiatives help our people balance work and their career with their family responsibilities.

The Bank has tied up with Centre for Mental Health Counselling (CMC) Nepal for a workplace wellness program, Staff Emotional Wellbeing Enhancement Program (SEWEP) which has been well appreciated by our employee.

Throughout this fiscal year different types of engagement programs and activities were given momentum which allowed staff to showcase their talent out of their regular office work.

Retro Theme Staff Party: An annual staff engagement event a retro theme staff party was organized on December 17, 2016. The event saw a maximum level of staff participation with a total of 54 staff being awarded with long service award recognizing their 10, 15, 20, 25 and 30 years of their service with the Bank.

Pulse Session: With the objective to enhance engagement between the staff and senior leaders of the Bank proposes to establish a formal talk platform called – ‘Pulse sessions’ was rolled out and was held every month in 2016 facilitated successfully by each Senior Manager of the Bank. A total of 255 staff were covered.

Diversity & Inclusion(D&I): The Diversity & Inclusion Committee of the Bank organized various events to celebrate and mark various important dates and festivals in the year eg Teej, International Women’s Day, World Cultural Diversity Day.

D&I took the initiative for fund raising for charity through SCB Family Fun Fest which was successfully organized on November 5, 2016. It was a fun event with high level of

staff engagement with their family. Staff cooked and sold food, organized games and sold raffle tickets.



Anna Marrs, Regional CEO ASEAN & South Asia and CEO Commercial & Private Banking addressing the launch event of *Women Win @ Work (WWW)*, Standard Chartered Bank Nepal’s women’s Empowerment Network.

A key initiative under the Bank’s Diversity and Inclusion (D&I) agenda *Women Win @ Work* - Standard Chartered Bank Nepal Women’s Empowerment Network was launched on June 12, 2017.

Awards: Recognizing our efforts on development of our people, and their well being we were awarded the ‘Asia Best Employer Brand Awards 2016’ at the 7th edition of this Award, hosted by Employer Branding Institute (EBI), World HRD Congress and other strategic partners and endorsed by Asian Confederation of Businesses was organised on 4th August 2016 in Singapore.

The research on Best Employer Brand in each Country was done by a team of independent Asian Professionals consisting of Post Graduates in History & Management with over 7 years research experience and judged by senior leaders, researchers and academicians.

The winners were selected on the basis of their exemplary Learning & Development initiatives, communicating distinctiveness in Employee hiring; training and retention practices and continuous innovation.



Standard Chartered Bank Nepal runs an in-house Toastmasters Club for employees with an aim to hone their leadership and communications skills.

Branch Network

BIRATNAGAR BRANCH

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

BIRGUNJ BRANCH

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

BOUDHA BRANCH

Bhatbhateni premises (ground floor),
Chuchepati, Boudha ward no. 7,
Kathmandu, Nepal
Tel: +977-01- 4481819/22
Fax: +977-01-4481821

BUTWAL BRANCH

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

DHARAN BRANCH

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

LALITPUR BRANCH

P.O. Box 3990, Jawalakhel,
Lalitpur, Nepal
Tel: +977-10-55405/66
Fax No: +977-01-5523266

LAZIMPAT BRANCH

P.O. Box 3990, Lazimpat,
Kathmandu, Nepal
Tel: +977-01-4418456
Fax No: +977-01-4420727

NARAYANGARH BRANCH

Bhatbhateni premises (ground floor),
Bharatpur-10, Chitwan, Nepal.
Tel: +977-056-571277/78
Fax No: +977-056-571279

NAYA BANESHWORE BRANCH

P.O. Box 3990, Naya Baneshwore,
Kathmandu, Nepal
Tel: +977-01-4782333, 4783753
Fax No: +977-01- 4780762

NEPALGUNJ BRANCH

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

NEW ROAD BRANCH

Raina Basera, Basantapur Durbar
Square, New Road-23,
Kathmandu, Nepal
Tel: +977-01-4244406, 4244505,
4244124
Fax No: 01-4244961

POKHARA BRANCH

P.O. Box 08, New Road,
Pokhara, Nepal
Tel: +977-06-523875/76, 536231, 536230
Fax: +977-06-531676

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

ATM Network

KATHMANDU

Maharajgunj
Saleways Department Store

Boudha

Adjacent to the main
entrance gate of Boudhanath Stupa

Bhatbhateni premises

Standard Chartered Bank Nepal Limited

Durbar Marg

Hotel De'l Annapurna

Basantapur

Durbar Square, Raina Basera
Standard Chartered Bank Nepal Limited

Naya Baneshwore

Standard Chartered Bank Nepal Limited
Head Office

Thamel

Fire Club Building
Hot Bread Chowk, Chaksibari Marg

Kathmandu Guest House

Lazimpat

Standard Chartered Bank Nepal Limited

LALITPUR

Jawalakhel
Standard Chartered Bank Nepal Limited

UN House

Standard Chartered Bank Nepal Limited

Near UNDP Complex

Standard Chartered Bank Nepal Limited

BIRATNAGAR

Standard Chartered Bank Nepal Limited

BIRGUNJ

Standard Chartered Bank Nepal Limited

BUTWAL

Standard Chartered Bank Nepal Limited

DHARAN

Standard Chartered Bank Nepal Limited

B P Koirala Institute Of Health
Sciences (BPKIHS) premises

NARAYANGARH

Standard Chartered Bank Nepal Limited

POKHARA

New Road
Standard Chartered Bank Nepal Limited

Lakeside

Hallan Chowk, ATM Lounge, Centre Point

Trekkers lodge, Fishtail Gate

Auditor's Report

To the Shareholders of Standard Chartered Bank Nepal Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Standard Chartered Bank Nepal Limited which comprise the balance sheet as of July 15, 2017 (Ashadh 31, 2074) and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended and a significant accounting policies and other explanatory notes. These financial statements have been prepared by management in accordance with the financial reporting framework as specified by Nepal Rastra Bank.

Management's responsibility for the Financial Statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Nepal Standards 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 procedure to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, the auditor considers the internal control relevant to the entity'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 entity'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 opinion.

Opinion

In our opinion, the accompanying financial statements presents fairly, in all material respects, the financial position of Standard Chartered Bank Nepal Limited as at Ashadh 31,2074 (15 July, 2017) and its financial performance and its cash flows for the year then ended in accordance with the financial reporting framework as specified by Nepal Rastra Bank and Banks and Financial Institutions Act, 2073.

Basis of Accounting

Without modifying our opinion, we draw attention to point 4 of Significant Accounting Policies to the financial statements, which describes the basis of accounting. The financial statements are prepared as per financial reporting framework specified by Nepal Rastra Bank. As a result, the financial statements may not be suitable for another purpose.

Report on the requirements of Banks and Financial Institutions Act 2073 and Company Act 2063

We have obtained satisfactory information and explanations asked for, which to the best of our knowledge and belief were necessary for the purpose of our audit; the returns received from the branch offices of the bank, though the statements are independently not audited, were adequate for the purpose of the audit; the financial statements including the Balance Sheet, the Profit and Loss Account, the Cash flow Statement, Statement of Changes in Equity, and attached Schedules have been prepared in all material respect in accordance with financial reporting framework as specified by Nepal Rastra Bank, and they are in agreement with the books of accounts of the Bank; and the accounts and records of the Bank are properly maintained in accordance with the prevailing laws.

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

Other Matter

Standard Chartered Bank Nepal Limited has prepared a separate set of financial statements for the year ended July 15, 2017 in accordance with Nepal Financial Reporting Standards on which we issued a separate auditor's report to the shareholders of Standard Chartered Bank Nepal Limited dated December 08, 2017.

Date: December 08, 2017
Place: Kathmandu

Sunir Kumar Dhungel
Managing Partner
LDSA ASSOCIATES
Chartered Accountants

Balance Sheet

As at 15 July 2017 (31 Ashad 2074)

Capital & Liabilities	Schedule	This Year Rs.	Previous Year Rs.
1. Share Capital	4.1	8,011,430,667	3,749,901,333
2. Reserves and Funds	4.2	3,852,594,649	3,774,273,853
3. Debentures and Bonds	4.3	-	-
4. Loans and Borrowings	4.4	-	500,000,000
5. Deposit Liability	4.5	63,872,885,452	55,727,178,456
6. Bills Payables	4.6	76,659,624	310,183,573
7. Proposed Dividend		210,827,123	49,340,807
8. Income Tax Liability		-	-
9. Other Liabilities	4.7	1,384,200,179	1,074,854,457
Total Liabilities		77,408,597,693	65,185,732,479

Assets	Schedule	This Year Rs.	Previous Year Rs.
1. Cash Balance	4.8	811,609,528	799,366,056
2. Balance with Nepal Rastra Bank	4.9	7,067,997,124	1,514,671,384
3. Balance with Banks/Financial Institutions	4.10	1,048,695,313	1,658,294,743
4. Money at Call and Short Notice	4.11	12,623,564,000	6,069,660,000
5. Investments	4.12	15,632,025,143	23,094,621,556
6. Loans, Advances and Bills Purchased	4.13	39,263,690,286	31,302,949,596
7. Fixed Assets	4.14	102,917,965	71,306,083
8. Non-Banking Assets	4.15	-	-
9. Other Assets	4.16	858,098,333	674,863,061
Total Assets		77,408,597,693	65,185,732,479

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

Jitender Arora
Chairman

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

Mana B Rai
Director

Krishna Kumar Pradhan
Director

Date: 8th December 2017 | Place: Kathmandu

Profit and Loss Account

for the period 16 July 2016 to 15 July 2017 (1 Shrawan 2073 to 31 Ashadh 2074)

Particulars	Schedule	This Year Rs.	Previous Year Rs
1. Interest Income	4.18	3,060,619,093	2,415,582,668
2. Interest Expenses	4.19	863,459,635	565,704,649
Net Interest Income		2,197,159,458	1,849,878,019
3. Commission and Discount	4.20	489,269,316	357,519,713
4. Other Operating Incomes	4.21	51,978,659	48,095,736
5. Exchange Fluctuation Income	4.22	610,568,563	629,555,473
Total Operating Income		3,348,975,995	2,885,048,940
6. Staff Expenses	4.23	548,555,543	488,289,822
7. Other Operating Expenses	4.24	512,849,162	434,759,691
8. Exchange Fluctuation Loss	4.22	-	-
Operating Profit Before Provision for Possible Loss		2,287,571,290	1,961,999,428
9. Provision for Possible Losses	4.25	301,728,548	260,751,090
Operating Profit		1,985,842,742	1,701,248,338
10. Non-Operating Income/ (Loss)	4.26	8,113,260	37,852,982
11. Provision for Possible Loss Written Back	4.27	229,977,923	257,973,683
Profit from Ordinary Activities		2,223,933,925	1,997,075,003
12. Income/(Expenses) from Extra Ordinary Activities	4.28	8,055,204	1,787,396
Net Profit after considering all Activities		2,231,989,129	1,998,862,399
13. Provision for Staff Bonus		202,908,103	181,714,764
14. Provision for Income Tax		607,484,890	524,653,003
- Current Year's Tax Provision		595,512,262	502,475,497
- Upto Previous Year's Tax Provision		-	856,419
- Current Year's Deferred Tax Income/Expenses		11,972,628	21,321,087
Net Profit/Loss		1,421,596,136	1,292,494,632

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

Jitender Arora
Chairman

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

Mana B Rai
Director

Krishna Kumar Pradhan
Director

Date: 8th December 2017 | Place: Kathmandu

Profit and Loss Appropriation Account

for the period 16 July 2016 to 15 July 2017 (1 Shrawan 2073 to 31 Ashadh 2074)

Particulars	Schedule	This Year Rs.	Previous Year Rs.
Income			
1. Accumulated Profit up to Previous Year		115,368,464	32,606,508
2. Adjustment to Opening Reserve			
3. This Year's Profit		1,421,596,136	1,292,494,632
4. Share Premium		3,044,186,600	
5. Exchange Fluctuation Fund		-	-
6. Deferred tax		17,818,848	89,556,937
7. Actuarial Gain/(Losses)		(59,396,160)	880,000
8. First Time adoption of NFRS		-	(25,231,350)
9. Deferred Tax Previous Year		-	(264,000)
Total		4,539,573,888	1,390,042,728
Expenses			
1. Accumulated Loss up to Previous Year		-	-
2. Current Year's Loss		-	-
3. General Reserve Fund		284,319,227	258,498,926
4. Contingent Reserve		-	-
5. Institutional Development Fund		-	-
6. Dividend Equalisation Fund		-	-
7. Employees Related Reserves		-	-
8. Proposed Dividend		210,827,123	49,340,807
9. Proposed Issue of Bonus Shares		4,005,715,333	937,475,333
10. Special Reserve Fund		-	-
11. Exchange Fluctuation Fund		24,582,829	29,357,997
12. Capital Redemption Reserve Fund		-	-
13. Capital Adjustment Fund		-	-
14. Deferred Tax Reserve			
15. Investment Adjustment Reserve		4,343,006	1,200
Total		4,529,787,518	1,274,674,264
Accumulated Profit/(Loss)		9,786,370	115,368,464

As per our report of even date

Suraj Lamichhane
Financial Controller

Joseph Silvanus
CEO & Director

Jitender Arora
Chairman

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

Mana B Rai
Director

Krishna Kumar Pradhan
Director

Date: 8th December 2017 | Place: Kathmandu

Statement of Changes in Equity

Financial Year 2073/74 (FY 2016/17)

Particulars	Share Capital	Accumulated Profit	General Reserve	Capital Reserve Fund	Share Premium	Exchange Fluctuation Fund	Investment Adjustment Reserve	Other Reserve & Fund	Total Rs.
Opening Balance as at 16 July 2016	3,749,901,333	115,368,464	2,897,528,788	-	-	413,839,141	347,537,460	-	7,524,175,186
Adjustments	-	-	-	-	-	-	-	-	-
Restated Balance as at 16 July 2016	3,749,901,333	115,368,464	2,897,528,788	-	-	413,839,141	347,537,460	-	7,524,175,186
Surplus/ Deficit on revaluation of properties	-	-	-	-	-	-	-	-	-
Surplus/ Deficit on revaluation of investments	-	-	-	-	-	-	-	-	-
Net Profit for the Period	-	1,421,596,136	-	-	-	-	-	-	1,421,596,136
First Time Adoption of NFRS	-	-	-	-	-	-	-	-	-
Actuarial Gains/(Losses)	-	(59,396,160)	-	-	-	-	-	-	(59,396,160)
Deferred Tax Through OCI	-	17,818,848	-	-	-	-	-	-	17,818,848
Transfer to General Reserve	-	(284,319,227)	284,319,227	-	-	-	-	-	-
Proposed Dividend	-	(210,827,123)	-	-	-	-	-	-	(210,827,123)
Issue of Bonus Share	-	-	-	-	-	-	-	-	-
Proposed Issue of Bonus Shares	4,005,715,333	(4,005,715,333)	-	-	-	-	-	-	-
Issue of Share Capital	255,814,000	3,044,186,600	-	-	-	-	-	-	3,300,000,600
Exchange Fluctuation Fund	-	(24,582,829)	-	-	-	24,582,829	-	-	-
Deferred Tax Reserve	-	-	-	-	-	-	-	-	-
Investment Adjustment Reserve	-	(4,343,006)	-	-	-	-	(124,999,167)	-	(129,342,173)
Closing Balance as on 15 July 2017	8,011,430,667	9,786,370	3,181,848,015	-	-	438,421,970	222,538,293	-	11,864,025,315

Cash Flow Statement

for the period 16 July 2016 to 15 July 2017 (1 Shrawan 2073 to 31 Ashadh 2074)

Particulars	This Year Rs.	Previous Year Rs.
(A) Cash Flow from Operating Activities	(6,231,713,766)	2,865,532,070
1. Cash Receipts	4,217,967,265	3,471,731,701
1.1 Interest Income	3,066,314,015	2,398,116,214
1.2 Commission and Discount Income	481,050,825	378,075,401
1.3 Income from Foreign Exchange Transaction	610,568,563	629,555,473
1.4 Recovery of Loan Written Off	8,055,204	10,295,392
1.5 Other Income	51,978,659	55,689,220
2. Cash Payments	2,421,685,310	2,291,350,756
2.1 Interest Expenses	632,115,151	574,162,356
2.2 Staff Expenses	741,482,555	763,897,562
2.3 Office Operating Expenses	452,450,189	411,989,576
2.4 Income tax Payment	595,637,415	541,301,262
2.5 Other Expenses	-	-
Cash Flow before Changes in Working Capital	1,796,281,955	1,180,380,945
Decrease/ (Increase) of Current Assets	(15,471,415,729)	2,570,405,371
1. Decrease / (Increase) in Money at Call and Short Notice	(6,553,904,000)	5,903,886,000
2. Decrease / (Increase) in Short-term Investment	-	-
3. Decrease / (Increase) in Loan and Bills Purchase	(8,032,491,317)	(3,676,089,573)
4. Decrease / (Increase) in Other Assets	(234,689,365)	(113,645,057)
5. Decrease / (Increase) in Restricted Balance (CRR)	(650,331,047)	456,254,000
(Decrease) / Increase of Current Liabilities	7,443,420,008	(885,254,246)
1. (Decrease) / Increase in Deposits	8,145,706,997	(1,559,303,581)
2. (Decrease) / Increase in Certificate of Deposits	-	-
3. (Decrease) / Increase in Short Term Borrowings	(500,000,000)	500,000,000
4. (Decrease) / Increase in Other Liabilities	(202,286,989)	174,049,335
(B) Cash Flow from Investment Activities	7,370,940,369	(9,651,986,366)
1. Decrease/ (Increase) in Long term Investment	7,330,279,533	(9,767,215,941)
2. Decrease/ (Increase) in Fixed assets	(56,737,674)	12,779,819
3. Interest Income from Long Term Investment	90,462,290	93,077,074
4. Dividend Income	6,936,220	9,372,682
5. Others	-	-
(C) Cash Flow from Financing Activities	3,166,412,134	(357,401,449)
1. Increase/ (Decrease) in Long term Borrowings (Bond, Debenture etc)	-	-
2. Increase / (Decrease) in Share Capital	3,300,000,600	2,224,500
3. Increase / (Decrease) in Other Liability	-	-
4. Increase / (Decrease) in Refinance /Facilities received from Nepal Rastra Bank	-	-
5. Dividend paid to ordinary shareholders net of scrip	(133,588,466)	(359,625,949)
(D) Income/Expense from change in exchange rate in Cash and Bank Balance	-	-
(E) Current year's cash flow from all activities	4,305,638,736	(7,143,855,745)
(F) Opening Cash and Bank Balance	2,067,287,183	9,211,142,928
(G) Closing Cash and Bank Balance	6,372,925,919	2,067,287,183
Cash At Vault	811,609,528	799,366,056
Balances at Nepal Rastra Bank	7,067,997,124	1,514,671,384
Balances with Banks	1,048,695,313	1,658,294,743
Less Restricted Balances (CRR maintain at NRB)	(2,555,376,047)	(1,905,045,000)
Net Closing Cash and Bank Balances	6,372,925,919	2,067,287,183

As per our report of even date

Suraj Lamichhane
Financial Controller

Joseph Silvanus
CEO & Director

Jitender Arora
Chairman

CA. Sunir K Dhungel
Partner

For and on behalf of LDSA Associates.
Chartered Accountants

Mana B Rai
Director

Krishna Kumar Pradhan
Director

Date: 8th December 2017 | Place: Kathmandu

Schedule 4.1:

Share Capital and Ownership

As at 15 July 2017 (31 Ashad 2074)

Particulars	This year Rs.	Previous Year Rs.
1. Share Capital		
1.1 Authorised Capital	8,000,000,000	4,000,000,000
A) 80,000,000 Ordinary Shares of Rs. 100 each	8,000,000,000	4,000,000,000
40,000,000 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	4,005,715,333	2,812,426,000
A) 40,057,153 Ordinary Shares of Rs. 100 each	4,005,715,333	2,812,426,000
28,124,260 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	4,005,715,333	2,812,426,000
A) 40,057,153 Ordinary Shares of Rs. 100 each	4,005,715,333	2,812,426,000
28,124,260 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	4,005,715,333	937,475,333
1.5 Calls in Advance	-	-
1.6 Total	8,011,430,667	3,749,901,333

Share Ownership Details	This Year		Previous Year	
	%	Share Capital	%	Share Capital
1. Domestic Ownership	29.79	1,193,289,333	25.00	703,106,500
1.1 Government of Nepal	-	-	-	-
1.2 "Ka" Class Licensed Institutions	-	-	-	-
1.3 Other Licensed Institutions	-	-	-	-
1.4 Other Entities	1.04	41,764,466	0.64	18,123,500
1.5 Individuals	28.75	1,151,524,867	24.36	684,983,000
1.6 Others	-	-	-	-
2. Foreign Ownership	70.21	2,812,426,000	75.00	2,109,319,500
Total	100.00	4,005,715,333	100.00	2,812,426,000

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

S.N.	Name of the Shareholders	Number of Shares Held	% of Total Shares	Amount Rs.
1	Standard Chartered Grindlays Ltd, Sydney, Australia	18,749,507	46.81	1,874,950,667
2	Standard Chartered Bank, London, UK	9,374,753	23.40	937,475,333
3	Priyanka Agrawal	280,729	0.70	28,072,900
4	Avinash Agrawal	280,729	0.70	28,072,900
5	Komal Agrawal	280,729	0.70	28,072,900
6	Sashi Agrawal	280,729	0.70	28,072,900
7	Shankar Lall Agrawal	280,729	0.70	28,072,900

Schedule 4.2:

Reserves and Funds

As at 15 July, 2017 (31 Ashad 2074)

Particulars	This Year Rs.	Previous Year Rs.
1. General Reserve Fund	3,181,848,015	2,897,528,788
2. Capital Reserve Fund	-	-
3. Capital Redemption Reserve	-	-
4. Capital Adjustment Fund	-	-
5. Other Reserves and Funds	222,538,293	347,537,460
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	-	-
5.7. Other Free Reserves	-	-
5.8. Other Reserves	222,538,293	347,537,460
6. Accumulated Profit/ (Loss)	9,786,370	115,368,464
7. Exchange Fluctuation Fund	438,421,970	413,839,141
Total	3,852,594,649	3,774,273,853

Schedule 4.3:

Debentures and Bonds

As at 15 July, 2017 (31 Ashad 2074)

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 15 July, 2017 (31 Ashad 2074)

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	-	500,000,000
5. Other Institutions	-	-
6. Others	-	-
Total A	-	500,000,000
B. Foreign		
1. Banks	-	-
2. Others	-	-
Total B	-	-
Total (A+B)	-	500,000,000

Schedule 4.5:

Deposit Accounts

As at 15 July, 2017 (31 Ashad 2074)

Particulars	This Year Rs.	Previous Year Rs.
1. Non-Interest Bearing Accounts		
A. CURRENT DEPOSITS	12,422,300,151	13,690,280,642
1. Local Currency	8,507,052,940	9,103,897,871
1.1 Government of Nepal	194,507,586	203,664,328
1.2 "Ka" Class Licensed Institutions	59,381,851	154,337,632
1.3 Other Licensed Institutions	3,420,216	2,524,040
1.4 Other Organised Institutions	7,790,040,775	8,211,445,593
1.5 Individuals	318,523,644	385,562,560
1.6 Others	141,178,868	146,363,718
2. Foreign Currency	3,915,247,211	4,586,382,771
2.1 Government of Nepal	56,244,473	467,924,066
2.2 "Ka" Class Licensed Institutions	8,659,438	13,614,712
2.3 Other Licensed Institutions	-	-
2.4 Other Organised Institutions	3,697,400,546	3,855,225,055
2.5 Individuals	136,050,849	160,429,121
2.6 Others	16,891,904	89,189,817
B. MARGIN DEPOSITS	794,854,713	582,880,062
1. Employees Guarantee	-	-
2. Guarantee Margin	448,409,219	437,131,851
3. Letter of Credit Margin	178,021,317	127,454,541
4. Others	168,424,177	18,293,670
C. OTHERS	-	-
1. Local Currency	-	-
1.1 Financial Institutions	-	-
1.2 Other Organised Institutions	-	-
1.3 Individuals	-	-
2. Foreign Currency	-	-
2.1 Financial Institutions	-	-
2.2 Other Organised Institutions	-	-
2.3 Individuals	-	-
Total of Non-Interest Bearing Accounts	13,217,154,864	14,273,160,704

Schedule 4.5:

Deposit Accounts (Continued)

As at 15 July, 2017 (31 Ashad 2074)

Particulars	This Year Rs.	Previous Year Rs.
2. Interest Bearing Accounts		
A. SAVING DEPOSITS	22,797,492,438	26,911,357,484
1. Local Currency	19,634,190,592	23,293,232,532
1.1 Organised Institutions	1,598,746,054	2,455,663,281
1.2 Individuals	18,035,430,508	20,837,555,340
1.3 Others	14,030	13,911
2. Foreign Currency	3,163,301,846	3,618,124,952
2.1 Organised Institutions	243,967,449	286,576,898
2.2 Individuals	2,919,334,397	3,331,548,054
2.3 Others	-	-
B. FIXED DEPOSITS	23,096,964,142	3,214,055,415
1. Local Currency	11,690,109,900	2,479,053,693
1.1 Organised Institutions	7,754,084,690	1,136,167,556
1.2 Individuals	3,936,025,209	1,342,886,137
1.3 Others	-	-
2. Foreign Currency	11,406,854,242	735,001,722
2.1 Organised Institutions	11,248,696,989	710,182,985
2.2 Individuals	158,157,254	24,818,737
2.3 Others	-	-
C. CALL DEPOSITS	4,761,274,008	11,328,604,853
1. Local Currency	2,752,211,687	2,518,254,837
1.1 Government of Nepal	23,155,031	23,392,324
1.2 Other Licensed Institutions	276	3,494,048
1.3 Other Organised Institutions	2,695,016,665	2,433,497,447
1.4 Individuals	32,019,220	55,993,764
1.5 Others	2,020,496	1,877,254
2. Foreign Currency	2,009,062,321	8,810,350,016
2.1 "Ka" Class Licensed Institutions	428,214,825	-
2.2 Other Licensed Institutions	-	-
2.3 Other Organised Institutions	1,580,847,495	8,810,350,016
2.4 Individuals	-	-
2.5 Others	-	-
D. CERTIFICATE OF DEPOSITS	-	-
1. Organised Institutions	-	-
2. Individuals	-	-
3. Others	-	-
Total of Interest Bearing Accounts	50,655,730,588	41,454,017,752
Total Deposits (1+2)	63,872,885,452	55,727,178,456

Schedule 4.6:**Bills Payable**

As at 15 July, 2017 (31 Ashad 2074)

Particulars	This Year Rs.	Previous Year Rs.
1. Local Currency	48,323,986	269,573,409
2. Foreign Currency	28,335,638	40,610,164
Total	76,659,624	310,183,573

Schedule 4.7:**Other Liabilities**

As at 15 July, 2017 (31 Ashad 2074)

Particulars	This Year Rs.	Previous Year Rs.
1. Pension/Gratuity Fund	3,259,159	14,471,407
2. Employees Provident Fund	-	-
3. Employees Welfare Fund	-	-
4. Provision for Staff Bonus	202,908,101	181,714,762
5. Interest Payable on Deposits	289,319,761	60,908,204
6. Interest Payable on Borrowings	-	41,780
7. Unearned Discount and Commission	189,671,475	159,158,220
8. Sundry Creditors	394,861,291	360,740,199
9. Branch Adjustment Account	-	-
10. Deferred Tax Liability		
11. Dividend Payable	55,906,752	140,154,411
12. Others	248,273,640	157,665,473
a) Audit Fees Payable	2,050,000	2,050,000
b) Others	246,223,640	155,615,473
Total	1,384,200,179	1,074,854,457

Schedule 4.8:**Cash Balance**

As at 15 July, 2017 (31 Ashad 2074)

Particulars	This Year Rs.	Previous Year Rs.
1. Local Currency (including coins)	758,103,007	752,853,889
2. Foreign Currency	53,506,521	46,512,167
Total	811,609,528	799,366,056

Schedule 4.9:

Balance with Nepal Rastra Bank

As at 15 July, 2017 (31 Ashad 2074)

Particulars	Local Currency Rs.	Foreign Currency Rs.			Grand Total Rs.	Previous Year Rs.
		INR	Convertible Foreign Currency	Total		
1. Nepal Rastra Bank	7,032,487,555	-	35,509,570	35,509,570	7,067,997,124	1,514,671,384
a) Current A/C	7,032,487,555	-	35,509,570	35,509,570	7,067,997,124	1,514,671,384
b) Other A/C	-	-	-	-	-	-

Schedule 4.10:

Balance with Banks / Financial Institutions

As at 15 July, 2017 (31 Ashad 2074)

Particulars	Local Currency Rs.	Foreign Currency (Rs.)			Grand Total Rs.	Previous Year Rs.
		INR	Convertible Foreign Currency	Total		
1. Local Licensed Institutions	49,752,997	-	-	-	49,752,997	47,614,290
a. Current Account	49,752,997	-	-	-	49,752,997	47,614,290
b. Other Account	-	-	-	-	-	-
2. Foreign Banks	-	373,644,279	625,298,037	998,942,316	998,942,316	1,610,680,453
a. Current Account	-	373,644,279	625,298,037	998,942,316	998,942,316	1,610,680,453
b. Other Account	-	-	-	-	-	-
Total	49,752,997	373,644,279	625,298,037	998,942,316	1,048,695,313	1,658,294,743

Note: Balance as per the confirmation and statement received from respective banks is NPR Rs 1,219,601,879 and the differences have been reconciled.

Schedule 4.11:

Money at Call and Short Notice

As at 15 July, 2017 (31 Ashad 2074)

Particulars	This Year Rs.	Previous Year Rs.
1. Local Currency	-	-
2. Foreign Currency	12,623,564,000	6,069,660,000
Total	12,623,564,000	6,069,660,000

Schedule 4.12:

Investments

As at 15 July, 2017 (31 Ashad 2074)

Particulars	Purpose		This Year Rs.	Previous Year Rs.
	Trading	Other		
1. Government of Nepal Treasury Bills	-	4,280,892,441	4,280,892,441	7,021,721,973
2. Government of Nepal Saving Bonds	-	-	-	-
3. Government of Nepal Other Securities	-	256,646,915	256,646,915	259,621,622
4. Nepal Rastra Bank Bonds	-	-	-	2,530,000,000
5. Foreign Securities	-	-	-	-
6. Local Licensed Institutions	-	-	-	-
7. Foreign Banks	-	10,318,000,000	10,318,000,000	12,880,800,000
8. Corporate Shares	-	273,135,788	273,135,788	402,477,960
9. Corporate Debenture and Bonds	-	-	-	-
10. Other Investments	-	503,350,000	503,350,000	-
Total Investments	-	15,632,025,143	15,632,025,143	23,094,621,556
Provision		-	-	-
Net Investments	-	15,632,025,143	15,632,025,143	23,094,621,556

Schedule 4.12(A):

Investment in Shares, Debentures and Bonds

As at 15 July, 2017 (31 Ashad 2074)

Particulars	Cost Price Rs.	As per Market Price Rs.	Provision Amount Rs.	This Year Rs.	Previous Year Rs.
1. Investment in Shares	55,985,500	-	-	273,135,788	402,477,960
1.1 Nepal Grameen Bikas Bank Ltd. 600 Ordinary Shares of Rs.100 each fully paid up	60,000	373 NA (Note - 1, 2,4)		223,800	324,000
1.3 Rural Micro Finance Development Centre Ltd. 694,649 Ordinary Shares of Rs.100 each fully paid up (including 172,749 bonus shares fully paid up)	52,190,000	388 NA (Note - 4)	-	269,176,488	398,418,460
1.4 Credit Information Centre Ltd. 54,899 Ordinary Shares of Rs.100 each fully paid up (including 42,544 bonus shares fully paid up)	1,235,500	100 NA (Note - 3)	-	1,235,500	1,235,500
1.5 Nepal Clearing House Ltd. 25,000 Ordinary Shares of Rs. 100 each fully paid up	2,500,000	100 NA (Note - 3)	-	2,500,000	2,500,000
2. Investment in Debentures and Bonds	-	-	-	-	-
Total Investment	55,985,500	-	-	273,135,788	402,477,960
3. Provision for Loss					
3.1 Upto Previous year					
3.2 Increase/Decrease this Year					
Total Provision	-				-
Net Investments	55,985,500				

NOTE:

1. Nepal Grameen Bikas Bank has not distributed dividends in the last three years.
2. 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 issued to the Bank in exchange of 30,000 shares of both the Bikas banks.
3. Shares of Credit Information Centre Ltd and Nepal Clearing House Ltd are not listed at the Nepal Stock Exchange Ltd (NEPSE).
4. Promoter shares are not traded in the stock exchange, thus the market value of these shares are taken as 50% of Market Price as per Level 2 Input of IAS 39.

Schedule 4.12.1:

Business Investment (Held For Trading)

As at 15 July, 2017 (31 Ashad 2074)

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	4,280,892,441	-	-	-	-	
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	4,280,892,441	-	-	-	-	

Schedule 4.12.2:

Investment Held To Maturity

As at 15 July, 2017 (31 Ashad 2074)

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	-	-	-	-	-	
2. Nepal Government's Saving Bonds	-	-	-	-	-	
3. Nepal Government's Other Securities	256,646,915	-	-	-	-	
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)	10,318,000,000	-	-	-	-	
10. Other Investments	503,350,000	-	-	-	-	
Total	11,077,996,915	-	-	-	-	

Schedule 4.12.3:

Business Investment (Available For Sale)

As at 15 July, 2017 (31 Ashad 2074)

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	52,250,000	398,742,460	269,400,288	(129,342,173)	210,668,460	
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	55,985,500	402,477,960	273,135,788	(129,342,173)	210,668,460	

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 15 July, 2017 (31 Ashad 2074)

Particulars	Loans & Advances				Bills Purchased and Discounted					Previous Year Rs.
	Domestic			Foreign Rs.	Total Rs.	Domes- tic Rs.	Foreign Rs.	Total Rs.		
	Deprived Sector		Other Rs.							
	Insured Rs.	Uninsured Rs.								
1. Performing Loans	-	1,747,990,549	37,587,722,291	219,108,547	39,554,821,387	-	98,294,461	98,294,461	39,653,115,849	31,595,525,093
1.1 Pass		1,747,990,549	37,202,178,751	219,108,547	39,169,277,848		98,294,461	98,294,461	39,267,572,309	31,022,251,728
1.2 Watch list	-		385,543,540	-	385,543,540	-	-	-	385,543,540	573,273,365
2. Non-Performing Loans	-	-	76,720,052	-	76,720,052	-	-	-	76,720,052	101,819,490
2.1 Restructured/Rescheduled			-		-		-	-	-	-
2.2 Substandard			22,631,453		22,631,453		-	-	22,631,453	42,775,468
2.3 Doubtful			11,107,496		11,107,496		-	-	11,107,496	18,591,570
2.4 Loss			42,981,103		42,981,103		-	-	42,981,103	40,452,452
(A) Total Loans	-	1,747,990,549	37,664,442,342	219,108,547	39,631,541,439	-	98,294,461	98,294,461	39,729,835,900	31,697,344,583
3. Loan Loss Provision										
3.1 Pass		17,479,905	372,021,788	2,191,085	391,692,778	-	982,945	982,945	392,675,723	310,182,546
3.2 Watch list		-	19,277,177	-	19,277,177		-	-	19,277,177	23,770,337
3.3 Rescheduled/ Restructured					-		-	-	-	-
3.4 Substandard			5,657,863		5,657,863		-	-	5,657,863	10,693,867
3.5 Doubtful			5,553,748		5,553,748		-	-	5,553,748	9,295,785
3.6 Loss			42,981,103		42,981,103		-	-	42,981,103	40,452,452
(B) Total Provision	-	17,479,905	445,491,679	2,191,085	465,162,670	-	982,945	982,945	466,145,614	394,394,987
4. Provision up to Previous Year										
4.1 Pass		14,981,339	295,670,074	364,797	311,016,210	-	5,739	5,739	311,021,949	276,427,999
4.2 Watch list		-	22,930,935	-	22,930,935		-	-	22,930,935	10,545,405
4.3 Rescheduled/Restructured loan					-		-	-	-	-
4.4. Substandard			10,693,867		10,693,867		-	-	10,693,867	12,056,216
4.5 Doubtful			9,295,785		9,295,785		-	-	9,295,785	3,064,960
4.6 Loss			40,452,454		40,452,454		-	-	40,452,454	40,415,171
(C) Total Provision upto Previous Year	-	14,981,339	379,043,114	364,797	394,389,250	-	5,739	5,739	394,394,989	342,509,751
(D) Previous Year's Provision written back		13,201,434	213,984,480	2,788,120	229,974,033		3,890	3,890	229,977,923	203,712,692
(E) This Year's additional provision		15,700,000	283,127,012	2,901,536	301,728,548		-	-	301,728,548	255,597,928
Net Adjustments for the Year	-	2,498,566	66,448,565	1,826,289	70,773,420	-	977,206	977,206	71,750,625	51,885,236
Net Loan (A-B)	-	1,730,510,644	37,218,950,664	216,917,462	39,166,378,769	-	97,311,517	97,311,517	39,263,690,286	31,302,949,596

Schedule 4.13(A):

Securities Against Loan, Advance and Bills Purchased

As at 15 July, 2017 (31 Ashad 2074)

Particulars	This Year Rs.	Previous Year Rs.
(A) Secured	39,729,835,900	31,697,344,584
1. Movable / Immovable Assets	34,364,823,326	26,602,937,814
2. Guarantee of Local Licensed Institutions	-	-
3. Government Guarantee	138,807,033	138,807,033
4. Guarantee of Internationally Rated Banks	1,603,893,094	1,737,054,048
5. Export Documents	-	-
6. Fixed Deposit Receipts	381,016,330	410,959,409
(a) Own Fixed Deposit Receipts	41,244,730	24,576,997
(b) Fixed Deposit Receipts of Other Licensed Institutions	339,771,601	386,382,412
7. Government Securities/ Bonds	-	-
8. Counter Guarantee	-	-
9. Personal Guarantee	-	-
10. Other Securities	3,241,296,117	2,807,586,280
(B) Unsecured	-	-
Total	39,729,835,900	31,697,344,584

Schedule 4.14: Fixed Assets

As at 15 July, 2017 (31 Ashad 2074)

Particulars	Assets					This Year Rs.	Previous Year Rs.
	Freehold and Buildings Rs.	Vehicles Rs.	Machinery Rs.	Office Equipment Rs.	Other Leasehold Assets Rs.		
1. Cost							
a. Balance upto Previous Year		58,867,417	-	243,012,182	88,959,478	390,839,077	422,842,984
b. Addition this year	-	8,895,000	-	19,483,629	26,294,029	54,672,658	10,539,571
c. Revaluation/ Written-back this year	-	-	-	-	-	-	-
d. Sold this year		(4,934,900)	-	(23,658,188)	(5,521,636)	(34,114,724)	(42,543,477)
e. Written-off this year	-			-		-	-
Total Cost (a+b+c+d+e)	-	62,827,517	-	238,837,623	109,731,872	411,397,011	390,839,078
2. Depreciation							
a. Upto Previous Year		55,607,417	-	218,313,681	67,181,248	341,102,346	348,529,643
b. For this Year		3,591,792	-	14,084,632	8,601,459	26,277,882	20,463,281
c. Depreciation on Revaluation / Written-back	-	-	-				
d. Depreciation adjustment/ write back		(4,934,900)	-	(23,658,188)	(4,069,596)	(32,662,684)	(27,890,577)
Total Depreciation (a+b+c+d)	-	54,264,309	-	208,740,125	71,713,111	334,717,544	341,102,347
3. Book Value (WDV)* (1-2)	-	8,563,209	-	30,097,498	38,018,761	76,679,467	49,736,730
4. Land						-	
5. Capital Work in Progress		-	-		26,238,498	26,238,498	21,569,353
(To be Capitalised)							
6. Leasehold Assets	-	-	-	-	-	-	-
Total (3+4+5+6)	-	8,563,209	-	30,097,498	64,257,259	102,917,965	71,306,083

*Written Down Value

Schedule 4.15:

Non-Banking Assets

As at 15 July, 2017 (31 Ashad 2074)

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 15 July, 2017 (31 Ashad 2074)

Particulars		This Year Rs.	Previous Year Rs.
1. Stock of Stationery		-	-
2. Income Receivable on Investments		62,654,227	54,041,574
3. Accrued Interest on Loan	179,351,558	12,609,152	117,379,017
Less: Interest Suspense Amount	(166,742,406)		(117,379,017)
4. Commission Receivable		115,198,319	76,466,574
5. Sundry Debtors		74,394,172	25,084,300
6. Staff Loan and Advances		458,628,153	314,118,765
7. Prepayments		24,110,308	22,087,788
8. Cash in Transit		-	-
9. Other Transit Items (Including Cheques)		-	-
10. Drafts Paid without Notice		-	-
11. Expenses Not Written-off			
12. Branch Adjustment Account		-	-
13. Deferred Tax Assets		83,726,403	77,880,183
14. Others		26,777,599	105,183,877
a) Advance Income Tax (net of Provision)	18,415,563		55,931,538
b) Others	8,362,036		49,252,339
Total		858,098,333	674,863,061

Schedule 4.16(A):

Other Assets (Additional Statement)

As at 15 July, 2017 (31 Ashad 2074)

Particulars	This Year (Rs.)				Previous Year Rs.
	Up to 1 Year	1 to 3 Years	Above 3 Years	Total	
1. Accrued Interest on Loans and Advances	179,351,558	-	-	179,351,558	117,379,017
2. Drafts Paid without Notice	-	-	-	-	-
3. Branch Adjustment Account	-	-	-	-	-
4. Local/Foreign Agency Account	-	-	-	-	-

Schedule 4.17:

Contingent Liabilities

As at 15 July, 2017 (31 Ashad 2074)

Particulars	This Year Rs.	Previous Year Rs.
1. Claims on Bank but not Acknowledged as Liabilities by the Bank		2,000,000
2. Letters of Credit (Full amount)	2,282,628,247	2,458,814,600
(a) Maturity period of less than 6 months	2,197,811,299	2,366,418,274
(b) Maturity period of more than 6 months	84,816,948	92,396,326
3. Rediscounted Bills	-	-
4. Unmatured Guarantees/Bonds	1,822,331,312	1,079,877,816
(a) Bid Bonds	530,388,617	43,637,500
(b) Performance Bonds	799,950,220	565,123,676
(c) Other Guarantee/Bonds	491,992,475	471,116,640
5. Unpaid amount on Investment in Shares	-	-
6. Outstanding Liabilities of Forward Exchange Contracts	2,376,477,206	2,226,620,057
7. Bills for Collection	1,173,476,647	756,880,383
8. Acceptance and Endorsements	729,589,385	331,057,625
9. Underwriting Commitment	-	-
10. Irrevocable Loan Commitments	6,591,130,889	6,698,707,078
11. Guarantee against Counter Guarantee of Internationally Rated Banks	11,075,996,648	11,080,380,603
12. Advance Payment Guarantee	28,697,944	22,164,388
13. Financial Guarantee	26,701,500	41,500,000
14. Contingent Liabilities on Income Tax	-	-
15. Others	788,640,415	550,902,660
Total	26,895,670,192	25,248,905,210

Schedule 4.18:

Interest Income

for the period 16 July 2016 to 15 July 2017 (1 Shrawan 2073 to 31 Ashad 2074)

Particulars	This Year Rs.	Previous Year Rs.
A. On Loan, Advances and Overdraft	2,700,067,209	2,173,091,628
1. Loan and Advances	2,297,233,411	1,887,976,410
2. Overdrafts	402,833,798	285,115,218
B. On Investment	90,462,290	93,415,293
1. Government of Nepal Securities	90,462,290	93,077,074
a. Treasury Bills	63,780,700	76,186,822
b. Development Bonds	26,681,590	16,890,252
c. National Savings Certificates	-	-
2. Foreign Securities	-	-
3. Nepal Rastra Bank Bonds	-	338,219
4. Debenture and Bonds	-	-
5. Interest on Inter bank Investment	-	-
a. Financial Institutions	-	-
b. Other Organisations	-	-
C. On Agency Balances	2,549,850	1,305,659
1. Local Banks / Financial Institutions	-	-
2. Foreign Banks	2,549,850	1,305,659
D. On Money at Call and Short Notice	78,045,486	28,509,350
1. Local Banks / Financial Institutions	-	-
2. Foreign Banks	78,045,486	28,509,350
E. On Others	189,494,258	119,260,738
1. Certificate of Deposits	-	-
2. Inter-Bank / Financial Institution Loan	1,255,509	24,268,546
3. Placement with Foreign Banks	186,886,455	94,450,263
4. Others	1,352,294	541,929
Total	3,060,619,093	2,415,582,668

Schedule 4.19:

Interest Expenses

for the period 16 July 2016 to 15 July 2017 (1 Shrawan 2073 to 31 Ashad 2074)

Particulars	This Year Rs.	Previous Year Rs.
A. On Deposit Liabilities	858,605,387	561,332,428
1. Fixed Deposits	438,355,056	125,144,917
1.1. Local Currency	421,850,661	123,756,674
1.2. Foreign Currency	16,504,395	1,388,243
2. Savings Deposits	297,807,779	329,796,092
2.1. Local Currency	292,797,845	324,560,503
2.2. Foreign Currency	5,009,933	5,235,589
3. Call Deposits	122,442,553	106,391,419
3.1. Local Currency	107,228,059	105,415,660
3.2. Foreign Currency	15,214,494	975,759
4. Certificate of Deposits	-	-
B. On Borrowings	1,447,740	63,014
1. Debentures and Bonds	-	-
2. Loans from Nepal Rastra Bank	-	-
3. Inter Bank /Financial Institutions Borrowings	1,447,740	63,014
4. Other Institutions	-	-
5. Other Loans	-	-
C. On Others	3,406,509	4,309,208
1. Others	3,406,509	4,309,208
Total	863,459,635	565,704,649

Schedule 4.20:

Commission and Discount

for the period 16 July 2016 to 15 July 2017 (1 Shrawan 2073 to 31 Ashad 2074)

Particulars	This Year Rs.	Previous Year Rs.
A. Bills Purchased and Discounted	9,739,705	11,322,570
1. Domestic	1,056	100,292
2. Foreign	9,738,648	11,222,278
B. Commission	368,090,350	253,531,408
1. Letters of Credit	31,251,349	30,001,449
2. Guarantees	240,570,850	142,610,291
3. Collection Fees	11,806,518	8,225,650
4. Remittance Fees	50,223,771	48,951,937
5. Credit Cards	34,233,415	23,736,856
6. Share Underwriting/Issues	-	-
7. Government Transactions	-	-
8. E.Pra. Commission	-	-
9. Exchange Fees (Batta Income)	4,446	5,225
C. Others	111,439,262	92,665,735
1. Management Fees	3,765,725	1,889,394
2. Loan Processing Fees	71,417,102	46,207,918
3. Ledger and Activity Fees	18,789	19,069
4. Commission on Travellers Cheque	-	-
5. Others (including income from Derivatives)	36,237,645	44,549,354
Total	489,269,316	357,519,713

Schedule 4.21:

Other Operating Income

for the period 16 July 2016 to 15 July 2017 (1 Shrawan 2073 to 31 Ashad 2074)

Particulars	This Year Rs.	Previous Year Rs.
1. Rental on Safe Deposit Locker	6,436,170	5,236,549
2. Issue and Renewals of Credit Cards	16,855,434	17,246,201
3. Issue and Renewals of ATM Cards	12,335,151	10,166,671
4. Telex /T.T.	14,454,146	14,133,776
5. Service Charges	-	-
6. Renewal Fees	-	-
7. Others	1,897,758	1,312,539
Total	51,978,659	48,095,736

Schedule 4.22:

Exchange Fluctuation Gain/Loss

for the period 16 July 2016 to 15 July 2017 (1 Shrawan 2073 to 31 Ashad 2074)

Particulars	This Year Rs.	Previous Year Rs.
A. Revaluation Gain	98,331,317	117,431,988
B. Trading Gain (except Batta)	512,237,246	512,123,485
Total Income (Loss)	610,568,563	629,555,473

Schedule 4.23:

Staff Expenses

for the period 16 July 2016 to 15 July 2017 (1 Shrawan 2073 to 31 Ashad 2074)

Particulars	This Year Rs.	Previous Year Rs.
1. Salary	335,127,206	300,485,037
2. Allowances	1,987,935	1,258,665
3. Contribution to Provident Fund	18,918,632	16,140,020
4. Training Expenses	5,194,596	6,449,647
5. Uniform	169,400	254,625
6. Medical	8,082,073	7,338,473
7. Insurance	2,479,193	3,925,477
8. Pension and Gratuity Provision	21,324,035	20,673,000
9. Others	155,272,474	131,764,877
a) Staff Incentive	109,258,878	89,396,735
b) Others	46,013,596	42,368,143
Total	548,555,543	488,289,822

Schedule 4.24:

Other Operating Expenses

for the period 16 July 2016 to 15 July 2017 (1 Shrawan 2073 to 31 Ashad 2074)

Particulars	This Year Rs.	Previous Year Rs.
1. House Rent	81,611,272	81,044,617
2. Light, Electricity and Water	15,966,862	25,614,975
3. Repair and Maintenance	15,292,571	21,480,068
(a) Building	5,464,014	6,692,836
(b) Vehicles	3,022,872	2,047,872
(c) Others	6,805,685	12,739,359
4. Insurance	22,095,640	14,173,565
5. Postage, Telex, Telephone, Fax	32,414,198	27,977,282
6. Office Equipment, Furniture and Repair	43,602,567	37,138,567
(a) Office Equipment and Furniture (non capitalised item)	33,464,571	25,872,367
(b) Repairs	10,137,996	11,266,200
7. Travelling Allowances and Expenses	12,958,718	11,053,569
8. Stationery and Printing	28,344,748	17,947,045
9. Periodicals and Books	36,570	99,766
10. Advertisement	17,177,857	21,095,755
11. Legal Expenses	644,213	405,880
12. Donations	-	-
13. Expenses Relating to Board of Directors	1,049,347	1,278,609
(a) Meeting Allowance	554,000	702,500
(b) Others Expenses	495,347	576,109
14. General Meeting Expenses	1,594,155	1,458,070
15. Expenses Relating to Audit	2,050,000	2,050,000
(a) Audit Fees	2,050,000	2,050,000
(b) Other Expenses	-	-
16. Commission on Remittances	-	-
17. Depreciation on Fixed Assets	26,277,882	20,463,281
18. Amortization of Pre Operating Expenses	-	-
19. Share Issue Expenses	21,741,635	-
20. Technology Support Cost (Technical Services Fees)	96,993,597	62,726,476
21. Entertainment	2,915,395	2,102,430
22. Written Off Expenses	2,199,207	5,181,869
23. Security Expenses	22,071,040	23,724,375
24. Credit Guarantee Premium	-	-
25. Commission and Discount	8,494,221	9,602,142
26. Others	57,317,465	48,141,350
(a) Software Expenses	10,494,632	8,034,695
(b) Cleaning, Pest Control and Waste Management	8,912,701	9,617,341
(c) Share Listing and Registration Expenses	3,909,227	670,000
(d) Other Professional Fees	13,338,595	13,385,143
(e) Hire of Vehicle and Equipments	1,760,999	1,561,750
(f) Clearing House Charges	2,118,741	1,480,345
(g) Credit information and Collection Expenses	1,024,026	818,015
(h) Professional & regulatory body fees	3,172,951	759,500
(i) IT infrastructure expenses	1,506,486	1,295,165
(j) Property & Signage Fee	832,845	888,362
(k) Others	10,246,262	9,631,034
Total	512,849,162	434,759,691

Schedule 4.25

Provision for Possible Losses

for the period 16 July 2016 to 15 July 2017 (1 Shrawan 2073 to 31 Ashad 2074)

Particulars	This Year Rs.	Previous Year Rs.
1. Increase in Loan Loss Provision	301,728,548	255,597,928
2. Increase in Provision for Loss on Investments	-	-
3. Provision for Non-Banking Assets	-	-
4. Provision for Other Assets	-	5,153,162
Total	301,728,548	260,751,090

Schedule 4.26:

Non Operating Income/ (Loss)

for the period 16 July 2016 to 15 July 2017 (1 Shrawan 2073 to 31 Ashad 2074)

Particulars	This Year Rs.	Previous Year Rs.
1. Profit (Loss) on Sale of Investment		
2. Profit (Loss) on Sale of Assets	1,152,091	20,695,782
3. Dividend (Net)	6,936,220	9,372,682
4. Subsidies Received from Nepal Rastra Bank	-	-
a. Compensation against Losses of Specified Branches	-	-
b. Interest Indemnity	-	-
c. Exchange Counter	-	-
5. Others	24,950	7,784,518
Net Non Operating Income/ (Loss)	8,113,260	37,852,982

Schedule 4.27:

Provision for Possible Loss Written Back

for the period 16 July 2016 to 15 July 2017 (1 Shrawan 2073 to 31 Ashad 2074)

Particulars	This Year Rs.	Previous Year Rs.
1. Loan Loss Provision Written Back	229,977,923	203,712,692
2. Provision against Non-Banking Assets Written Back	-	-
3. Investment Provision Written Back	-	6,000,000
4. Provision against Other Assets Written Back	-	48,260,991
Total	229,977,923	257,973,683

Schedule 4.28:

Income / (Expenses) from Extra-Ordinary Activities

for the period 16 July 2016 to 15 July 2017 (1 Shrawan 2073 to 31 Ashad 2074)

Particulars	This Year Rs.	Previous Year Rs.
1. Recovery of Loans Written Off	8,055,204	10,295,392
2. Voluntary Retirement Scheme Expenses	-	-
3. Unrecoverable Loan Write Off (Schedule 4.28A)	-	(2,567,996)
4. Other Expenses/Income		(5,940,000)
Total	8,055,204	1,787,396

Schedule 4.28 A:

Statement of Loans Written Off

for the period 16 July 2016 to 15 July 2017

(1 Shrawan 2073 to 31 Ashad 2074)

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 Loan	-					
	a) Credit Cards	-					
	b) Gramin Prathamik Karja	-					
	c) Auto Loan	-					
	d) Corporate loan	-					
	Total Loan	-					

Schedule 4.29:

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

As at 15 July, 2017 (31 Ashad 2074)

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	Balance as at Ashad end	
	Principal Rs.	Interest Rs.	Principal Rs.	Interest Rs.	Rs.	Principal Rs.	Interest Rs.
(A) Directors					-	-	
(B) Chief Executive Officer	-	-	-	-	-	-	-
(C) Promoters	-	-	-	-	-	-	-
(D) Staff	-	-	-	-	-	-	-
(E) Shareholders	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

Note: As per clause 4 of the Nepal Rastra Bank Directive No. 6, loans given to executive officers and employees are as per Bank staff rules and hence not disclosed above.

Schedule 4.30 (Ka 1): Capital Adequacy Table

As at 15 July, 2017 (31 Ashad 2074)

NPR '000'

1.1 RISK WEIGHTED EXPOSURES	This Year	Previous Year
A Risk Weighted Exposure for Credit Risk	50,192,675	41,402,347
B Risk Weighted Exposure for Operational Risk	4,598,926	4,350,273
C Risk Weighted Exposure for Market Risk	1,330,724	1,155,729
Adjustments Under Pillar-II		
Add: 2% of the Gross Income(6.4 a 7)	679,668	577,121
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)	56,801,993	47,485,471
1.2 CAPITAL FUND	This Year	Previous Year
Core Capital (Tier 1)	11,119,338	6,684,918
a Paid up Equity Share Capital	4,005,715	2,812,426
b Irredeemable Non-cumulative preference shares	-	-
c Share Premium	-	-
d Proposed Bonus equity Shares	4,005,715	937,475
e Statutory General Reserves	3,181,848	2,897,529
f Retained Earnings	9,786	115,368
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	-	-
Less		
a Goodwill	-	-
b Deferred Tax Assets	(83,726)	(77,880)
c Fictitious Assets	-	-
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)	855,763	1,094,490
a Cumulative and/or Redeemable Preference Share	-	-
b Subordinated Term Debt	-	-
c Hybrid Capital Instruments	-	-
d General Loan Loss Provision	411,953	333,114
e Exchange Equalization Reserve	438,422	413,839
f Investment Adjustment Reserve	5,388	347,537
g Assets Revaluation Reserve	-	-
h Other Reserves	-	-
Total Capital Fund (Tier 1 and Tier 2)	11,975,101	7,779,409
1.3 Capital Adequacy Ratios	Current Period	Previous Period
Tier 1 Capital to Total Risk Weighted Exposures (After Bank's Adjustments of Pillar II)	19.58%	14.08%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures (After Bank's Adjustments of Pillar II)	21.08%	16.38%

Schedule 4.30 (Kha): Credit Risk

As at 15 July, 2017 (31 Ashad 2074)

NPR '000'

Assets	15th July, 2017 (31 Ashad 2074)					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
Cash Balance	811,610	-	-	811,610	0%	-	799,366
Balance With Nepal Rastra Bank	7,067,997	-	-	7,067,997	0%	-	1,514,671
Gold	-	-	-	-	0%	-	-
Investment in Nepalese Government Securities	4,537,539	-	-	4,537,539	0%	-	7,281,344
All claims on Government of Nepal	138,807	-	-	138,807	0%	-	138,807
Investment in Nepal Rastra Bank securities	-	-	-	-	0%	-	2,530,000
All claims on Nepal Rastra Bank	503,350	-	-	503,350	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	1,658,937	-	-	1,658,937	20%	331,787	1,404,865
Claims on domestic banks that do not meet capital adequacy requirements	-	-	-	-	100%	-	2,076
Claims on foreign bank (ECA Rating 0-1)	20,306,320	-	-	20,306,320	20%	4,061,264	16,253,043
Claims on foreign bank (ECA Rating 2)	1,717	-	-	1,717	50%	859	1,809
Claims on foreign bank (ECA Rating 3-6)	3,611,300	-	-	3,611,300	100%	3,611,300	4,293,600
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	21,169	-	-	21,169	20%	4,234	12,689
							2,538

Schedule 4.30 (Kha):
Credit Risk (Continued)
As at 15 July, 2017 (31 Ashad 2074)

NPR '000'

Assets		15th July, 2017(31 Asadh 2074)					Previous Year	
Balance Sheet Exposure	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
Claims on Domestic Corporates	16,262,790	-	102,651	16,160,139	100%	16,160,139	13,328,530	13,328,530
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)	5,317,222	-	-	5,317,222	75%	3,987,917	4,018,780	3,014,085
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	100%	-	-	-
Claims secured by residential properties	6,425,569	-	-	6,425,569	60%	3,855,341	4,539,220	2,723,532
Claims not fully secured by residential properties	-	-	-	-	150%	-	-	-
Claims secured by residential properties (Overdue)	182,361	18,108	-	164,253	100%	164,253	103,553	103,553
Claims secured by Commercial real estate	7,364,702	-	-	7,364,702	100%	7,364,702	5,002,393	5,002,393
Past due claims (except for claim secured by residential properties)	229,555	36,083	-	193,472	150%	290,208	215,368	323,052
High Risk claims	2,199,647	1	77,050	2,122,596	150%	3,183,894	1,699,121	2,548,682
Investment in equity and other capital instruments listed in the stock exchange	269,400	-	-	269,400	100%	269,400	398,742	398,742
Investment in equity and other capital instruments of institutions not listed in the stock exchange	3,736	-	-	3,736	150%	5,604	3,736	5,603
Staff loan secured by residential property	267,395	-	-	267,395	60%	160,437	162,848	97,709
Interest Receivable/claim on government securities	1,852	-	-	1,852	0%	-	2,372	-
Cash in transit and other cash items in the process of collection	-	-	-	-	20%	-	-	-
Other Assets	1,355,587	762,297	-	593,290	100%	593,290	321,419	321,419
Total	78,538,562	816,489	179,701	77,542,371		44,044,627	64,028,352	35,698,001

Schedule 4.30 (Kha): Credit Risk

As at 15 July, 2017 (31 Ashad 2074)

Assets	15th July, 2017 (31 Asadh 2074)					Previous Year		NPR '000'
	Off Balance Sheet Exposures	Book Value a	Specific Provision b	Eligible CRM c	Net Value d=a-b-c	Risk Weight e	Risk Weighted Exposures f=d*e	
Revocable Commitments		528,797	-	-	528,797	0%	-	-
Bills Under Collection		1,173,477	-	-	1,173,477	0%	-	-
Forward Exchange Contract		2,376,477	-	-	2,376,477	10%	237,648	222,662
LC Commitments With Original Maturity Up to 6 months (domestic counterparty)		2,197,811	-	91,395	2,106,416	20%	421,283	446,857
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)		84,817	-	76,814	8,003	50%	4,002	33,620
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)		538,070	-	229,695	308,375	50%	154,188	110,642
Foreign Counterparty ECA Rating 0-1		5,245,008	-	4,075,700	1,169,308	20%	233,862	204,583
Foreign Counterparty ECA Rating 2		3,564,531	-	1,696,660	1,867,871	50%	933,936	904,494
Foreign Counterparty ECA Rating 3-6		213,775	-	-	213,775	100%	213,775	158,614
Foreign Counterparty ECA Rating 7		7,817	-	-	7,817	150%	11,726	22,355
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		2,834,079	-	1,693,462	1,140,617	100%	1,140,617	1,010,674
Financial Guarantee		58,456	-	16,452	42,004	100%	42,004	42,259
Acceptances and Endorsements		729,589	-	16,412	713,177	100%	713,177	321,013
Unpaid Portion of Partly paid shares and Securities		-	-	-	-	100%	-	-

Schedule 4.30 (Kha): Credit Risk

As at 15 July, 2017 (31 Ashad 2074)

Assets	15th July, 2017 (31 Asadh 2074)					Previous Year		NPR '000'
	Off Balance Sheet Exposures	Book Value	Specific Provision	Eligible CRM	Net Value d=a-b-c	Risk Weight e	Risk Weighted Exposures f=d*e	
		a	b	c				
Irrevocable Credit commitments (Short Term)	6,291,131	-	2,251,739		4,039,392	20%	807,878	1,163,973
Irrevocable Credit commitments (Long Term)	300,000	-	-		300,000	50%	150,000	238,000
Other Contingent Liabilities	1,280,633	-	196,678		1,083,955	100%	1,083,955	820,599
Unpaid Guarantee Claims			-		200%	-	2,000	4,000
Total	27,424,468	-	10,345,007		17,079,461		6,148,048	5,704,346
Total RWE for Credit Risk (A) +(B)	105,963,030	816,489	10,524,708		94,621,832		50,192,675	41,402,347
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)	105,963,030	816,489	10,524,708		94,621,832		50,192,675	41,402,347

Schedule 4.30 (Ga): Eligible Credit Risk Mitigants

As at 15 July, 2017 (31 Ashad 2074)

NPR '000'

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
Balance Sheet Exposures										
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)	-	-	-	-	-	-	-	-	-	-

Schedule 4.30 (Ga):

Eligible Credit Risk Mitigants (Continued)

As at 15 July, 2017 (31 Ashad 2074)

NPR '000'

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
Claims on Foreign bank incorporated in SAARC Region operating with a buffer of 1% above their respective regulatory capital requirement	-	-	-	-	-	-	-	-	-	-
Claims on Domestic Corporates	-	102,160	-	-	-	-	-	-	491	102,651
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	77,050	-	-	-	-	-	-	-	-	77,050
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	-	-	-	-	-	-	-	-	-	-
Off Balance Sheet Exposures	-	-	-	-	-	-	-	-	-	-
Forward Exchange Contract Liabilities	-	-	-	-	-	-	-	-	-	-
LC Commitments With Original Maturity Up to 6 months (domestic counterparty)	91,395	-	-	-	-	-	-	-	-	91,395
Foreign Counterparty ECA Rating 0-1	-	-	-	-	-	-	-	-	-	-
Foreign Counterparty ECA Rating 2	-	-	-	-	-	-	-	-	-	-
Foreign Counterparty ECA Rating 3-6	-	-	-	-	-	-	-	-	-	-
Foreign Counterparty ECA Rating 7	-	-	-	-	-	-	-	-	-	-

Schedule 4.30 (Ga): Eligible Credit Risk Mitigants (Continued)

As at 15 July, 2017 (31 Ashad 2074)

NPR '000'

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 Foreign MDBs	Sec/ G'tee of Foreign Banks	Total
L C Commitments With Original Maturity Over 6 months (domestic counterparty)	76,814	-	-	-	-	-	-	-	-	76,814
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)	229,695	-	-	-	-	-	-	-	-	229,695
Foreign Counterparty ECA Rating 0-1	-	-	-	-	-	-	-	-	4,075,700	4,075,700
Foreign Counterparty ECA Rating 2	-	-	-	-	-	-	-	-	1,696,660	1,696,660
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	633	-	-	-	-	-	-	-	1,692,829	1,693,462
Financial Guarantee	975	-	-	-	-	-	-	-	15,477	16,452
Acceptance and Endorsements	16,412	-	-	-	-	-	-	-	-	16,412
Unpaid Portion of Partly paid shares and Securities	-	-	-	-	-	-	-	-	-	-
Irrevocable Credit Commitments(short term)	-	60	-	-	-	-	-	-	2,251,679	2,251,739
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	196,678	-	-	-	-	-	-	-	-	196,678
Claim Received on Guarantee (As per directive 13/065/66)	-	-	-	-	-	-	-	-	-	-
Total Eligible CRM	689,651	102,220	-	-	-	-	-	-	9,732,834	10,524,708

Schedule 4.30 (Gha):

Operational Risk

As at 15 July, 2017 (31 Ashad 2074)

NPR '000'

S.N.	Particulars	16.07.2015	15.07.2016	15.07.2017	15.07.2016
1	Net Interest Income	1,913,515	1,849,878	2,197,159	
2	Commission and Discount Income	362,964	357,520	489,269	
3	Other Operating Income	38,010	48,096	51,979	
4	Exchange Fluctuation Income	613,936	629,555	610,569	
5	Additional/ Deduction Interest Suspense during the period	(14,520)	558	49,363	
	Gross Income (a)	2,913,905	2,885,607	3,398,339	
	Fixed Percentage (b)	15%	15%	15%	
	Gross Income as per Fixed Percentage[c=(a*b)]	437,086	432,841	509,751	
	Capital Requirement for Operational Risk(d) (average of c)			459,893	435,027
	Risk Weight (reciprocal of capital requirement of 10%) in times (e)			10	10
	Equivalent Risk Weight Exposure for Operational Risk[f=(d*e)]			4,598,926	4,350,273

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)]	4,598,926	4,350,273
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Schedule 4.30 (Nga):

Market Risk

As at 15 July, 2017 (31 Ashad 2074)

NPR '000'

S. N.	Currency	As on 15 July, 2017	As on 15 July, 2017		Previous Year Relevant Open Position (NPR) as on 15.07.2016
		Open Position (FCY)	Open Position (NPR)	Relevant Open Position (NPR)	
1	INR	1,580,126	2,529,387	2,529,387	2,241,631
2	USD	998	103,019	103,019	44,951
3	GBP	(4)	(489)	489	466
4	EUR	(21)	(2,492)	2,492	1,654
5	THB	30	92	92	95
6	CHF	42	4,460	4,460	359
7	AUD	38	3,024	3,024	4,349
8	CAD	54	4,409	4,409	3,325
9	SGD	63	4,752	4,752	2,795
10	JPY	1,983	1,808	1,808	4,185
11	HKD	101	1,329	1,329	1,631
12	DKK	57	905	905	1,488
13	SEK	53	652	652	1,257
14	SAR	29	800	800	562
15	QAR	2	62	62	61
16	AED	24	686	686	129
17	MYR	37	877	877	478
18	KRW	2,697	245	245	34
19	CNY	119	1,817	1,817	1,871
20	KWD	-	68	68	137
21	BHD	-	73	73	
Total Open Position (a)				2,661,447	2,311,459
Fixed Percentage (b)				5%	5%
Capital Charge for Market Risk [c=(a*b)]				133,072	115,573
Risk Weight (reciprocal of capital requirement of 10%) in times (d)				10	10
Equivalent Risk Weight Exposures for Market Risk [e=(c*d)]				1,330,724	1,155,729

Schedule 4.31: Key Indicators

Particulars	Indicators	FY 2012/2013	FY 2013/2014	FY 2014/2015	FY 2015/2016	FY 2016/2017
1. Net Profit/Gross Income	Percent	34.96	36.73	33.76	34.46	31.88
2. Earning Per Share	Rs.	65.70	65.47	57.38	45.96	35.49
3. Market Value Per Share	Rs.	1,820	2,799	1,943	3,600	2,295
4. Price Earning Ratio	Ratio	27.70	42.75	33.86	78.33	64.67
5. Dividend (including bonus) on Share Capital	Percent	50.00	51.50	44.21	35.09	105.26
6. Cash Dividend on Share Capital	Percent	40.00	41.50	19.21	1.75	5.26
7. Interest Income/Loan & Advances	Percent	9.76	9.31	8.68	6.86	6.80
8. Staff Expenses/Total Operating Expenses	Percent	29.79	33.80	32.13	32.52	28.50
9. Interest Expenses on Total Deposit and Borrowings	Percent	1.55	1.24	1.15	1.01	1.35
10. Exchange Fluctuation Income/Total Income	Percent	14.78	13.14	16.06	16.78	13.69
11. Staff (statutory) Bonus/Total Staff Expenses	Percent	29.24	28.30	27.01	27.29	27.00
12. Net Profit/Loan and Advances	Percent	5.26	5.08	4.60	4.08	3.58
13. Net Profit/Total Assets	Ratio	2.67	2.51	1.99	1.98	1.84
14. Total Credit/Deposit	Percent	58.63	56.87	48.92	56.88	62.20
15. Total Operating Expenses/Total Assets	Percent	3.10	2.67	2.42	2.28	2.49
16. Adequacy of Capital Fund on Risk Weighted Assets						
a. Core Capital	Percent	11.03	10.83	11.67	14.08	19.58
b. Supplementary Capital	Percent	1.51	1.44	1.43	2.30	1.50
c. Total Capital Fund	Percent	12.54	12.27	13.10	16.38	21.08
17. Liquidity (CRR)	Ratio	16.43	21.18	24.03	7.98	19.71
18. Non-performing Credit/Total Credit	Percent	0.77	0.48	0.34	0.32	0.19
19. Base Rate	Percent	6.34	5.18	4.92	4.47	6.47
20. Weighted Average Interest Rate Spread (different basis till 2012/13)	Percent	4.12	7.09	5.27	4.64	5.01
21. Book Net-worth	Rs'000	4,617,574	5,088,091	5,948,555	7,524,175	11,864,025
22. Total Shares	No.	18,539,000	20,416,720	22,481,612	28,124,260	40,057,153
23. Total Staff	No.	454	460	433	435	495
24. Networth Per Share	Rs.	249	249	265	268	296
25. Return on Equity	Percent	26.38	26.27	21.69	17.18	11.98
26. Profit per Employee	Rs'000	2,683	2,906	2,979	2,971	2,872

Significant Accounting Policies

Financial Year 16 July 2016 to 15 July 2017 (1 Shrawan 2073 to 31 Ashad 2074)

1. General Information

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

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

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

2. Statement of Compliance

The financial statements (for regulatory purpose) have been prepared and approved by the Board of directors in accordance with Nepal Financial Reporting Standards (NFRS) to the extent applicable and as published by the Accounting Standards Board (ASB) – Nepal. The format of the Financial Statements is as prescribed by Nepal Rastra Bank. The Profit and Loss appropriation is treated as Other Comprehensive Income (OCI).

Approval of financial statements

Accompanied financial statements have been adopted by the Board of Directors on its meeting held on 8 December 2017 and have been recommended for approval by shareholders in the Annual General Meeting

3. Basis of Preparation

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

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

4. This Regulatory purpose financial statements has been 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 Nepal Financial Reporting Standards (NFRS) to the extent they are in conformity with the regulatory requirements and in accordance with the Statutory requirements of Banks and Financial Institutions Act 2073 BS, The Companies Act 2063, directives, circulars and guidelines issued by Nepal Rastra Bank (NRB) from time to time. A reconciliation report between these Financial Statements and the NFRS compliant Financial Statements has been presented in notes to Annual Accounts.

5. Use of Estimates

The preparation of financial statements in conformity with NFRS requires the 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. The 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.

6. Significant Accounting Policies

6.1 Income Recognition

Interest income on Loans and advances is accounted for on cash basis except for the month of Ashad where NRB regulations allow for recognition of income for cash collected upto 15 Shrawan.

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.

6.2 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.

6.3 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.

6.4 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 Investment Adjustment Reserve, 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.

6.5 Property Plant & Equipment (PPE)

PPE are stated at acquisition cost less depreciation. Acquisition cost includes expenditures that are directly attributable to the acquisition of the assets.

PPE Individually costing less than or equal to Rs. 400,000 (Rs. Four Lakhs) is 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.

6.6 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.

Lease rental for premises are charged on straight line basis in accordance to the lease. All other expenses are recognised when they become due for payment.

6.7 Retirement and Other Employee Benefits

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

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

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

6.8 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 PPE, lease expenses, provisions for gratuity, performance bonus and premium on development bonds between financial statements and tax bases. Deferred tax created on temporary differences adjusted in PL Account is charged to PL Account while those charged to PL Appropriation Account are charged to PL Appropriation Account.

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.

6.9 Stationery

Stationery purchased is expended directly for consumption.

6.10 Non Banking Assets

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

6.11 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.

6.12 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.

6.13 Provision for Staff Bonus

Provision for staff bonus is computed at 10% of net profit after such staff bonus of regulatory purpose financial statement.

6.14 Rounding off

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

Schedule 4.33:

Notes to Accounts

Financial Year 16 July 2016 to 15 July 2017 (1 Shrawan 2073 to 31 Ashad 2074)

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 2005-06

For the financial year 2005-06 (2062-63) the Revenue Tribunal had decided the case in the banks favour. The same has been challenged by the LTPO in the Supreme Court and the case is under consideration. The total amount that was demanded by LTPO is Rs. 2.6 Mio.

Financial Year 2012-13

For financial year 2012-13 (2069-70) LTPO had done the reassessment of tax in the previous year. A demand of Rs. 0.16 Mio was made.

Financial Year 2013-14 to 2015-16

The self assessment returns filed by the Bank for financial year 2013-14 (2070-71 BS) to 2015-16 (2072-73 BS), has not yet been opened for reassessment by the LTPO.

4. Provision for Gratuity

Bank has booked the cost for gratuity liability on actuarial basis. The net amount charged/movement is given below:

Defined Benefit Plan – Liabilities

	Rs. '000		
Particulars	2073/74	2072/73	2071/72
Opening Liability (excluding pre-payment)	250,982	231,226	209,354
Interest Charge (unwinding interest)	19,921	15,991	14,475
Current Service cost	22,887	18,716	17,351
Less: Gratuity Paid during the year	(1,932)	(14,071)	(7,855)
Closing Liability			
Actuarial Gain or Loss	59,396	(880)	(2,099)
Assessed Liability (actuarial assessment)	351,254	250,982	231,226

Defined Benefit Plan – Assets

	Rs '000		
Particulars	2073/74	2072/73	FY 2071/72
Opening Assets	236,512	148,443	134,093
(+) Estimated Investment Returns for the year	21,484	14,035	10,473
(+) Additional Investment during the year	91,932	88,105	11,732
(-) Withdrawal (payouts during the year)	(1,932)	(14,071)	(7,855)
Closing Assets	347,996	236,512	148,443
Net Defined Benefit Plan Liability	3,259	14,471	82,783
Net Charge	80,720	19,793	19,254
Net Charge - P&L	21,324	20,673	21,353
Net Charge (credit) – SoCE (P&L App.)	59,396	(880)	(2,099)

Principal actuarial assumptions

Particulars	Basis
Financial Assumptions	
Discount Rate	7%
Inflation	5%
Salary inflation	6%
Investments of Plan Assets	% of the fund
Interest bearing term deposits with the Bank	100%

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 82,011,762 has been provided for the performance bonus in this year.

6. Dividend and Bonus

The Board has recommended Rs. 210,827,123 as cash dividend (for tax purposes) and Rs. 4,005,715,333 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. Training and Corporate Social Responsibility (CSR) Fund Allocations

As per Nepal Rastra Bank regulation, the Bank is required to create a fund for Corporate Social Responsibilities related activities equivalent to one percent of the net profit for FY 2016/17 i.e. fund of Rs. 14,215,961 from its Net Profit. The Bank however has not separately provided for this as Standard Chartered Bank funded projects viz. Seeing is Believing and Build Nepal Program in Nepal received financial grant of Rs. 39,265,811 from Standard Chartered Bank in FY 2016/17. The financial grant received during the period for running projects of Standard Chartered Bank constituted more than One Percent of the profit of Standard Chartered Bank Nepal Limited for FY 2016/17.

Similarly, as per Nepal Rastra Bank regulation, the Bank is required to spend 3% of staff cost of previous FY 2015/16 i.e. Rs. 14,648,695 in the Training & Development of the staff. The Bank has spent Rs. 5,194,596 in this head, besides this, employees of the Bank being an integral part of the Standard Chartered Group are required to undergo classroom, virtual, e-Learning courses – various trainings modules of the Standard Chartered Group which are free of cost to the Bank. In view of that, no separate fund is created for the Training and Development.

8. Investment Adjustment Reserve

There has been change in the Investments Adjustment Reserve due to change in market price of Investments classified as Available for sale (AFS).

The total decreases this year amounts to Rs. 124,999,166 as per below table.

Particulars	Balance 15.07.2017	Balance 15.07.2016	Remarks
Total Available For Sale (AFS) Investments	55,985,500	55,985,500	
Less; Exempted for Reserve creation as per NRB directives	3,735,500	3,735,500	Credit Information Company and NepalClearing House Ltd are exempted
Net AFS Investment	52,250,000	52,250,000	
Mark to Market value of Portfolio	269,400,288	398,742,460	
Opening Investment Adjustment Reserve@2%	1,045,000	1,045,000	
Additional Investment Adjustment Reserve @2%	4,343,006	-	
Total Investment Adjustment Reserve @2%	5,388,006	1,045,000	
MTM reserve	217,150,288	346,492,460	
Closing balance of Investment Adjustment Reserve	222,538,293	347,537,460	Balance reported as Other Reserves

9. Unpaid Dividend

As on the balance sheet date, unpaid dividend for over five years amounts to Rs. 6,341,583. The Bank published a notice in a national daily detailing the information about the unclaimed dividend on 11th August 2017.

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. 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	2,029,081		
Adjustment for tax purposes (presented on net basis)			
Depreciation	6,909		6,909
Repairs & Maintenance	3,866		3,866
Gratuity	(70,608)		(70,608)
Performance & Other Bonus	9,389		9,389
Premium on Development Bond	2,975		2,975
Dividend Income	(6,936)	(6,936)	-
Lease expenses	7,560	-	7,560
Miscellaneous	2,805	2,805	-
Total	1,985,041	(4,131)	(39,909)
Current & Deferred Tax @30%	595,512		11,973
Net Tax charge for current year	607,485		

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 the statutory tax of 30%.

The items attributable to deferred tax assets and liabilities and their movement are as follows: (in Rs '000)

	Balance 15 Jul 2016	Movement during the year	Balance 15 Jul 2017
Deferred Tax Assets			
Fixed Assets	38,469	3,232	41,701
Gratuity Provision	4,341	(3,363)	978
Provision for Performance bonus	14,275	2,817	17,092
Lease expenses	12,971	2,269	15,240
Premium on Development Bond	7,823	893	8,716
Total Deferred Tax Assets	77,880	5,847	83,727
Deferred Tax Liabilities	-		-
Net – Deferred Tax Asset	77,880	5,847	83,727

The deferred tax impact of Rs. 17,819 on account of actuarial re-measurement has been credited in the profit and loss appropriation account.

11. 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
2014-15 (2071-72 BS)	2,812,426,000	Issuance of 25% Bonus Shares
2015-16 (2072-73 BS)	3,749,901,333	Issuance of 33.33% Bonus Shares
2016-17 (2073-74 BS)	4,005,715,333	Issuance of 2,558,140 units of shares by way of FPO
2016-17 (2073-74 BS)	8,011,430,667	Issuance of 100% Bonus Shares

12. Related Party Disclosures

Accounting Policy

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

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

Explanatory Notes

Ultimate Parent and the Group

i) Ultimate Parent Company : Standard Chartered Plc, London UK

ii) Major Shareholders

(a) Standard Chartered Grindlays Ltd, Australia: Holding 46.81% of shares

(b) Standard Chartered Bank, UK: Holding 23.40% of shares

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

(a) Head Office and Branches of Head Office

1. Standard Chartered Bank, UK
2. Standard Chartered Bank, India
3. Standard Chartered Bank, Japan
4. Standard Chartered Bank, Singapore
5. Standard Chartered Bank, USA
6. Standard Chartered Bank, Germany
7. Standard Chartered Bank, Indonesia
8. Standard Chartered Bank, Qatar
9. Standard Chartered Bank, U.A.E
10. Standard Chartered Bank, Bangladesh
11. Standard Chartered Bank, Sri Lanka
12. Standard Chartered Bank, Vietnam

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

1. Standard Chartered Bank (Mauritius) Limited
2. Scope International Private Limited
3. Standard Chartered Bank (Hong Kong) Limited
4. Standard Chartered Bank (China)
5. Standard Chartered Bank Malaysia
6. Standard Chartered Thailand
7. Standard Chartered Pakistan

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

Rs. '000

Transaction during the year	SCB Group	
	2016-17	2015-16
Placements (total placements made during the year)	2,345,733,346	2,462,434,945
Interest on placements	220,347	155,769
Shared Service Center Costs	96,994	62,726
Training Fees	-	-
Other transactions	-	-

Rs. '000

Year end Balance	SCB Group		
	15.07.2017	15.07.2016	16.07.2015
Placements	22,941,564	14,656,860	11,973,546
Nostro Balances	778,636	1,204,156	652,392
Interest Receivable	60,727	31,435	39
Shared Service Cost Payable	-	-	-
Trade Contingents	5,363,496	4,958,486	1,130,403
Fee Income Receivables	110,917	16,543	44,123

Post Retirement Employee benefit plan for the benefit of Bank's employees

The Bank operates an approved retirement benefit plan for the benefit of its employees. The amount of the contribution made to such plan and amount of payments made to the Bank's employees under the Bank's staff rules have been described in note 4.

Transactions with and payments to directors of the bank

Following payments have been made to the directors of the bank

Particulars	Rs. '000	
	2016-17	2015-16
Directors' sitting fees	554	703
Directors' travel and meeting expenses	495	576
Other directors' expenses (if any)	-	-
Remuneration and bonus of the executive director(s)	21,036	21,259
Other benefits of the executive director(s)	13,146	12,505
	35,231	35,042

Payments to the executive director are net of taxes, tax amounted for Rs. 15,767 thousand (previous year Rs 16,066 thousand).

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

There has been no payment or transactions with the close family member of the directors, except in the normal course of banking business.

Transactions with and payment to key management personnel (other than directors) compensation

The Bank defines its executive committee members as the key management personnel other than its directors. One of executive committee members is the director of the Bank and payments and transactions relating to the executive director are disclosed above.

Particulars	Rs. '000	
	2016-17	2015-16
Remuneration and current employee benefits	25,524	22,810
Terminal benefit (gratuity)	10,365	5,645
Bonus (statutory bonus and welfare assistance)	14,609	14,437
Performance Bonus	9,583	9,245
Vehicle benefit - car allowance	3,960	3,960
Other benefits and payments	1,907	1,722
	65,948	57,819

Benefits are paid as per the Staff Service bye-laws. Statutory bonus is paid in accordance with the requirement of the Bonus Act. Performance bonus is paid in accordance with the performance assessment procedures practiced within the Bank. Vehicle allowance is as per the Bank's rules.

Details of the key management personnel and their composition, and changes if any during the period, are disclosed in the key management personnel report.

There has been no payment or transactions with the close family member of the key managerial personnel except in the normal course of banking business.

13. Operating Lease Commitment

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

Lease rental for premises are charged on straight line basis in accordance to the lease. All other expenses are recognised when they become due for payment. The change in the accounting policy has resulted in an increase of lease expenses by Rs 7,560,495 the current year and Rs 10,659,000 in the previous year.

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

		Rs. Mio		
S. N.	Particulars	Outstanding	% of total Loans	Requirement
a.	As of 15th July 2017	1,840	5.18%	5. %
a.	As of 15th July 2016	1,550	5.94%	5. %

15. Concentration of Deposits, Loans & advances and Contingents

		Rs. Mio	
S. N.	Particulars	As at 15th July 2017	As at 15th July 2016
a.	Total deposits	63,872	55,727
b.	Total deposits of twenty largest depositors	26,366	18,469
c.	Total Deposit of a single largest depositor	10,795	8,790
d.	Percentage of deposits of twenty largest depositors to total deposit of the Bank	41.28%	33.14%
e.	Percentage of highest single depositor	16.90%	15.77%
f.	Total Loans & Advances	39,730	31,697
g.	Total loans & advances of twenty largest borrowers	16,911	14,629
h.	Total loans & advances to a single largest borrower	2,193	2,227
i.	Percentage of twenty largest borrowers to total loans and advances	42.57%	46.15%
j.	Percentage of highest exposure in a single largest borrower	5.52%	7.03%
k.	Total Contingent Liabilities	26,896	25,249
l.	Total Contingent to a single largest customer	381.92	382.13
m.	Highest exposure in a single largest customer	1.42%	1.51%

16. Reconciliation status

Particulars	Total Amount	< 3 Months	>3<9 Months	> 9<12 Months	> 12 Months
Branch Adjustments Accounts	-	-	-	-	-
Agency Accounts	113,645,369	105,611,574	8,033,796		

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:

		Rs. '000
Particulars	Amount	
Loans Disbursed	74,303,084	
Loans Recovered	66,270,593	
Loans Written-off	0	
Interest Written-off	0	

18. Summary of Changes in Deposit Liabilities :

Rs. '000

Particulars	Balance as at 15.07.2016	Received/ (Withdrawn)	Balance as at 15.07.2017
Current and Margin Accounts	14,273,161	(1,056,006)	13,217,155
Saving Account	26,911,357	(4,113,865)	22,797,492
Call Deposits	11,328,605	(6,567,331)	4,761,274
Fixed Deposits	3,214,055	19,882,909	23,096,964
Total	55,727,178	8,145,707	63,872,885

19. Weighted Average Interest Spread:

Particulars	Rate %
a. Weighted average yield on loans and investments (Gsec)	8.07
b. Average Cost of local currency deposits	3.06
c. Spread (Yield - Cost) i.e. c=b-a	5.01

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

Rs. in '000

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

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	812	-	-	-	-	812
Balance with Banks & FIs	8,117	-	-	-	-	8,117
Investment in Foreign Banks	9,802	516	-	-	-	10,318
Call Money	12,624	-	-	-	-	12,624
Government Securities	2,945	1,140	-	196	257	4,538
Nepal Rastra Bank Bonds	-	-	-	-	-	-
Inter Bank & FI Lending	-	-	-	-	-	-
Loans, Advances & Bills Purchased	13,949	5,341	2,246	2,065	16,129	39,730
Interest Receivable	55	6	-	0	2	63
Reverse Repo	-	-	-	-	-	-
Receivables from other Institutions under Commitment	-	-	-	-	-	-
Payments under S.No. 20,21 & 22	-	-	-	-	-	-
Other Assets	-	-	-	774	385	1,159
Total Assets	48,303	7,003	2,246	3,035	16,772	77,359

Liabilities						
Current Deposits	5,812	-	-	-	6,610	12,422
Saving Deposits (Including call)	10,595	-	-	-	16,964	27,559
Fixed Deposits	15,700	2,943	2,325	1,906	224	23,097
Debentures and Bonds	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-
Call/Short Notice	-	-	-	-	-	-
Inter-bank/Financial Institutions	-	-	-	-	-	-
Refinance	-	-	-	-	-	-
Others	-	-	-	-	-	-
Other Liabilities and Provisions	747	197	-	499	526	1,969
Sundry Creditors	395	-	-	-	-	395
Bills Payable	77	-	-	-	-	77
Interest Payable	289	-	-	-	-	289
Provisions	-	197	-	-	472	669
Others	-	-	-	499	-	499
Payable to other institutions under Commitment	-	-	-	-	-	-
Irrevocable Loan Commitment	5,792	114	228	144	314	6,591
Letter of Credit/Guarantee (Net of Margin)	3,720	2,002	934	1,974	5,980	14,610
Repo	-	-	-	-	-	-
Payable under s.no.11	-	-	-	-	-	-
Others	209	-	-	-	11,824	12,032
Total Liabilities	42,575	5,256	3,486	4,522	42,442	98,281
Net Financial Assets	5,729	1,747	(1,240)	(1,488)	(25,670)	(20,922)
Cumulative Net Financial Assets	5,729	7,476	6,236	4,748	(20,922)	-

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

23. Details of Customer complaints

S. N.	Particulars	For the fiscal year 2016/17
a.	No. of complaints pending at the beginning of the year	11
b.	No. of complaints received during the year	718
c.	No. of complaints redressed during the year	724
d.	No. of complaints pending at the end of the year	5

24. Penalties

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

25. Interest Realisation after Year End

Bank has 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. Such amount has been Rs. 12,609 thousand.

26. Regulatory Profit and NFRS Profit reconciliations

	2016-17	2015-16
Profit as per Regulatory accounts	1,421,596,136	1,292,494,632
Govt. bond - adjustment to income		
Notional Interest - staff Loan	20,155,511	15,961,000
Notional Interest - staff cost	(20,155,511)	(15,961,000)
Loan Processing Fee	(71,417,102)	(46,207,918)
Loan amortised cost interest	49,130,524	12,535,000
Accrued Interest (P/Y difference)	61,972,541	(4,074,668)
Adjust Loan Loss Provision	301,728,548	215,468,928
Adjust Reversal of loan loss	(210,394,339)	(240,965,683)
Deferred Tax	(24,370,980)	(12,826,421)
Reversal of previous impairments		48,260,991
Share Issue Expenses	21,741,635	
NFRS Profit	1,549,986,963	1,264,684,862

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 15th July 2017 (31 Ashad 2074)

S.N.	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 2073/74

NPR '000'

S. N.	Particulars	As per Unaudited Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
				In Amount	In %	
1	Total Capital and Liabilities (1.1 to 1.7)	77,445,283	77,390,182	(55,101)	-0.07%	
1.1	Paid up Capital	4,005,715	8,011,431	4,005,715	100.0%	Proposed issue of Bonus Shares
1.2	Reserve and Surplus	8,158,836	3,852,595	(4,306,241)	-52.8%	Change in Profits, Investment value & Proposed appropriations
1.3	Debenture and Bond	-	-	-	0.0%	
1.4	Borrowings	-	-	-	0.0%	
1.5	Deposits (a+b)	63,872,885	63,872,885	-	0.0%	
	a. Domestic Currency	43,160,854	43,160,854	-	0.0%	
	b. Foreign Currency	20,712,031	20,712,031	-	0.0%	
1.6	Income Tax Liability	(34,937)	(18,416)	16,521	47.29%	Change in Tax provision
1.7	Other Liabilities	1,442,784	1,671,687	228,903	15.9%	Proposed dividend, Gratuity, Staff Bonus & Reclassification of Sundry Debtors/Creditors
2	Total Assets (2.1 to 2.7)	77,445,283	77,390,182	(55,101)	-0.1%	
2.1	Cash and Bank Balance	8,928,302	8,928,302	-	0.0%	
2.2	Money at Call and Short Notice	12,623,564	12,623,564	-	0.0%	
2.3	Investments	15,761,367	15,632,025	(129,342)	-0.8%	Change in market value of Investments
2.4	Loans and Advances (a+b+c+d+e+f)*	39,203,690	39,263,690	60,000	0.2%	
	a. Real Estate Loan	2,705,625	2,705,625	-	0.0%	
	1. Residential Real Estate Loan (Except Personal Home Loan upto Rs.10 million)	934,464	934,464	-	0.0%	
	2. Business Complex and Residential Apartments Construction Loan	-	-	-		
	3. Income generating Commercial Complex Loan	-	-	-		
	4. Other Real Estate Loan (including land purchase and plotting)	1,771,160	1,771,160	-	0.0%	
	b. Personal Home Loan of Rs. 10 million or Less	6,058,461	6,058,461	-	0.0%	
	c. Margin Type Loan	-	-	-		
	d. Term Loan	2,604,301	2,604,301	-	0.0%	
	e. Overdraft/ TR Loan/WC Loan	17,032,160	17,092,160	60,000	0.4%	Due to change in the loan loss provisions
	f. Others	10,803,144	10,803,144	-	0.0%	
2.5	Fixed Assets	102,918	102,918	-	0.0%	
2.6	Non Banking Assets	-	-	-	0.0%	
2.7	Other Assets	825,442	839,683	14,241	1.7%	Reclassification of Sundry Debtors/Creditors

Schedule 4.35:

Comparison of Unaudited and Audited Financial Statement as of FY 2073/74 (Continued)

NPR '000'

S. N.	Particulars	As per Unaudited Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
				In Amount	In %	
3	Profit and Loss Account					
3.1	Interest Income	3,058,891	3,060,619	1,728	0.1%	Interest income adjustment
3.2	Interest Expense	863,460	863,460	-	0.0%	
	A. Net Interest Income (3.1 - 3.2)	2,195,431	2,197,159	1,728	0.1%	
3.3	Fees, Commission and Discount	450,757	489,269	38,512	8.5%	Reclassification
3.4	Other Operating Income	90,491	51,979	(38,512)	-42.6%	Reclassification
3.5	Foreign Exchange Gain/Loss (Net)	610,569	610,569	-	0.0%	
	B. Total Operating Income (A+3.3+3.4+3.5)	3,347,248	3,348,976	1,728	0.1%	
3.6	Staff Expenses	547,964	548,556	592	0.1%	Additional expenses
3.7	Other Operating Expenses	514,010	512,849	(1,161)	-0.2%	Expenses reversal
	C. Operating Profit Before Provision (B -3.6 - 3.7)	2,285,274	2,287,571	2,297	0.1%	
3.8	Provision for Possible Losses	361,729	301,729	(60,000)	-16.6%	Change in the loan loss provisions
	D. Operating Profit (C -3.8)	1,923,546	1,985,843	62,297	3.2%	
3.9	Non Operating Income/Expenses (Net)	8,113	8,113	-	0.0%	
3.10	Write Back of Provision for Possible Loss	229,978	229,978	-	0.0%	
	E. Profit from Regular Activities (D+3.9+3.10)	2,161,637	2,223,934	62,297	2.9%	
3.11	Extraordinary Income/Expenses (Net)	8,055	8,055	-	0.0%	
	F. Profit before Bonus and Taxes (E +3.11)	2,169,692	2,231,989	62,297	2.9%	
3.12	Provision for Staff Bonus	197,245	202,908	5,663	2.9%	Change in profits
3.13	Provision for Tax	590,495	607,485	16,990	2.9%	Change in profits
	G. Net Profit/Loss (F - 3.12 - 3.13)	1,381,953	1,421,596	39,643	2.9%	

* Loans & advances are shown on net value.

Schedule 4 A:

Unaudited Financial Results (Quarterly)

As at the end of Fourth Quarter (15/07/2017) of the Fiscal Year 2073/74 (FY 2016-2017)

NPR '000'

S.N.	Particulars	This Quarter Ending (Unaudited)	Previous Quarter Ending (Unaudited)	Corresponding Previous Year Quarter Ending (Audited)
1	Total Capital and Liabilities	77,445,283	79,584,178	65,580,127
1.1	Paid-up Capital	4,005,715	3,749,901	2,812,426
1.2	Reserves and Surplus	8,158,836	4,838,557	4,761,090
1.3	Debenture and Bond	-	-	-
1.4	Borrowings	-	-	500,000
1.5	Deposits (a+b)	63,872,885	69,567,471	55,727,178
a	Domestic Currency	43,160,854	42,158,017	37,883,973
b	Foreign Currency	20,712,031	27,409,454	17,843,205
1.6	Income Tax Liability (Net)	(34,937)	6,576	-
1.7	Other Liabilities	1,442,784	1,421,673	1,779,433
2	Total assets	77,445,283	79,584,178	65,580,127
2.1	Cash & Bank Balance	8,928,302	8,856,008	3,972,332
2.2	Money at Call and Short Notice	12,623,564	16,356,464	6,069,660
2.3	Investments	15,761,367	16,210,243	23,094,622
2.4	Loans and Advances	39,203,690	37,355,946	31,697,345
a	Real Estate Loan	2,705,625	2,471,822	1,773,787
1.	Residential Real Estate Loan (Except Personal Home Loan upto Rs 10 million)	934,464	920,213	572,765
2.	Business complex and residential apartments construction loan	-	-	-
3.	Income generating Commercial Complex Loan	-	-	-
4.	Other Real Estate Loan (including land purchase and plotting)	1,771,160	1,551,610	1,201,022
b.	Personal Home Loan of Rs. 10 million or less	6,058,461	5,566,422	4,835,523
c.	Margin Type Loan	-	-	-
d.	Term Loan	2,604,301	1,974,898	1,987,523
e.	Overdraft/ TR loan/WC loan	17,032,160	17,301,565	14,455,608
f.	Others	10,803,144	10,041,238	8,644,904
2.5	Fixed Assets	102,918	87,684	71,306
2.6	Non Banking Assets	-	-	-
2.7	Other assets	825,442	717,833	674,863
3	Profit and Loss Account	Up to This Quarter	Up to Previous Quarter	Up to Corresponding Previous Year Quarter
3.1	Interest Income	3,058,891	2,063,519	2,415,583
3.2	Interest Expense	863,460	507,983	565,705
A	Net Interest Income	2,195,431	1,555,535	1,849,878
3.3	Fees, Commission and Discount	450,757	361,321	357,520
3.4	Other Operating Income	90,491	52,485	48,096
3.5	Foreign Exchange gain / Loss (Net)	610,569	479,544	629,555
B	Total Operating Income	3,347,248	2,448,886	2,885,049
3.6	Staff Expense	547,964	388,086	484,136
3.7	Other Operating Expenses	514,010	336,438	438,914

Schedule 4 A:

Unaudited Financial Results (Quarterly) (Continued)

As at the end of Fourth Quarter (15/07/2017) of the Fiscal Year 2073/74 (FY 2016-2017) NPR '000'

S.N.	Particulars	This Quarter Ending (Unaudited)	Previous Quarter Ending (Unaudited)	Corresponding Previous Year Quarter Ending (Audited)
C	Operating Profit Before Provision	2,285,275	1,724,363	1,961,999
3.8	Provision for Possible Losses	361,729	110,372	260,751
D	Operating Profit	1,923,547	1,613,991	1,701,248
3.9	Non Operating Income / Expense (Net)	8,113	6,395	37,853
3.10	Write back of Provision for Possible Losses	229,978	46,342	257,974
E	Profit from Regular Activities	2,161,638	1,666,727	1,997,074
3.11	Extraordinary Income/ Expenses (Net)	8,055	5,718	1,787
F	Profit Before Bonus and Taxes	2,169,692	1,672,444	1,998,862
3.12	Provision for Staff Bonus	197,245	152,040	181,715
3.13	Provision for Tax	590,495	456,121	524,653
G	Net Profit / Loss	1,381,953	1,064,283	1,292,495
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	22.04%	16.89%	16.49%
4.2	Non Performing Loan (NPL) to Total Loan	0.19%	0.23%	0.32%
4.3	Total Loan Loss Provision to Total NPL	685.80%	531.55%	387.35%
4.4	Cost of Funds (LCY)	3.06%	2.64%	1.25%
4.5	Credit to Deposit Ratio (as per NRB Directive)	72.34%	75.77%	70.31%
4.6	Base Rate	6.47%	5.97%	4.47%
4.7	Average Yield	8.07%	7.73%	5.89%
4.8	Net Interest Spread	5.01%	5.09%	4.64%

Note:

Loans and Advances includes Bills Purchased amount, figures are shown in Net 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;

	As on 15.07.2017
Core Capital (Tier 1)	11,119,338,648
a Paid up Equity Share Capital	4,005,715,333
b Share Premium	-
c Proposed Bonus Equity Share	4,005,715,333
d Statutory General Reserves	3,181,848,015
e Retained Earnings	9,786,370
f Current year profits	-
g Other Free Reserve	-
h Less : Deferred Tax Assets	(83,726,403)
i Less : Deferred Revenue Expenses	-

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

	As on 15.07.2017
Supplementary Capital (Tier 2)	855,762,876
a General loan loss provision	411,952,900
b Exchange Equalization Reserve	438,421,970
c Investment Adjustment Reserve	5,388,006

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. 83,726,403.

e. Total qualifying capital;

- Rs 11,975,101,524.

f. Capital adequacy ratio;

- 21.08%.

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

Board and Senior Management Oversight

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

The Bank management is responsible for understanding the nature and level of risk taken by the Bank and relating the risk to the capital adequacy level. The Country Executive Risk Committee (CERC) reviews Credit Risk, Operational Risk, Market Risk, Reputational Risk and country cross-border risk; analyzes the trend, assesses the exposure impact on capital and provides a summary report to the Executive Committee.

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

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

With 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.

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

Roles and responsibilities for risk management are defined under a 'three lines of defense' model, which reinforce the risk management culture in the bank. 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 managed through a framework that sets out policies, procedures and standards covering the measurement and management of credit risk. Credit policies and standards are considered and approved by the Board. Any exception to the credit policies and standards get escalated and approved by the appropriate authorities as stipulated in the policies and standards.

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

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

Comprehensive assessment of risks

The Country Executive Risk Committee is responsible for overseeing the effective implementation of the 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 has direct responsibilities. Risk limits and risk exposure approval authority frameworks are set by the ERC in respect of all risks including credit risk, country risk and market risk.

Credit risk

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

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

Operational Risk

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 Appetite. 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. The bank aims to control operational risks to ensure that operational losses (financial or reputational), including any related to conduct of business matters, do not cause material damage to the bank.

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 the system 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 provided the residual risk rating is 'low' on the Group Operational Risk Assessment Matrix. All Risks that are rated Medium or above on the Group Operational Risk Assessment Matrix are reported to the Executive Risk Committee (ERC) for endorsement and escalated to the Group Process Owner by the relevant country process owner for acceptance through the relevant Process Governance Committees (PGCs).
- The Financial Crime Risk Committee, chaired by the CEO, ensures appropriate governance of Financial Crime risk and oversees the implementation of the Risk Management Framework as it relates to Financial Crime.
- The Group Risk Committee (GRC) determines the Group's approach to the management of operational risk in accordance with the RMF. The GRC fulfils its responsibilities in part through delegation of authorities to properly constituted committees as listed below:
- Group Operational Risk Committee (GORC) is responsible for governing operational risk across all functions, client segments and products. It is in turn supported by Business Process Governance Committees (PGCs) appointed by Process Universe Owners, which provide global oversight of all operational risks arising from end-to-end processes within their Process Universes.
- Group Financial Crime Risk Committee (GFCRC) is responsible for governing financial crime risks across the Group Process Universe. This includes financial crime operational risks arising from non-compliance with external rules and regulations relating to International Sanctions, Anti-money-laundering & Terrorist financing and Anti-bribery and Corruption.
- Group Information Management Governance Committee (GIMGC) provides oversight and drives best practice in information management and data governance.
- Business and Geographic Risk Committees are responsible for ensuring the effective management of risk in the businesses and across the geographies in support of the Group's strategy.

Market Risk

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

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

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

Other risks

In addition to the credit, operational, market 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 summary report to the Executive Committee.

Internal Control Review

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

The effectiveness of the Bank's internal control system is reviewed regularly by the Board, its committees, Management and Internal Audit. The Audit Committee has reviewed the effectiveness of the internal control system during the FY 2073/74 BS and reported on its review to the Board. The Internal Audit monitors compliance with policies and standards and the effectiveness of internal control structures across the Bank through its program of business/unit audits. The Internal Audit function is focused in the areas of greatest risk as determined by a risk-based assessment methodology. Internal Audit reports regularly to the Audit Committee. The findings of all adverse audits are also notified to the Chief Executive Officer and Business Heads for immediate corrective actions.

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

- Bank has fully paid equity shares as qualifying capital.

2. Risk exposures

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

RISK WEIGHTED EXPOSURES		As on 15.07.2017
A	Risk Weighted Exposure for Credit Risk	50,192,675,320
B	Risk Weighted Exposure for Operational Risk	4,598,925,881
C	Risk Weighted Exposure for Market Risk	1,330,723,677
D	Adjustments under Pillar-II	679,667,877
Total Risk Weighted Exposures (a+b+c)		56,801,992,755

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

In NPR

No.	Particulars	Claim As on 15.07.2017	RWE as on 15.07.2017
1	Claims on govt. and central Bank	13,061,155,230	-
2	Claims on other official entities	-	-
3	Claims on Banks	25,599,442,830	8,009,443,631
4	Claims on corporate and securities firm	16,262,789,948	16,160,139,183
5	Claims on regulatory retail portfolio	5,317,221,644	3,987,916,233
6	Claim secured by residential properties	6,875,324,495	4,180,030,656
7	Claims secured by commercial real state	7,364,701,905	7,364,701,905
8	Past due Claims	229,555,218	290,208,598
9	High risk claims	2,472,782,594	3,458,896,635
10	Other Assets	1,355,587,328	593,290,205
11	Off Balance sheet Items	27,424,467,569	6,148,048,275
Total		105,963,028,761	50,192,675,320

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. 22,631,453 Net values Rs. 16,973,589.
- Doubtful Loan
Gross value Rs. 11,107,496 Net value Rs 5,553,748.
- Loss Loan
Gross value Rs. 42,981,103 Net value: NIL

e. NPA ratios

- Gross NPA to gross advances
0.19%
- Net NPA to net advances
0.06 %

f. Movement of Non Performing Assets

Year on year downward movement of Rs. 25,099,438.

g. Write off of Loans and Interest Suspense

Loans Write off during the year is Nil and interest suspense charged off during the year is Nil.

h. Movements in Loan Loss Provisions and Interest Suspense

Year on year upward movement in Loan Loss Provisions of Rs. 71,750,625.

Year on year upward movement in Interest suspense of Rs. 49,363,389.

i. Details of additional Loan Loss Provisions

No major additional provisions have been made.

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

Investment Portfolio	Net Amount (NPR)
Held For Trading	4,280,892,441
Held To Maturity	11,077,996,915
Available For Sale	273,135,788

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 Banking (including Business Banking), Commercial Banking and Corporate & Institutional Banking 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 in Corporate and Institutional Banking and Commercial Banking Clients (including Business Banking 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, using an appropriate scorecard. 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 Banking and Corporate & Institutional Banking and Commercial Banking 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 Banking uses standard application forms which are processed in central units and credit approval process is guided by Credit Approval Document (CAD) and Credit Processing Manual for each loan product. The probability of default is calculated using portfolio delinquency flow rates and judgement, where applicable.

There are risk officers in Retail Banking (including Business Banking), Commercial Banking and Corporate & Institutional Banking. 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 Commercial Banking and Corporate & Institutional Banking, and Credit Head in Retail Banking 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 Banking segment and on-line approval process in Business Banking, Commercial Banking and Corporate & Institutional Banking 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 Processing Manual specific to each business or loan product 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 Processing Manual outlines the Bank's policies and processes for underwriting, 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 information reports are presented to the Executive Risk Committee containing information on key environmental, political and economic trends, portfolio delinquency and loan impairment performance. Commercial, Corporate & Institutional and Business Banking 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 risk, operational risk, market risk, country cross-border risk, reputational risk, etc. throughout the Bank. Liquidity and capital risks are managed and monitored by ALCO.

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

No.	Credit Risk Mitigants	As on 15.07.2017
1	Deposits with Bank	689,651,486
2	Deposits with other banks/FI*	102,220,000
3	Govt. & NRB Securities	
4	G'tee of Domestic Banks*	
5	Sec/G'tee of Foreign Banks*	9,732,836,140
Total		10,524,707,626

* net of supervisory haircut

Directives from Nepal Rastra Bank while approving the Dividend Declaration/ Distribution and Financial Statements Publication

Based on the financial statements and other documents submitted by the Bank, the provisions of Sub-section 2 of Section 47 of Banks and Financial Institutions Act 2073 are seen to have been complied; therefore as per Sub-section 1 of the said Section, approval has been granted for Proposed cash dividend of Rs. 210,827,123 and Bonus shares of equivalent to Rs. 4,005,715,333 subject to fulfilment of other prevailing legal provisions and approval of the same by the annual general meeting of the Bank. Additionally, consent has been granted for publication of the financial statements of FY 2016/17 for tabling it for approval at the Bank's annual general meeting along with the below directives.

1. Interest rate spread as on 15th July 2017 has been 5.01% which is higher than the prescribed limit, therefore the spread should be brought within limit.
2. Arrangement should be made for full compliance of point 10.1(ka) and 10.3(tha) of Directive 12 related to Credit Information and Blacklisting, from the Unified Directives 2016 issued by Nepal Rastra Bank.
3. Arrangement should be made for full compliance of the observations/exceptions noted by the auditors in their report and for ensuring that such observations/exceptions do not repeat in future.

Above directives should be published as a separate page in the annual report of the Bank.

Five years Financial Summary

Balance Sheet

NPR '000'

Particulars	2069-70	2070-71	2071-72	2072-73	2073-74
	2012-13	2013-14	2014-15	2015-16	2016-17
Assets					
Cash and Bank Balance	6,404,999	9,188,304	11,572,442	3,972,332	8,928,302
Money at Call and Short Notice	3,009,064	7,960,305	11,973,546	6,069,660	12,623,564
Investments	12,753,518	9,391,379	13,120,063	23,094,622	15,632,025
Loans and Advances	22,828,838	25,976,585	27,681,313	31,302,950	39,263,690
Fixed Assets	81,518	68,726	83,853	71,306	102,918
Other Assets	553,163	738,804	627,827	674,863	858,098
Total Assets	45,631,100	53,324,102	65,059,044	65,185,732	77,408,598
Liabilities					
Borrowings	-	-		500,000	-
Deposits	39,466,453	46,298,532	57,286,482	55,727,178	63,872,885
Other Liabilities	1,547,073	1,937,479	1,679,818	1,434,379	1,671,687
Total Liabilities	41,013,526	48,236,011	58,966,300	57,661,557	65,544,572
Shareholders Fund					
Paid Up Capital	1,853,900	2,041,672	2,248,161	2,812,426	4,005,715
Proposed Bonus Shares	185,390	204,167	562,040	937,475	4,005,715
Reserve (including Exchange Reserve)	2,546,916	2,832,223	3,249,936	3,658,905	3,842,808
Undistributed Profit	31,368	10,028	32,607	115,368	9,786
Total Shareholders Fund	4,617,574	5,088,091	6,092,744	7,524,175	11,864,025
Contingent Liabilities					
Letter of Credit	3,046,891	3,583,307	2,146,922	2,458,815	2,282,628
Guarantees	8,560,504	12,779,883	11,075,683	12,223,923	12,953,727
Forward Exchange Contracts	3,097,266	1,100,001	1,377,681	2,226,620	2,376,477
Other Contingent Liabilities	3,389,423	4,715,704	8,456,444	8,339,548	9,282,837
Total Contingent Liabilities	18,094,084	22,178,895	23,056,730	25,248,905	26,895,670

Five years financial Summary

Profit & Loss Account

NPR '000'

Particulars	2069-70	2070-71	2071-72	2072-73	2073-74
	2012-13	2013-14	2014-15	2015-16	2016-17
Interest Income	2,535,359	2,583,958	2,571,012	2,415,583	3,060,619
Interest Expenses	611,382	576,299	657,497	565,705	863,460
Net Interest Income	1,923,977	2,007,659	1,913,515	1,849,878	2,197,159
Commission and Discount	294,968	383,611	362,964	357,520	489,269
Other Operating Incomes	42,727	44,157	38,010	48,096	51,979
Exchange fluctuation Income	515,050	477,996	613,936	629,555	610,569
Total Operating Income	2,776,721	2,913,423	2,928,425	2,885,049	3,348,976
Staff Expenses	421,631	482,083	468,278	488,290	548,556
Other Operating Expenses	382,484	368,030	420,973	434,760	512,849
Exchange fluctuation Loss					
Operating Profit Before Provision for Possible Loss	1,972,607	2,063,310	2,039,174	1,961,999	2,287,571
Provision for Possible Losses	110,125	84,401	188,682	260,751	301,729
Operating Profit	1,862,481	1,978,909	1,850,492	1,701,248	1,985,843
Non-Operating Income/ (Loss)	1,170	51,874	63,861	37,853	8,113
Provision for Possible Loss Written Back	50,135	63,531	149,688	257,974	229,978
Profit from Ordinary Activities	1,913,786	2,094,314	2,064,041	1,997,075	2,223,934
Income/(Expenses) from Extra Ordinary Activities	2,410	(1,524)	17,525	1,787	8,055
Net Profit after considering all Activities	1,916,196	2,092,790	2,081,566	1,998,862	2,231,989
Provision for Staff Bonus	174,200	190,254	187,099	181,715	202,908
Provision for Income Tax	524,056	565,947	584,115	524,653	607,485
Net Profit/Loss	1,217,941	1,336,589	1,310,352	1,292,495	1,421,596
Accumulated Profit up to Previous Year	10,795	31,582	10,028	32,607	115,368
Adjustment to Opening Reserve			(444)	-	
This Year's Profit	1,217,941	1,336,589	1,310,352	1,292,495	1,421,596
Share Premium					3,044,187
Deferred tax			-	89,557	17,819
Actuarial Gain/(Losses)			2,099	880	(59,396)
First Time adoption of NFRS			(12,987)	(25,231)	
Deferred Tax Previous Year			(630)	(264)	
Total	1,228,736	1,368,171	1,308,419	1,390,043	4,539,574
General Reserve Fund	243,588	267,318	258,005	258,499	284,319
Proposed Dividend	741,560	847,294	431,884	49,341	210,827
Proposed Issue of Bonus Shares	185,390	204,167	562,040	937,475	4,005,715
Exchange Fluctuation Fund	27,971	25,742	23,883	29,358	24,583
Capital Adjustment Fund			0	0	0
Other Appropriations	(1,141)	13,622	-	1	4,343
Accumulated Profit/(Loss)	31,368	10,028	32,607	115,368	9,786
Profit Before Tax	1,741,996	1,902,536	1,894,467	1,817,148	2,029,081
Return on Shareholder's Fund	26.38%	26.27%	21.69%	17.18%	11.98%
Cost Income ratio	35.23%	35.71%	36.76%	38.29%	37.75%
Profit per employee	2,683	2,906	2,979	2,971	2,872
Dividend Cover ratio	1.31	1.27	1.30	1.31	0.34

Financial Statements as per

Nepal Financial Reporting Standards

Auditor's Report

To the Shareholders of Standard Chartered Bank Nepal Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Standard Chartered Bank Nepal Limited which comprise the balance sheet as of July 15, 2017 (Ashadh 31, 2074) and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended and a significant accounting policies and other explanatory notes.

Management's responsibility for the Financial Statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Nepal Standards 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 procedure to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, the auditor considers the internal control relevant to the entity'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 entity'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 opinion.

Opinion

In our opinion, the accompanying financial statements presents fairly, in all material respects, the financial position of Standard Chartered Bank Nepal Limited as at Ashadh 31, 2074 (15 July 2017) and its financial performance and its cash flows for the year then ended in accordance with the Nepal Financial Reporting Standard and Company Act 2063.

Report on the requirements of Banks and Financial Institutions Act 2073 and Company Act 2063

We have obtained satisfactory information and explanations asked for, which to the best of our knowledge and belief were necessary for the purpose of our audit; the returns received from the branch offices of the bank, though the statements are independently not audited, were adequate for the purpose of the audit; the financial statements including the Balance Sheet, the Profit and Loss Account, the Cash flow Statement, Statement of Changes in Equity, and attached Schedules have been prepared in all material respect in accordance with the provisions of the Company Act 2063, and they are in agreement with the books of accounts of the Bank; and the accounts and records of the Bank are properly maintained in accordance with the prevailing laws.

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

Date: December 08, 2017
Place: Kathmandu

Sunir Kumar Dhungel
Managing Partner
LDSA ASSOCIATES
Chartered Accountants

Statement of Financial Position

As on 15 July 2017

	Notes	15-Jul-17	15-Jul-16
Assets			
Cash	4.1	811,609,528	799,366,056
Balances at central banks	4.2	7,067,997,124	1,514,671,384
Treasury Bills	4.3	4,280,892,441	7,021,721,973
Government Bonds	4.4	256,646,915	2,789,621,622
Balances with other banks	4.5	1,048,695,313	1,658,294,743
Loans and advances to banks	4.6	22,941,564,000	18,950,460,000
Loans and advances to customers	4.7	39,532,576,906	31,469,115,666
Investment in securities	4.8	776,485,788	402,477,960
Other assets	4.9	941,114,493	700,294,876
Property, plant and equipment	7	102,917,966	71,306,086
Deferred tax assets / (liability)	12.4	(46,962,306)	(28,906,492)
Total Assets		77,713,538,121	65,348,423,874
Liabilities and Equity			
Liabilities			
Deposits by banks	4.10	499,676,606	173,970,432
Customer accounts	4.11	63,373,208,846	55,553,208,024
Bills payable	4.12	76,659,624	310,183,573
Borrowings	4.13	-	500,000,000
Other liabilities	4.14	1,380,941,020	1,060,383,050
Retirement benefit obligations (net)	8.2	3,259,159	14,471,407
Proposed Dividend		-	-
Total liabilities		65,333,745,254	57,612,216,486
Equity			
Share capital	10	4,005,715,333	2,812,426,000
Reserves	11	8,374,077,534	4,923,781,388
Total shareholders' equity		12,379,792,867	7,736,207,388
Non-controlling interests		-	-
Total equity		12,379,792,867	7,736,207,388
Total equity and liabilities		77,713,538,121	65,348,423,874

As per our report of even date

Suraj Lamichhane
Financial Controller

Joseph Silvanus
CEO & Director

Jitender Arora
Chairman

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

Mana B Rai
Director

Krishna Kumar Pradhan
Director

Date: 8th December 2017 | Place: Kathmandu

Statement of Profit or Loss

for the period 16 July 2016 - 15 July 2017

	Notes	2016-17	2015-16
Interest income	6.1	3,191,877,669	2,440,004,000
Interest expense	6.2	(863,459,635)	(565,704,649)
Net interest income		2,328,418,034	1,874,299,351
Fees and commission income	6.3	417,852,214	311,311,795
Net trading income	6.4	610,568,563	629,555,473
Other operating income	6.5	60,091,919	85,948,718
Non-interest income		1,088,512,696	1,026,815,986
Operating income		3,416,930,730	2,901,115,337
Staff costs	8.1	(771,619,157)	(685,965,585)
Premises costs	15	(125,113,188)	(137,076,803)
General administrative expenses	16	(339,716,456)	(277,219,607)
Depreciation and amortisation	7, 17	(26,277,882)	(20,463,281)
Operating expenses		(1,262,726,684)	(1,120,725,276)
Operating profit before impairment losses and taxation		2,154,204,046	1,780,390,061
Impairment losses on loans and advances to customers	5	-	(40,129,000)
Impairment on loans and advances to customers reversed	5	19,583,583	17,008,000
Other impairment	-	-	43,107,829
Other	18	8,055,204	1,787,396
Profit from associates and joint ventures			
Profit before taxation		2,181,842,833	1,802,164,286
Taxation			
Income Taxes	12.1	(595,512,262)	(503,331,917)
Deferred tax income / (expense)	12.4	(36,343,608)	(34,147,508)
Profit for the year		1,549,986,963	1,264,684,862
Profit attributable to:			
Non-controlling interests		-	-
Equity shareholders		1,549,986,963	1,264,684,862
Profit for the year		1,549,986,963	1,264,684,862
Earnings per share:			
Basic earnings per ordinary share (NPR)	19	45.55	54.68
Diluted earnings per ordinary share (NPR)	19	45.55	54.68

As per our report of even date

Suraj Lamichhane
Financial Controller

Joseph Silvanus
CEO & Director

Jitender Arora
Chairman

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

Mana B Rai
Director

Krishna Kumar Pradhan
Director

Date: 8th December 2017 | Place: Kathmandu

Statement of Other Comprehensive Income

for the period 16 July 2016 - 15 July 2017

	Notes	2016-17	2015-16
Profit for the year		1,549,986,963	1,264,684,862
Other comprehensive income:			
Items that will not be reclassified to income statement:			
Actuarial (losses)/gains on retirement benefit obligations	8.2	(59,396,000)	880,000
Deferred tax implication of actuarial gain / (losses)	12.4	17,818,800	(264,000)
Items that may be reclassified subsequently to income statement:			
Available-for-sale investments:			
Net valuation gains taken to equity	4.8	(129,342,173)	210,667,485
Reclassified to income statement			
Other comprehensive income for the year, net of taxation			
Total comprehensive income for the year		1,379,067,591	1,475,968,347
Total comprehensive income attributable to:		-	-
Non-controlling interests		-	-
Equity shareholders		1,379,067,591	1,475,968,347
		1,379,067,591	1,475,968,347

As per our report of even date

Suraj Lamichhane
Financial Controller

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Partner
For and on behalf of LDSA Associates.
Chartered Accountants

Mana B Rai
Director

Krishna Kumar Pradhan
Director

Date: 8th December 2017 | Place: Kathmandu

Statement of Cash Flows

for the period 16 July 2016 – 15 July 2017

	Notes	2016-17	2015-16
Cash flows from operating activities			
Loss / (profit) before taxation		2,181,842,833	1,802,164,286
Adjustments for non-cash items and non operating adjustments			
Depreciation		26,277,882	20,463,281
Gain on disposal of assets		(1,152,091)	(20,695,782)
Dividend income		(6,936,220)	(9,372,682)
Defined benefit plan net charge		21,324,035	20,673,000
Changes in Operating assets and Liabilities			
Change in operating assets		(7,622,311,541)	(7,539,115,183)
Change in operating liabilities		7,825,804,464	(851,713,724)
Contributions to defined benefit schemes (net)		(90,000,000)	(74,033,300)
Taxes paid		(557,996,286)	(540,973,046)
Net cash from operating activities		1,776,853,077	(7,192,603,150)
Cash flows from investing activities			
Purchase of property, plant and equipment		(54,672,658)	(10,539,571)
Disposal of property, plant and equipment		(2,065,014)	23,319,386
Investment in subsidiaries, associates & joint ventures		-	-
Purchase of investment securities		-	-
Disposal and maturity of investment securities		-	-
Dividends received from investment in securities		6,936,220	9,372,682
Net cash used in investing activities		(49,801,453)	22,152,498
Cash flows from financing activities			
Issue of ordinary and preference share capital, net of expenses		3,278,258,965	2,224,500
Dividends paid to ordinary shareholders, net of scrip		(49,340,807)	(431,883,592)
Net cash (used in)/from financing activities		3,228,918,158	(429,659,092)
Net increase/(decrease) in cash and cash equivalents		4,955,969,783	(7,600,109,745)
Cash and cash equivalents at beginning of year		3,972,332,184	11,572,441,928
Effect of exchange rate changes on cash & cash equivalents			
Cash and cash equivalents at end of year		8,928,301,966	3,972,332,183

As per our report of even date

Suraj Lamichhane
Financial Controller

Joseph Silvanus
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CA. Sunir K Dhungel
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For and on behalf of LDSA Associates.
Chartered Accountants

Mana B Rai
Director

Krishna Kumar Pradhan
Director

Date: 8th December 2017 | Place: Kathmandu

Statement of Changes in Equity

for the period 16 July 2016 - 15 July 2017

	Share capital	Retained earnings	General Reserve	Fluctuation Reserve	Exchange Reserve	Deferred Tax Reserve	Statutory / Regulatory Reserves	
							Available for sale reserve	Total
As at 16 July 2015	2,248,161,200	1,174,613,100 (156,447,796)	2,639,029,861	384,481,144	89,556,937	136,928,775	6,672,771,017	(156,477,796)
Opening NFRS Adjustment		(16,866,254)				(60,975)		(16,927,229)
Restated 16 July 2015	2,248,161,200	1,001,299,050	2,639,029,861	384,481,144	89,556,937	136,867,800	6,499,395,992	
Profit for the year	-	1,475,968,347	-	-	-	-	1,475,968,347	
Transfer to General Reserve	-	(258,498,926)	258,498,926	-	-	-	-	-
OCI Adjustments		616,000					616,000	
Bonus Share	562,040,300	(562,040,300)	-	-	-	-	-	-
Dividend		(431,883,592)					(431,883,592)	
Issue of Share Capital	2,224,500	-	-	-	-	-	2,224,500	
Exchange Fluctuation Fund	-	(29,357,997)	-	29,357,997	-	-	-	-
Deferred Tax Reserve	-	89,556,937	-	-	(89,556,937)	-	-	-
Investment Adjustment Reserve	-	(1,200)	-	-	-	210,669,660	210,668,460	
Adjustments	-	(20,782,320)	-	-	-	-	(20,782,320)	
As at 15 July 2016	2,812,426,000	1,264,875,999	2,897,528,787	413,839,141	-	347,537,460	7,736,207,387	
Share Premium								
As at 16 July 2016	2,812,426,000	1,264,875,999	2,897,528,787	413,839,141	-	347,537,460	7,736,207,387	
Opening NFRS Adjustment		(162,691,395)					(162,691,395)	
Adjustments	-	-	-	-	-	-	-	-
Restated 16 July 2016	2,812,426,000	1,102,184,604	2,897,528,787	413,839,141	-	347,537,460	7,573,515,993	
Profit for the year	-	1,379,067,591	-	-	-	-	1,379,067,591	
Transfer to General Reserve	-	(284,319,227)	284,319,227	-	-	-	-	-
Bonus Share	937,475,333	(937,475,333)					-	-
Dividend	-	(49,340,807)					(49,340,807)	
Share Issue Expenses	-	(21,741,635)					(21,741,635)	
Issue of Share Capital	255,814,000	-	-				255,814,000	
Share Premium		-	3,044,186,600				3,044,186,600	
Exchange Fluctuation Fund	-	(24,582,829)		24,582,829			-	-
Investment Adjustment Reserve	-	-				(129,342,173)	(129,342,173)	
Adjustments (Note 22)	-	327,633,298					309,814,498	
As at 15 July 2017	4,005,715,333	1,491,425,661	3,181,848,015	438,421,970	3,044,186,600	218,195,288	12,379,792,867	

Accounting Policies and Explanatory Notes

2016-17

1. General Information

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

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

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

2. Statement of Compliance

The financial statements have been prepared and approved by the Board of directors in accordance with Nepal Financial Reporting Standards (NFRS) to the extent applicable and as published by the Accounting Standards Board (ASB) – Nepal. The Profit and Loss appropriation is treated as Other Comprehensive Income (OCI).

2.1 Approval of financial statements

Accompanied financial statements have been adopted by the Board of Directors on its meeting held on 8 December 2017 and have been recommended for approval by shareholders in the Annual General Meeting

3. Basis of Preparation

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

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

3.1 Reporting Pronouncements

The Bank has, for the preparation of financial statements, adopted the NFRS pronounced by ASB as effective on September 13, 2013.

NFRS conform, in all material respect, to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB)

3.2 Accounting Conventions

The financial statements have been prepared on a historical cost basis, as modified by the revaluation of financial assets and liabilities (including derivatives) at fair value through profit or loss.

The financial statements have been prepared on a going concern basis where the accounting policies and judgements as required by the standards are consistently used and in case of deviations disclosed specifically.

3.3 New reporting standards in issue but not yet effective

NFRS 9 – Financial Instruments has been issued but is not effective until further notified. For the reporting of financial instruments, NAS 32 Financial Instruments, Presentation, NAS 39 Financial Instruments Recognition and Measurements and NFRS 7 Financial Instruments – Disclosures have been applied.

A number of new standards and amendments to the existing standards and interpretations have been issued by IASB after the pronouncements of NFRS with varying effective dates. Those become applicable when ASB Nepal incorporates them within NFRS.

A significant impact on classification and measurement including impairment of financial instruments will arise as a result of application of NFRS 9.

3.4 Presentation

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

For presentation of the statement of financial position assets and liabilities have been bifurcated into current and non-current, by their respective maturities and are disclosed in the notes.

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

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

3.4.1 Presentation currency

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

3.4.2 Current and Non-Current distinction

Assets

Apart from the property, plant and equipment and deferred tax assets all the assets are taken as current assets unless specific additional disclosure is made in the notes for current and non-current distinction.

Liabilities

Apart from the defined benefit plan obligations all the liabilities are taken as current liabilities unless specific additional disclosure is made in the notes for current and non-current distinction.

3.5 Accounting Policies and accounting estimates

The Bank, under NFRS, is required to apply accounting policies to most appropriately suit its circumstances and operating environment. Further the Bank is required to make judgement in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the financial statements. This may later be determined that a different choice could have been more appropriate.

Accounting policies have been included in the relevant notes for each item of the financial statements. The effect and nature of the changes, if any, have been disclosed.

NFRS requires the Bank to make estimates and assumptions that will affect the assets, liabilities, disclosure of contingent assets and liabilities, and profit or loss as reported in the financial statements.

The Bank applies estimates in preparing and presenting the financial statements. The estimates and underlying assumptions are reviewed periodically. Revision to accounting estimates are recognised in the period in which the estimates are revised, and are applied prospectively.

Disclosures of the accounting estimates have been included in the relevant sections of the notes wherever the estimates have been applied along with the nature and effect of changes of accounting estimates, if any.

3.6 Financial Periods

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

Relevant Financial Statement	Nepalese Calendar	English Calendar
	Date / Period	Date / Period
Comparative SFP* Date	31 Ashadh 2073	15 July 2016
Comparative reporting period	1 Shrawan 2072 - 31 Ashadh 2073	16 July 2015 - 16 July 2016

* SFP = Statement of financial position

3.7 Discounting

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

3.8 Limitation of NFRS implementation

Wherever the information is not adequately available and the cost to develop the same would exceed the benefit derived, such exception to NFRS implementation has been noted and disclosed in respective sections.

4. Financial Instruments

Accounting Policy

The Bank classifies its financial assets into the following measurement categories: a) financial assets held at fair value through profit or loss; b) loans and receivables; c) held-to-maturity; and d) available-for-sale. Financial liabilities are classified as either held a) at fair value through profit or loss, or b) at amortised cost.

Management determines the classification of its financial assets and liabilities at initial recognition or, where applicable, at the time of reclassification.

Financial assets and liabilities held at fair value through profit or loss

This category has two sub-categories: financial assets and liabilities held for trading, and those designated at fair value through profit or loss at inception. A financial asset or liability is classified as held for trading if acquired principally for the purpose of selling in the short term.

Financial assets and liabilities may be designated at fair value through profit or loss when:

- The designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis
- A group of financial assets and/or liabilities is managed and its performance evaluated on a fair value basis
- The assets or liabilities include embedded derivatives and such derivatives are required to be recognised separately

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and it is expected that substantially all of the initial investment will be recovered, other than because of credit deterioration.

Held-to-maturity

Held-to-maturity assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the bank's management has the intention and ability to hold to maturity.

Available-for-sale

Available-for-sale assets are those non-derivative financial assets intended to be held for an indefinite period of time, which may be sold in response to liquidity requirements or changes in interest rates, exchange rates, commodity prices or equity prices.

Financial liabilities held at amortised cost

Financial liabilities, not classified as held at fair value through statement of profit or loss which includes borrowings, are classified as amortised cost instruments.

Initial recognition

All financial instruments are initially recognised at fair value, which is normally the transaction price plus, for those financial assets and liabilities not carried at fair value through profit and loss, directly attributable transaction costs

Purchases and sales of financial assets and liabilities held at fair value through profit or loss, and financial assets classified as held-to-maturity or available-for-sale are initially recognised on the trade-date (the date on which the Bank commits to purchase or sell the asset).

Loans are recognised when cash is advanced to the borrowers.

Subsequent measurement

Financial assets and liabilities held at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value taken directly to the net trading income line in the statement of profit or loss.

Available-for-sale financial assets are subsequently carried at fair value, with gains and losses arising from changes in fair value taken to the available-for-sale reserve within equity until the asset is sold, or is impaired, at which point the cumulative gain or loss is transferred to the statement of profit or loss.

Loans and receivables and held-to-maturity financial assets are subsequently measured at amortised cost using the effective interest rate method. Within this category loans and advances to the customers have been recognised at amortised cost using the method that very closely approximates effective interest rate method.

Financial liabilities are subsequently measured at amortised cost, with any difference between proceeds net of directly attributable transaction costs and the redemption value recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

Derecognition

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

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

Explanatory Notes

As at 15 July 2017

Financial Assets	Notes	Assets at fair value			Assets at amortised costs		
		Trading	Designated at FVTPL	Available for sale	Loans and Receivables	Held to maturity	Total
Cash at vault	4.1	-	-	-	811,609,528	-	811,609,528
Balance with central bank	4.2	-	-	-	7,067,997,124	-	7,067,997,124
Treasury bills	4.3	-	4,280,892,441	-	-	-	4,280,892,441
Government bond	4.4	-	-	-	-	256,646,915	256,646,915
Balances with banks	4.5	-	-	-	1,048,695,313	-	1,048,695,313
Loans and Advances to banks	4.6	-	-	-	22,941,564,000	-	22,941,564,000
Loans and Advances to Customers	4.7	-	-	-	39,532,576,906	-	39,532,576,906
Investment in corporate securities	4.8	-	-	776,485,788	-	-	776,485,788
Other Financial Assets	4.9	-	-	-	834,247,820	-	834,247,820
		-	4,280,892,441	776,485,788	72,236,690,692	256,646,915	77,550,715,835

Financial Liabilities	Notes	Liabilities at fair value			Liabilities at amortised costs	
		Trading	Designated at FVTPL	Total		
Deposit by Bank	4.10	-	-	499,676,606	499,676,606	
Customer Accounts	4.11	-	-	63,373,208,846	63,373,208,846	
Bills Payable	4.12	-	-	76,659,624	76,659,624	
Borrowings	4.13	-	-	-	-	
Other Financial Liabilities	4.14	-	-	1,191,269,545	1,191,269,545	
		-	-	65,140,814,620	65,140,814,620	

As at 15 July 2016

Financial Assets	Notes	Assets at fair value			Assets at amortised costs		
		Trading	Designated at FVTPL	Available for sale	Loans and Receivables	Held to maturity	Total
Cash at vault	4.1	-	-	-	799,366,056	-	799,366,056
Balance with central bank	4.2	-	-	-	1,514,671,384	-	1,514,671,384
Treasury bills	4.3	-	7,021,721,973	-	-	-	7,021,721,973
Government bond	4.4	-	-	-	-	2,789,621,622	2,789,621,622
Balances with banks	4.5	-	-	-	1,658,294,743	-	1,658,294,743
Loans and Advances to banks	4.6	-	-	-	18,950,460,000	-	18,950,460,000
Loans and Advances to Customers	4.7	-	-	-	31,469,115,666	-	31,469,115,666
Investment in corporate securities	4.8	-	-	402,477,960	-	-	402,477,960
Other Financial Assets	4.9	-	-	-	603,870,453	-	603,870,453
		-	7,021,721,973	402,477,960	54,995,778,302	2,789,621,622	65,209,599,857

Financial Liabilities	Notes	Liabilities at fair value			Liabilities at amortised costs	
		Trading	Designated at FVTPL	Total		
Deposit by Bank	4.10	-	-	173,970,432	173,970,432	
Customer Accounts	4.11	-	-	55,553,208,024	55,553,208,024	
Bills Payable	4.12	-	-	310,183,573	310,183,573	
Borrowings	4.13	-	-	500,000,000	500,000,000	
Other Financial Liabilities	4.14	-	-	901,224,830	901,224,830	
		-	-	57,438,586,859	57,438,586,859	

Unless specifically disclosed financial assets and liabilities are current assets and liabilities respectively.

Financial Assets

4.1 Cash at Vault

	15-Jul-17	15-Jul-16
LCY	758,103,007	752,853,889
FCY	53,506,521	46,512,167
	811,609,528	799,366,056

The fair value of cash is the carrying amount.

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

4.2 Balance with central bank (non interest bearing)

	15-Jul-17	15-Jul-16
LCY	7,032,487,555	1,459,122,505
FCY	35,509,570	55,548,879
	7,067,997,124	1,514,671,384

The fair value of balance with the central bank is the carrying amount. Balance with central bank is categorised as loans and receivable to be subsequently measured at amortised cost.

Balance with the central bank is principally maintained as a part of the regulatory cash reserve ratio required by the central bank. There are regulatory and liquidity restrictions placed on the level of balance with the central bank.

4.3 Treasury bills

	15-Jul-17	15-Jul-16
Treasury Bills (LCY)	4,280,892,441	7,021,721,973
	4,280,892,441	7,021,721,973

Treasury bills have been classified as financial assets designated at fair value through Statement of Profit or Loss (SoPL). Valuation of these instruments is assessed on the basis of similar bills on issue. These bills have the maturity period of less than one year and no variation has been observed from the subsequent bills on issue, that have been considered as observable inputs.

These instruments have been considered as risk free instruments. Considering the short maturity period of these instruments, risks as a result of changes in macro economic conditions is assessed to be nominal. These are highly liquid instruments and can be converted into cash immediately on requirement.

4.4 Government Securities

	15-Jul-17	15-Jul-16
Government of Nepal - Bonds and Securities	256,646,915	259,621,622
NRB Bond	-	2,530,000,000
	256,646,915	2,789,621,622

Government bonds have been classified as held to maturity instrument as the Bank has intention and capacity to hold these instruments until their maturity. These instruments are carried at amortised costs.

These instruments are issued by the government. Bank considers that the fixed return on these bonds adequately compensates for associated risks.

	15-Jul-17	15-Jul-16
Current	-	2,530,000,000
Non-current	256,646,915	259,621,622
Total	256,646,915	2,789,621,622

4.5 Balance with banks (non-interest bearing)

	15-Jul-17	15-Jul-16
Local Banks - LCY		
With BFI Class A	49,752,997	47,614,290
Foreign Banks - FCY		
INR	373,644,279	338,030,937
Other Convertible currencies	625,298,037	1,272,649,516
	1,048,695,313	1,658,294,743

These assets have been classified as loans and receivables and are subsequently measured at amortised costs.

Risks associated with these assets are regularly assessed.

4.6 Loans and advances to banks

	15-Jul-17	15-Jul-16
Money at Call – Foreign Banks (FCY)	12,623,564,000	6,069,660,000
Short term Placements in Foreign Banks (FCY)	10,318,000,000	12,880,800,000
Less: Individual Impairment	-	-
Less: Portfolio Impairment	-	-
Loans and advances to bank net of impairments	22,941,564,000	18,950,460,000

These assets have been classified as loans and receivables and are subsequently measured at amortised costs.

Risks associated with these assets are regularly assessed.

These are interest bearing advances and the income on these assets is credited to statement of profit or loss under interest income.

4.7 Loans and advances to customers

	15-Jul-17	15-Jul-16
Gross Loan	39,707,549,323	31,663,671,666
Less: Individual Impairment	(22,337,221)	(26,651,000)
Less: Portfolio Impairment	(152,635,196)	(167,905,000)
Loans and advances to customers net of impairments	39,532,576,906	31,469,115,666

4.7.1 Current and non-current Loans and advances to customers

	15-Jul-17	15-Jul-16
Current	23,601,074,524	19,392,512,666
Non-current	16,106,474,799	12,271,159,000
Total	39,707,549,323	31,663,671,666

4.7.2 Segmental Loan and advances

Loans and advances to customers have been further sub classified into two business segments, namely i) Corporate and institutional banking customers and ii) Retail banking customers (including SME).

Corporate and Institutional customers

	15-Jul-17	15-Jul-16
Gross Loan	19,056,114,210	16,154,830,000
Less: Individual Impairment	-	-
Less: Portfolio Impairment	(116,500,691)	(121,789,000)
Loans and advances to customers net of impairments	18,939,613,520	16,033,041,000

SME and Retail customers

	15-Jul-17	15-Jul-16
Gross Loan	20,651,435,112	15,508,841,666
Less: Individual Impairment	(22,337,221)	(26,651,000)
Less: Portfolio Impairment	(36,134,505)	(46,116,000)
Loans and advances to customers net of impairments	20,592,963,386	15,436,074,666

4.7.3 Collateral securities against loans and advances to customers

Loans and advances to customers are backed by collateral securities to mitigate the default risk. The type of the collaterals corresponding to the loans and advances to customers are given in the table below.

	15-Jul-17	15-Jul-16
Secured		
Movable / Immovable assets	34,364,823,326	26,602,937,814
Guarantee of NRB licensed BFI		
Government Guarantee	138,807,033	138,807,033
Guarantee of international rated bank	1,603,893,094	1,737,054,048
Export documents		
Fixed Deposit receipts	381,016,330	410,959,409
Own	41,244,730	24,576,997
Other BFI	339,771,601	386,382,412
Government securities / bonds		
Counter guarantee		
Personal guarantee		
Other securities	3,241,296,117	2,807,586,280
Unsecured		
Total	39,729,835,900	31,697,344,584

4.8 Investments in corporate securities

	15-Jul-17	15-Jul-16
Corporate Securities	273,135,788	402,477,960
Other Investments	503,350,000	-
less Impairments	-	-
	776,485,788	402,477,960

These include equity investments in four different companies. None of these investments result in control or significant influence over the invested entities. These investments have been classified as available for sale assets. The movement in fair value of these instruments have been adjusted through other comprehensive income.

Investments in CIC Ltd. and NCH Ltd.

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

4.8.1 Nepal Grameen Bikas Bank Ltd. (NGBB)

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

4.8.2 Rural Micro-Finance Development Centre Limited (RMDC)

Investment in RMDC includes 694,649 ordinary shares of NPR 100 each fully paid up. This includes 172,749 bonus shares received by the Bank.

4.8.3 Credit Information Centre Ltd. (CICL)

Investment in CIC includes 54,899 ordinary shares of NPR 100 each fully paid up, including 42,544 bonus shares received by the Bank.

4.8.4 Nepal Clearing House Ltd. (NCHL)

Investment in NCH includes 25,000 ordinary shares of NPR 100 each fully paid up.

Fair Value Movement AFS Corporate Securities

	15-Jul-17	15-Jul-16
Investment in equity shares at cost		
NGBB Ltd	-	-
PGBBL	-	-
SPGBBL	-	-
RMDC Ltd	52,190,000	52,190,000
CIC Ltd	1,235,500	1,235,500
NCH Ltd	2,500,000	2,500,000
	55,926,000	55,926,000
No of shares		
NGBB Ltd	600	600
PGBBL	-	-
SPGBBL	-	-
RMDC Ltd	694,649	574,090
CIC Ltd	54,899	36,599
NCH Ltd	25,000	25,000
Fair Value (also refer Note 4.15)		
NGBB Ltd	223,800	324,000
PGBBL	-	-
SPGBBL	-	-
RMDC Ltd	269,176,488	398,418,460
CIC Ltd	1,235,500	1,235,500
NCH Ltd	2,500,000	2,500,000
	273,135,788	402,477,960
Changes in Fair value	(129,342,173)	210,667,485

NGBB Ltd (or the erstwhile entities in which the Bank had investments and that merged to form NGBB) has not declared or distributed dividend in the past three years. Valuation of these financial instruments are given in Note 4.15.

4.9 Other Assets

Accounting Policy

The other assets that fall under the classification of financial instruments are carried at amortised costs and those other assets that do not fall within the definition are carried at cost. These instruments are regularly monitored for impairment.

Explanatory Notes

Particulars	15-Jul-17	15-Jul-16
Other Financial Assets		
Income Receivable on investments	62,654,227	54,041,574
Accrued interest on loans	179,351,558	103,312,000
Commission receivable	115,198,319	76,466,574
Staff loans and advances	458,628,153	314,118,765
cash in transit	-	-
Advance Income Tax	18,415,563	55,931,539
	834,247,820	603,870,453
Other Non-Financial Assets		
Sundry debtors	74,394,172	25,084,300
Pre payments	24,110,308	22,087,788
Expenses not written off	-	-
Others	8,362,148	49,252,335
	106,866,623	96,424,423
	941,114,448	700,294,876

The expenses not written off pertaining to the unamortised premium on purchase of bonds has been included with the bond under amortised cost method.

	15-Jul-17	15-Jul-16
Non-Current	479,157,427	105,721,997
Current	461,957,021	594,572,879
	941,114,448	700,294,876

Financial Liabilities

4.10 Deposits by banks

	15-Jul-17	15-Jul-16
Non-Interest Bearing		
Current Accounts LCY		
Class A BFI *	59,381,851	154,337,632
Other BFI **	3,420,216	2,524,040
Current Accounts FCY		
Class A BFI	8,659,438	13,614,712
Interest Bearing		
Call Deposits LCY		
Class A BFI	-	-
Other BFI	276	3,494,048
Call Deposits FCY		
Class A BFI	428,214,825	-
	499,676,606	173,970,432

*Class A BFIs are Class A Banks (commercial Banks) licensed by Nepal Rastra bank

** Other BFIs are financial institutions other than Class A BFIs licensed by Nepal Rastra bank

4.11 Customer Accounts

	15-Jul-17	15-Jul-16
Non Interest Bearing		
Current Account deposits (LCY)		
GoN	194,507,586	203,664,328
Other Organised Bodies	7,790,040,775	8,211,445,593
Individuals Others	459,702,512	531,926,278
Current Account deposits (FCY)		
GoN	56,244,473	467,924,066
Other Organised Bodies	3,697,400,546	3,855,225,055
Individuals Others	152,942,753	249,618,938
Margin deposits (LCY)		
Guarantee Margin	448,409,219	437,131,851
LC Margin	178,021,317	127,454,541
Others	168,424,177	18,293,670
Other deposits (LCY)		
Individuals Others	-	-
Interest Bearing		
Saving Account deposits (LCY)		
Other Organised Bodies	1,598,746,054	2,455,663,281
Individuals Others	18,035,430,508	20,837,555,340
Others	14,030	13,911
Saving Account deposits (FCY)		
Other Organised Bodies	243,967,449	286,576,898
Individuals Others	2,919,334,397	3,331,548,054
Others	-	-
Fixed deposits (LCY)		
Other Organised Bodies	7,754,084,690	1,136,167,556
Individuals Others	3,936,025,209	1,342,886,137
Fixed deposits (FCY)		
Other Organised Bodies	11,248,696,989	710,182,985
Individuals Others	158,157,254	24,818,737
Call deposits (LCY)		
Other Organised Bodies	2,695,016,665	2,433,497,447
GoN	23,155,031	23,392,324
Individuals Others	32,019,220	55,993,764
Others	2,020,496	1,877,254
Call deposits (LCY)		
Other Organised Bodies	1,580,847,495	8,810,350,016
	63,373,208,846	55,553,208,024
Current	63,349,411,078	55,516,588,024
Non-current	23,797,768	36,620,000
Total	63,373,208,846	55,553,208,024

4.12 Bills payables

	15-Jul-17	15-Jul-16
LCY	48,323,986	269,573,409
FCY	28,335,638	40,610,164
	76,659,624	310,183,573

4.13 Borrowings

	15-Jul-17	15-Jul-16
Borrowing	-	500,000,000
	-	500,000,000

This is a short term borrowing from a local bank.

4.14 Other Financial Liabilities

Accounting Policy

Non financial liabilities are recorded and reported at cost based on legal and constructive obligation to the bank. Provisions are recognised when the bank has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Explanatory Notes

Particulars	15-Jul-17	15-Jul-16
Other Financial Liabilities		
Interest payable on deposits	289,319,761	60,908,204
Interest payable on borrowings	-	41,780
Dividend payable	55,906,752	140,154,411
Staff Bonus Payable	202,908,101	181,714,762
Other Creditors	394,861,291	360,740,199
Audit Fee Payable	2,050,000	2,050,000
Other Payables	246,223,640	155,615,473
	1,191,269,545	901,224,830
Other Non-Financial Liabilities		
Unearned discount and commission	189,671,475	159,158,220
	189,671,475	159,158,220
	1,380,941,020	1,060,383,050
Current	1,380,941,020	1,060,383,050
Non-current	-	-
Total	1,380,941,020	1,060,383,050

4.15 Valuation hierarchy

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

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

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

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

Hierarchy of fair value measurement

15-Jul-17	Level 1	Level 2	Level 3
Assets			
Treasury bills		4,280,892,441	
Corporate Securities			
NGBB Ltd	223,800		
RMDC Ltd	269,176,488		
CIC Ltd			1,235,500
NCH Ltd			2,500,000
	269,400,288	4,280,892,441	3,735,500

15-Jul-16	Level 1	Level 2	Level 3
Assets			
Treasury bills		7,021,721,973	
Corporate Securities			
NGBB Ltd	324,000		
RMDC Ltd	398,418,460		
CIC Ltd			1,235,500
NCH Ltd			2,500,000
	398,742,460	7,021,721,973	3,735,500

The following table presents the Bank's financial instruments, which are held at the fair value. The table also presents the valuation techniques used to measure the fair value of those financial instruments, the significant unobservable inputs, and the range of values for those inputs.

Instrument	Principal valuation technique	Significant unobservable inputs
Treasury Bills	Discounted cash flows	Yield
Corporate securities		
NGBB Ltd	Comparable pricing	Proxy pricing
RMDC Ltd	Comparable pricing	Proxy pricing
CIC Ltd	Internal pricing model	EV/EBITDA multiples, P/E multiples, Liquidity discount
NCH Ltd	Internal pricing model	EV/EBITDA multiples, P/E multiples, Liquidity discount

The following section describes the significant unobservable inputs identified in the valuation technique table.

Proxy pricing

Proxy pricing refers to the method where valuation is done by calculating an implied yield from the price of a similar comparable observable instrument. The comparable instrument for a private equity investment is a comparable listed company. The comparable instrument in case of bonds is a similar comparable but observable bond.

This may involve adjusting the yield to derive a value for the unobservable instrument.

EV/EBITDA ratio multiples

This is the ratio of EV to EBITDA, EV is the aggregate market capitalisation and debt minus the cash and cash equivalents. An increase in EV/EBITDA multiple in isolation will result in a favourable movement in the fair value of the unlisted firm.

P/E and price to book (P/B) multiples

P/E multiple is the ratio of the market capitalisation to the net income after tax. P/B multiple is the ratio of the market capitalisation to the book value. The multiples are determined from multiples of listed comparables, which are observable. An increase in P/E multiple or P/B multiple will result in a favourable movement in the fair value of the unlisted firm.

Yield

Yield is the interest rate that is used to discount the future cash flows in a discounted cash flow model.

Liquidity discounts in the valuation of unlisted investments

A liquidity discount is primarily applied to the valuation of unlisted investments to reflect the fact that these stocks are not actively traded. An increase in liquidity discount in isolation will result in unfavourable movement in the fair value of the unlisted firm.

4.16 Fair value of Financial Instruments held at Amortised Costs on recurring basis

The following table shows the carrying amounts and incorporates the Bank's estimate of fair value of those financial assets and liabilities not presented on the Bank's statement of financial position at fair value. These fair values may be different from the actual amount that will be received or paid on the settlement or maturity of the financial instruments. For certain instruments, fair value may be determined using assumptions for which no observable prices are available.

4.16.1 Fair value of Financial Assets held at amortised cost

15-Jul-17	Level 1	Level 2	Level 3
Cash at vault			811,609,528
Balance with central bank			7,067,997,124
Balances with banks			1,048,695,313
Loans and Advances to banks			22,941,564,000
Loans and Advances to Customers			39,532,576,906
Other Financial Assets			834,247,820
			72,236,690,692

15-Jul-16	Level 1	Level 2	Level 3
Cash at vault			799,366,056
Balance with central bank			1,514,671,384
Balances with banks			1,658,294,743
Loans and Advances to banks			18,950,460,000
Loans and Advances to Customers			31,469,115,666
Other Financial Assets			603,870,453
			54,995,778,302

4.16.2 Fair Value of Financial Liabilities held at amortised cost

15-Jul-17	Level 1	Level 2	Level 3
Deposit by Bank			499,676,606
Customer Accounts			63,373,208,846
Bills Payable			76,659,624
Borrowings			-
Other Financial Liabilities			1,191,269,545
			65,140,814,620

15-Jul-16	Level 1	Level 2	Level 3
Deposit by Bank			173,970,432
Customer Accounts			55,553,208,024
Bills Payable			310,183,573
Borrowings			500,000,000
Other Financial Liabilities			901,224,830
			57,438,586,859

4.17 Fair value Level 3 disclosures

The following sets out the basis of establishing fair values of amortised cost financial instruments. These are not generally traded and there is a significant level of management judgement involved in calculating the fair values.

Cash and balances at central banks

The fair value of cash and balances at central banks is their carrying amounts.

Loans and advances to banks

For loans and advances to banks, the estimated fair value of fixed interest bearing deposits is based on discounted cash flows using the prevailing money market rates for debts with a similar credit risk and remaining maturity period. These are generally the carrying amount of these assets.

Loans and advances to customers

The loans and advances to customers portfolio is well diversified by industry. The fair value of loans and advances to customers with a residual maturity period of less than one year generally approximates the carrying value, subject to any significant movement in credit spreads. The estimated fair value of loans and advances with a residual maturity of more than one year represents the discounted amount of future cash flows expected to be received, including assumptions relating to prepayment rates and, where appropriate, credit spreads. Expected cash flows are discounted at current market rates to determine fair value. The rates for discounting for the purpose of fair value measurement closely approximates the effective interest rate inherent in the instruments therefore the carrying value represents the fair value.

Others assets

These assets are generally with the residual maturity of less than one year. The impact of discounted cash flows of those assets having maturity period of more than one year is insignificant. Therefore the fair value of other assets generally approximates the carrying amount.

Deposits and borrowings

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

4.18 Reclassification of financial assets

Financial assets and liabilities have been classified in accordance with the requirements of NFRS. These have been presented consistently and there have been no reclassifications since 2013-14, when financial instruments were restated under first time adoption of NFRS.

4.19 Risk Management

Board Risk Committee

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

Under Nepal Rastra Bank Directive on Corporate Governance, the Board has established a Board Risk Committee with clear terms of reference. The Board Risk Committee is chaired by an Independent Non-Executive Director (INED), Chairman of the Audit Committee is a member and Chief Risk Officer & Senior Credit Officer ("CRO & SCO") is the member/Secretary. The Committee meets minimum four times annually. The Committee oversees and reviews the fundamental prudential risks including operational, credit, market, reputational, capital, liquidity and funding, and country cross border risk, etc. The Board Risk Committee receives regular reports on risk management, including our portfolio trends, policies and standards, stress testing, liquidity and capital adequacy, and is authorised to investigate or seek any information relating to an activity within its terms of reference.

At the strategic level, risk in any business, but most especially in a Bank's business, is clearly owned by the Board. The Board Risk Committee's role is to 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.

Risk Governance

Effective Risk management is essential to consistent and sustainable performance for all of our stakeholders and is therefore a central part of the Bank's financial and operational performance. The Bank adds value to clients and therefore the communities in which it operates, generating returns for shareholders by taking and managing risks. Through our Risk Management Framework, we manage enterprise wide risks, with the objectives of maximizing risk-adjusted returns while remaining within our risk appetite.

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

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

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

Acting within an authority delegated by the Board, the Board Risk Committee, chaired by an independent non-executive director (INED), has responsibility for oversight and review of prudential risks, including but not limited to credit, country cross-border, market, pension, capital, liquidity and funding, and operational risks.

The Executive Risk Committee is responsible for the establishment of, and compliance with, policies relating to credit risk, country cross-border risk, market risk, operational risk, pension risk and reputational risk. It is responsible for the management of all risks other than those managed by ALCO.

The Executive Risk Committee (ERC) is represented by the senior management team including the heads of the concerned risk management units and Chaired by the 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 Executive Committee. Its objective is to ensure the effective management of risks throughout the Bank in support of the Bank's Business Strategy. The Assets and Liabilities Committee is responsible for the management of capital and establishment of, and compliance with, policies relating to balance sheet management, including management of our liquidity, capital adequacy and structural foreign exchange and interest rate exposure and tax exposure.

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

Credit Risk

Credit risk is the potential for loss due to failure of a counterparty to meet its obligations to pay the Bank in accordance with agreed terms. Country Portfolio Standards / Guidelines and the Credit Approval Document (CAD) / Credit Processing Manual govern the extension of credit to Corporate & Institutional Banking (CIB) and Commercial Banking (CB) Clients and Retail Banking Clients respectively. Each policy provides the framework for lending to counterparties, account management, product approvals and other product related guidance, credit processes and portfolio standards. Credit risk under Retail Banking (including Business Banking), Commercial Banking and Corporate & Institutional Banking is managed through a defined framework which sets out policies, 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.

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

For Retail exposures, portfolio delinquency trends are monitored continuously at a detailed level. Individual customer behaviour is also tracked and considered for lending decisions. Accounts that are past due are subject to a collections process, managed independently by the Risk Function. Charged-off 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 the system 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 provided the residual risk rating is 'low' on the Group Operational Risk Assessment Matrix. All Risks that are rated Medium or above on the Group Operational Risk Assessment Matrix are reported to the Executive Risk Committee (ERC) for endorsement and escalated to the Group Process Owner by the relevant country process owner for acceptance through the relevant Process Governance Committees (PGCs).
- The Financial Crime Risk Committee, a sub-committee of ERC chaired by the CEO, ensures appropriate governance of Financial Crime risk and oversees the implementation of the Risk Management Framework as it relates to Financial Crime.
- The Group Risk Committee (GRC) determines the Group's approach to the management of operational risk in accordance with the RMF. The GRC fulfils its responsibilities in part through delegation of authorities to properly constituted committees as listed below:
- Group Operational Risk Committee (GORC) is responsible for governing operational risk across all functions, client segments and products. It is in turn supported by Business Process Governance Committees (PGCs) appointed by Process Universe Owners, which provide global oversight of all operational risks arising from end-to-end processes within their Process Universes.
- Group Financial Crime Risk Committee (GFCRC) is responsible for governing financial crime risks across the Group Process Universe. This includes financial crime operational risks arising from non-compliance with external rules and regulations relating to International Sanctions, Anti-money-laundering & Terrorist financing and Anti-bribery and Corruption.
- Group Information Management Governance Committee (GIMGC) provides oversight and drives best practice in information management and data governance.
- Business and Geographic Risk Committees are responsible for ensuring the effective management of risk in the businesses and across the geographies in support of the Group's strategy.

Market Risk

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

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

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 57 % which includes a buffer of Rs.23.6 billion over the regulatory requirement.

Reputational Risk

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

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

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

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 ERC is responsible for pension risk. The Bank assesses and monitors the assets and liabilities within the defined benefit scheme on a full liability method. The gross obligation is calculated taking into account the last drawn salary of the individual staff and number of year's service with the Bank.

Internal Control

The Bank is committed to managing risks and in controlling its business and financial activities in a manner which enables it to maximize profitable business opportunities, avoid or reduce risks which can cause loss or reputational damage, ensure compliance with applicable laws and regulations and enhance resilience to external events. To achieve this, the Board has adopted the SCB Group policies and procedures of risk identification, risk evaluation, risk mitigation and control/monitoring, besides implementation of the local regulations / NRB directives.

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

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

5. Impairment

Impairment of financial assets

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of the asset (a loss event), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Bank considers the following factors in assessing objective evidence of impairment:

1. Whether the counterparty is in default of principal or interest payments
2. When a counterparty files for bankruptcy and this would avoid or delay discharge of its obligation
3. Where the Bank initiates legal recourse of recovery in respect of a credit obligation of the counterparty
4. Where the Bank consents to a restructuring of the obligation, resulting in a diminished financial obligation, demonstrated by a material forgiveness of debt or postponement of scheduled payments
5. Where there is observable data indicating that there is a measurable decrease in the estimated future cash flows of a group of financial assets, although the decrease cannot yet be identified with specific individual financial assets

Assets carried at amortised cost

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan and receivable or a held-to-maturity asset has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure, less costs for obtaining and selling the collateral, whether or not foreclosure is probable. Further details on collateral held by the Bank is discussed in note 4.7.3.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Bank's grading process which considers asset type, industry, geographic location, collateral type, past-due status and other relevant factors). These characteristics are relevant to the estimation of future cash flows for groups of such assets being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are based on the probability of default inherent within the portfolio of impaired loans or receivables and the historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based, and to remove the effects of conditions in the historical period that do not exist currently.

To the extent a loan is irrecoverable, it is written down by charge to the profit or loss. Such loans are written off after all the necessary procedures have been completed, it is decided that there is no realistic probability of recovery and the amount of the loss has been determined.

Subsequent recoveries of amounts previously written off decrease the amount of the impairment charge to the profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (e.g. improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account and is recognised as income in profit or loss.

Available-for-sale assets

Where objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the amortised cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of profit or loss) is reclassified from equity and recognised in the profit or loss. A significant or prolonged decline in the fair value of an equity security below its cost is considered, among other factors in assessing objective evidence of impairment for equity securities.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the statement of profit or loss. Impairment losses recognised in the profit or loss on equity instruments are not reversed through the profit or loss.

Impairment of assets other than financial assets

At each reporting date the Bank assesses whether there is any indication that an asset may have been impaired. If such indication exists, the recoverable amount is determined.

Explanatory Notes

Impairment Charge for the year	2016-17	2015-16
Financial Instruments		
Cash at Vault	-	-
Balance with Central bank	-	-
Treasury Bills	-	-
Government Bonds	-	-
Balances with other banks	-	-
Loans and Advances to banks	-	-
Loans and Advances to customers	-	-
Impairment Charge for the period	-	40,129,000
Impairment Reversed for the period	(19,583,583)	(17,008,000)
Investment in corporate securities	-	-
Property Plant and Instruments	-	-
Other Assets	-	-
Other Assets impairment reversed	-	(43,107,829)
	(19,583,583)	19,986,829

6. Revenue

Accounting Policy

Income from financial instruments

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

For available-for-sale assets and financial assets and liabilities held at amortised cost, interest income and interest expense is recognised using the effective interest method.

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

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

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

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

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

Gains and losses arising from changes in the fair value of available-for-sale financial assets, other than foreign exchange gains and losses from monetary items, are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

Dividends on equity instruments are recognised in the statement of profit or loss within other income when the Bank's right to receive payment is established.

Fees and commissions

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

Explanatory Notes

Revenue	2016-17	2015-16
Interest Income	3,191,877,669	2,440,004,000
less: Interest Expense	(863,459,635)	(565,704,649)
Net Interest Income	2,328,418,034	1,874,299,351
Fees and Commission Income	417,852,214	311,311,795
Net Trading Income	610,568,563	629,555,473
Other Operating Income	60,091,919	85,948,718
	3,416,930,730	2,901,115,337

6.1 Interest Income

	2016-17	2015-16
Deposit with central Banks	-	-
Treasury Bills	63,780,700	76,186,822
Govt Bond/NRB Bonds	26,681,590	17,228,471
Loans and Advances to Banks & FI	268,737,300	148,533,818
Debt investments	-	-
Loans and Advances to Customers	2,811,170,275	2,181,551,960
Accrued on discounted assets (unwinding of discounts)	-	-
Other	21,507,804	16,502,929
	3,191,877,669	2,440,004,000

6.2 Interest Expense

	2016-17	2015-16
Customers accounts		
Interest bearing savings deposits	297,807,779	329,796,092
Term (Time) Deposits	438,355,056	125,144,917
Call deposits	122,442,553	106,391,419
Debt Securities in issue	-	-
Unwinding discount		
Others	3,406,509	4,309,208
On borrowings	1,447,740	63,014
	863,459,635	565,704,649

6.3 Fees and commission income

	2016-17	2015-16
A. Bills Purchased and Discounted		
Domestic	1,056	100,292
Foreign	9,738,648	11,222,278
B. Commission		
Letters of Credit	31,251,349	30,001,449
Guarantees	240,570,850	142,610,291
Collection Fees	11,806,518	8,225,650
Remittance Fees	50,223,771	48,951,937
Credit Cards	34,233,415	23,736,856
Exchange Fees (Batta Income)	4,446	5,225
C. Fees		
Management Fees	3,765,725	1,889,394
Loan Processing Fees	-	-
Ledger and Activity Fees	18,789	19,069
Others (including income from Derivatives)	36,237,645	44,549,354
Total	417,852,214	311,311,795

6.4 Net Trading Income

	2016-17	2015-16
Gains and Losses from Instruments Held for Trading		
Foreign currency gains and losses arising on the translation of foreign currency monetary assets and liabilities (also refer Note 11.2)	610,568,563	629,555,473
	610,568,563	629,555,473

6.5 Other Operating Income

	2016-17	2015-16
Gains and losses on disposal of financial instruments		-
Available for sale		-
Loans and receivables		-
Dividend Income	6,936,220	9,372,682
Gain on disposal of Property Plant and Equipments	1,152,091	20,695,782
Rental on Safe Deposit Locker	6,436,170	5,236,549
Issue and Renewals of Credit Cards	16,855,434	17,246,201
Issue and Renewals of ATM Cards	12,335,151	10,166,671
Telex /T.T.	14,454,146	14,133,776
Others operating income	1,897,758	1,312,539
Other non operating income	24,950	7,784,518
	60,091,919	85,948,718

7. Property Plant and Equipments

Accounting Policy

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

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

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

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

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

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

Assets with costs less than NPR 400,000 are charged off on purchase as revenue expenditure.

Gains and losses on disposals are included in the Statement of Profit or Loss.

Explanatory Notes

Description	LAND	BUILDINGS	MACHINERY	LEASEHOLD ASSETS	FURNITURE & FIXTURE	OFFICE EQUIPMENTS	VEHICLES	CAPITAL WIP	TOTAL
Original Cost (Rs.)									
As at 16 July 2016	-	-	45,143,838	84,404,749	26,278,895	176,144,179	58,867,417	-	390,839,078
Additions				26,294,029		19,483,629	8,895,000		54,672,658
Adjustment (disposals and transfers)				(5,521,636)		(23,658,188)	(4,934,900)		(34,114,724)
As at 15 July 2017	-	-	45,143,838	105,177,143	26,278,895	171,969,620	62,827,517		411,397,012
Depreciation (Rs.)									
As at 16 July 2016	-	-	36,941,633	67,697,702	24,580,217	156,330,752	55,552,041	-	341,102,345
Charge for the year				8,601,459		14,084,632	3,591,792		26,277,882
Attributable to sold/ transferred/written off				(4,069,596)		(23,658,188)	(4,934,900)		(32,662,684)
As at 15 July 2017	-	-	36,941,633	72,229,565	24,580,217	146,757,196	54,208,933		334,717,544
Impairment Charge									-
Capital Work in Progress								26,238,498	26,238,498
As at 15 July 2017	-	-	8,202,205	32,947,578	1,698,677	25,212,424	8,618,584	26,238,498	102,917,966
As at 16 July 2016	-	-	8,202,205	16,707,047	1,698,677	19,813,427	3,315,375	21,569,353	71,306,086

8. Employee Benefits

Accounting Policy

Retirement benefit obligations

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

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

For funded defined benefit plans, the liability recognised in the statement of financial position (SFP) is the present value of the defined benefit obligation less the fair value of plan assets. Such obligations are estimated on the basis of the actuarial assumptions.

Explanatory Notes

8.1 Current Employee benefits

Following employee benefits costs are charged to the Statement of Profit or Loss for the period.

Particulars	2016-17	2015-16
Salaries	335,127,206	300,485,037
Allowances	1,987,935	1,258,665
Training Expenses	5,194,596	6,449,647
Uniform Expenses	169,400	254,625
Medical Expenses	8,082,073	7,338,473
Insurance Expenses	2,479,193	3,925,477
Defined Contribution Plan – Expenses	18,918,632	16,140,020
Defined Benefit Plan – Expenses	21,324,035	20,673,000
Employee loan (interest rate benefit)	20,155,511	15,961,000
Staff Incentives	109,258,878	89,396,735
Others	46,013,596	42,368,143
Provision for staff bonus	202,908,103	181,714,764
	771,619,157	685,965,585

Provision for staff bonus is a mandatory requirement under the requirement of the Bonus Act.

8.2 Retirement Benefits

Defined Benefit Plan – Liabilities

Particulars	2016-17	2015-16
Opening Liability (excluding pre-payment)	250,982,390	231,225,917
Interest Charge (unwinding interest)	19,921,000	15,991,356
Current Service cost	22,887,000	18,715,871
Less: Gratuity Paid during the year	(1,932,442)	(14,071,000)
Closing Liability		
Actuarial Gain or Loss	59,396,000	(880,000)
Assessed Liability (actuarial assessment)	351,253,948	250,982,390

Defined Benefit Plan – Assets

Particulars	2016-17	2015-16
Opening Assets	236,511,593	148,443,000
(+) Estimated Investment Returns for the year	21,483,965	14,034,700
(+) Additional Investment during the year	91,932,443	88,104,300
(-) Withdrawal (payouts during the year)	(1,932,442)	(14,071,000)
Closing Assets	347,995,559	236,511,593
Net Defined Benefit Plan Liability	3,258,389	14,470,797
Net Charge	80,720,035	19,792,526
Net Charge – P&L	21,324,035	20,673,000
Net Charge (credit) – SoCE	59,396,000	(880,000)

Principal actuarial assumptions

Particulars	Basis
Financial Assumptions	
Discount Rate	7%
Inflation	5%
Salary inflation	6%
Investments of Plan Assets	% of the fund
Interest bearing term deposits with the bank	100%

9. Intangible assets

Accounting Policy

Acquired Intangible Assets

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

Computer software

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

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

Software assets with costs less than NPR 40,000,000 are charged off on purchases as revenue expenditure.

Explanatory Notes

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

10. Share Capital

Accounting Policy

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

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

Explanatory Notes

10.1 Share capital detail

The company's registered capital structure is as follows:

2016-17	No of share	Value per share	Capital in Value
Authorised capital	40,000,000	NPR100	4,000,000,000
Issued capital	40,000,000	NPR100	4,000,000,000
Paid up capital	40,057,153	NPR100	4,005,715,333

2015-16	No of share	Value per share	Capital in Value
Authorised capital	40,000,000	NPR100	4,000,000,000
Issued capital	28,124,260	NPR100	2,812,426,000
Paid up capital	28,124,260	NPR100	2,812,426,000

10.2 Share ownership detail

The shareholding pattern on the company is as follows

Shareholder Category	2016/17	2015/16
	% of holding	% of holding
Foreign Ownership	70.21	75
Domestic Ownership		
Organised Entities	1.04	0.64
Individuals	28.75	24.36
	100	100

10.2.1 Shareholders Holding 0.5% or more of the total share capital

Shareholder Category	2016/17	2015/16
	% of holding	% of holding
Standard Chartered Grindlays Ltd, Australia	46.81	50.00
Standard Chartered Bank, UK	23.40	25.00
Sashi Agrawal	0.7	0.75
Priyanka Agrawal	0.7	0.75
Komal Agrawal	0.7	0.75
Shankar Lall Agrawal	0.7	0.75
Avinash Agrawal	0.7	0.75
Arjun Bandhu Regmi		0.71

10.3 Equity Share Capital – over the years movements

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

Financial Year	Cumulative Paid up Capital NPR	Remarks
1987-88 (2044-45 BS)	30,000,000	Opening Share Capital at NRS 60 paid up
1990-91 (2047-48 BS)	20,000,000	Capitalisation of Reserve NRS 100 paid up
1992-93 (2049-50 BS) to 2013-14 (2070-71 BS)	1,991,672,000	Issuance of Bonus Shares and fraction adjusted
	2,041,672,000	Balance as at 17 July 2014
14-15	206,489,200	Issuance of Bonus Shares and fraction adjusted
	2,248,161,200	Balance as at 15 July 2015
15-16	564,264,800	Issuance of Bonus Shares and fraction adjusted
	2,812,426,000	Balance as at 15 July 2016
16-17	937,475,333	Issue of Bonus Shares and Fraction adjusted
	255,814,000	Further Public Offer Issued
	4,005,715,333	Balance as at 15 July 2017

New shares have been issued by further public offering in the current year. The issue expenses for the further public issue has been charged in Reserves.

Share capital also includes amounts collected from the shareholders for any odd lot bonus shares. Reconciliation of the movements are given below.

Particulars	15-Jul-17	15-Jul-16
Opening Share Capital	2,812,426,000	2,248,161,000
Bonus Share Capital	937,475,333	562,040,000
Fraction adjustment collected		2,225,000
Further Public Offer	255,814,000	
Total Capital Increase	1,193,289,333	564,265,000
Closing Share capital	4,005,715,333	2,812,426,000

11. Reserves

Accounting Policy

The reserves include regulatory and free reserves.

Explanatory Notes

Particulars	15-Jul-17	15-Jul-16
Regulatory / Statutory reserves		
General reserve	3,181,848,015	2,897,528,787
Exchange fluctuation reserve	438,421,970	413,839,141
Available for Sale - reserve	218,195,288	347,537,460
Deferred Tax Reserve		-
Free Reserve		
Retained Earning	1,491,425,661	1,264,875,999
Share Premium	3,044,186,600	
	8,374,077,534	4,923,781,388

11.1 General Reserve

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

11.2 Exchange Fluctuation Fund

There is a regulatory requirement to set aside 25% of the foreign exchange revaluation gain on the translation of foreign currency to the reporting currency. The reserve is the accumulation of such gains over the years. (also refer note 6.4)

11.3 Other reserve (2% provision on Available for Sale - Financial Assets)

There is a regulatory requirement to make a provision by appropriating the reserve equivalent to 2% of the available for sale financial assets.

11.4 Movement in reserves

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

12. Taxation

Accounting Policy

Income tax payable on profits is based on the applicable provisions of the Income Tax Act 2058 BS and is recognised as an expense in the period in which profits arise.

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

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

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

Explanatory Notes

12.1 Current Taxes

The Bank's current tax liabilities are calculated using the Income Tax Act 2058 BS as applicable in Nepal. Current tax payable (or recoverable) is based on the taxable profit for the year. Taxable profit differs from the profit reported in the statement of profit or loss, because some item of income or expense are taxable or deductible in different years or may never be taxable or deductible. .

12.1.1 Reconciliation between the reported profit and profit for the computation of current year's provision for taxes.

Net Profit As per SoPL	1,484,313,913
NFRS Adjustments	62,717,777
Regulatory NPAT	1,547,031,689
Provision for Tax	595,512,262
Deferred Tax	102,016,659
PY Tax	
Bonus Provision	202,908,103
	2,447,468,713
Bonus 10%	202,908,103
Profit Before Tax After Bonus	2,244,560,610
Income Tax Related Adjustments	(259,519,736)
Taxable Income	1,985,040,874
Provision for Income Tax (@ 30%)	595,512,262

12.2 Tax Settlement Status

The Bank's income tax assessments by the tax authorities are final and settled up to the income year 2011-12. For financial year 2012-13 (2069-70) LTPO had done the reassessment of tax in the previous year. A demand of Rs. 0.16 Mio was made.

The income years whose settlement are still due where the bank has made provisions as per its self assessment returns and the amount of advance tax paid is as under.

Income Years	Provision for Tax (as per self- assessment)	Advance Tax Paid	Advance Tax Net of Provision	Cumulative (yet to be assessed)
2012-13	527,104,938	546,675,233	19,570,295	19,570,295
2013-14	571,524,721	595,490,233	23,965,512	43,535,807
2014-15	586,716,733	561,471,336	(25,245,397)	18,290,410
2015-16	502,475,497	540,116,625	37,641,128	55,931,538
2016-17	595,512,262	557,996,287	(37,515,975)	18,415,563

12.3 Tax assessment Status

Financial Year 2005-06

For the financial year 2005-06 (2062-63) the Revenue Tribunal had decided the case in the banks favour. The same has been challenged by the LTPO in the Supreme Court and the case is under consideration. The total amount that was demanded by LTPO is Rs. 2.6 Mio.

Financial Year 2013-14 to 2015-16

The self assessment returns filed by the Bank for financial year 2013-14 (2070-71 BS) to 2015-16 (2072-73 BS), has not yet been opened for reassessment by the LTPO.

12.4 Deferred Taxes

2016-17

Particulars	Carrying Amount	Tax Base	Temporary Diff
Property, Plant & Equipment	76,679,468	215,683,871	(139,004,403)
Defined Benefit Plan Prov	3,259,159	-	(3,259,159)
Performance bonus Prov	56,973,239	-	(56,973,239)
Premium on Development Bond	6,646,918	35,699,630	(29,052,712)
Lease Liability	50,798,495	-	(50,798,495)
Interest receivable	166,742,406	-	166,742,406
Loans and Advances	39,532,576,906	39,263,690,286	268,886,620
Total			156,541,018
		Tax Rate @ 30%	46,962,305
	Deferred Tax Liability / (Asset) - 15.07.2016		28,906,299
	Deferred Tax Expense / (Income) - 2016-17		18,056,006
	Deferred Tax liability / (Asset) - 15.07.2017		46,962,305
	Deferred Tax Expense / (Income) - 2016-17 P&L		35,874,806
	Deferred Tax Expense / (Income) - 2016-17 OCI		(17,818,800)

2015-16

Particulars	Carrying Amount	Tax Base	Temporary Diff
Property, Plant & Equipment	49,737,000	177,965,000	(128,228,000)
Defined Benefit Plan Prov	14,471,407	-	(14,471,407)
Performance bonus Prov	47,584,000	-	(47,584,000)
Premium on Development Bond	9,622,000	35,700,000	(26,078,000)
Lease Liability	43,238,072	-	43,238,072
Interest receivable	103,312,000	-	103,312,000
Loans and Advances	31,469,115,666	31,302,950,000	166,165,666
Total			96,354,331
		Tax Rate @30%	28,906,299
	Deferred Tax Liability / (Asset) - 16.07.2015		(5,504,807)
	Deferred Tax Expense / (Income) - 2015-16		34,411,106
	Deferred Tax liability / (Asset) - 15.07.2016		28,906,299
	Deferred Tax Expense / (Income) - 2015-16 P&L		34,147,106
	Deferred Tax Expense / (Income) - 2015-16 OCI		264,000

13. Assets held for sale and discontinued operations

Accounting Policy

Non-current assets (such as property) and disposal groups (including both the assets and liabilities of the disposal groups) are classified as held for sale and measured at the lower of their carrying amount and fair value less cost to sell when: (i) their carrying amounts will be recovered principally through sale; (ii) they are available-for-sale in their present condition; and (iii) their sale is highly probable.

Immediately before the initial classification as held for sale, the carrying amounts of the assets (or assets and liabilities in a disposal group) are measured in accordance with the applicable accounting policies described above.

Explanatory Notes

There are no assets that meet the recognition criteria for assets held for sale and discontinued operation.

The assets pertaining to the branches that are closed are relocated to other operating branches for reuse. Those that cannot be reused are charged off immediately.

The Bank does not hold any assets that were pledged as collateral by the customer as a result of foreclosure of the loan.

14. Foreign Currencies

Accounting Policy

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction date.

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

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

Explanatory Notes

	2016-17	2015-16
Net Transaction gain / (loss) due to changes in foreign exchange rates	512,237,246	512,123,485
Net Translation gain / (loss) as a result of translation of balances of monetary assets and liabilities held at foreign currencies	98,331,317	117,431,988
	610,568,563	629,555,473
25% of the translation gain to be set aside in reserves	24,582,829	29,357,997

15. Premises cost

Accounting Policy

Lease rental for premises are charged on straight line basis in accordance to the lease. All other expenses are recognised when they become due for payment.

Explanatory Notes

	2016-17	2015-16
Lease rental (building and premises rent)	81,611,272	81,044,617
Light Electricity Water	15,966,862	25,614,975
Repair and maintenance - building	5,464,014	6,692,836
Security Expenses	22,071,040	23,724,375
	125,113,188	137,076,803

16. General Administrative Expenses

Accounting Policy

All the general administrative expenses are recognised when the bank is obligated to make the payments, either legally or constructively.

Explanatory Notes

	2016-17	2015-16
Repair and Maintenance		
Vehicle	3,022,872	2,047,872
Office equipments and furniture	10,137,996	11,266,200
Others	6,805,685	12,739,359
PPE charged off (not capitalized items)	33,464,571	25,872,367
Insurance	22,095,640	14,173,565
Postage, Telex, Telephone, Fax	32,414,198	27,977,282
Travelling Allowances and Expenses	12,958,718	11,053,569
Stationery and Printing	28,344,748	17,947,045
Periodicals and Books	36,570	99,766
Advertisement	17,177,857	21,095,755
Legal Expenses	644,213	405,880
Donations	-	-
Expenses Relating to Board of Directors		
Meeting Allowance	554,000	702,500
Others Expenses	495,347	576,109
General Meeting Expenses	1,594,155	1,458,070
Expenses Relating to Audit		
Audit Fees	2,050,000	2,050,000
Other Expenses		

Share Issue Expenses	-	
Technology Support Cost (Technical Services Fees)	96,993,597	62,726,476
Entertainment	2,915,395	2,102,430
Written Off Expenses	2,199,207	5,181,869
Commission and Discount	8,494,221	9,602,142
Others		
Software Expenses	10,494,632	8,034,695
Cleaning, Pest Control and Waste Management	8,912,701	9,617,341
Share Listing and Registration Expenses	3,909,227	670,000
Other Professional Fees	13,338,595	13,385,143
Hire of vehicles and equipments	1,760,999	1,561,750
Clearing House Charges	2,118,741	1,480,345
Credit information and Collection Expenses	1,024,026	818,015
Others	15,758,543	12,574,061
	339,716,456	277,219,607

16.1 Audit Fees and expenses

Details of expenses relating to audit and auditors are as follows.

	2016-17	2015-16
Audit Fees	-	-
Other audit related expenses	-	-
Audit and other expenses	2,050,000	2,050,000
	2,050,000	2,050,000

17. Depreciation and Amortisation

Accounting Policy

The Bank's accounting policy related to the depreciation of property plant and equipment has been discussed in note 7.

Amortisation of expenses, wherever appropriate is apportioned on the basis of the pattern of the economic benefit derived, which for the Bank is usually the time apportioned basis.

Explanatory Notes

	2016-17	2015-16
Amortisation of expenses	-	-
	26,277,882	20,463,281

18. Others (extraordinary items)

	2016-17	2015-16
Recovery of Loans written off	8,055,204	10,295,392
Unrecoverable loan written off		(2,567,996)
Others		(5,940,000)
	8,055,204	1,787,396

19. Earnings per share

Accounting Policy

The Bank measures earning per share on the basis of the earning attributable to the equity shareholders for the period.

The number of shares is taken as the weighted average number of shares for the relevant period as required by NAS 33 Earnings per Share.

Explanatory Notes

	2016-17	2015-16
Earning attributable to equity shareholders	1,549,986,963	1,264,684,862
Weighted average number of shares for the period	34,031,848	23,130,903
Earning per share (NPR)	45.55	54.68

There are no instruments, such as convertibles, that would require dilution of EPS, therefore diluted EPS has not been computed and disclosed.

20. Dividends

Accounting Policy

Distribution of profit to the shareholders is done by way of payment of cash dividend and /or issue of bonus shares. Applicable withholding taxes are deducted from such distribution. The distributions are proposed by the board and approved by the Annual general meeting. The proposed dividend and bonus shares are not adjusted in the books instead disclosed by way of notes.

Explanatory Notes

1.1 Proposed Distributions (Dividends and Bonus Shares)

The Board has recommended 5.26% as cash dividend and 100% bonus shares as appropriation for the reported year, 2016-17. This proposal of the Board of Directors is subject to the ratification by the Annual General meeting of the Shareholders.

Particulars	2016-17	2015-16
Cash Dividends declared	-	49,340,807
Bonus Shares	-	937,475,333
Total	-	986,816,140

1.2 Unpaid Dividends

As at the reporting date, unpaid dividends for over five years amounts to as follows.

Particulars	2016-17	2015-16
Not collected for more than 5 years	13,248,546	6,989,871
Not collected less than 5 years	42,658,205	133,164,540
	55,906,752	140,154,411

21. Segmental Reporting

Accounting Policy

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

Segment Description: the Bank has disclosed its operations under the following segments:

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

Explanatory Notes:

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

- 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.
- 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.

2016-17	Retail	Commercial	C&IB	Others	Total
Particulars					
Net Segment Revenue	1,508,625,516	647,880,834	1,145,894,178	114,530,202	3,416,930,730
Net Segment Results	674,200,816	493,139,264	876,799,937	110,064,030	2,154,204,046
Provision for Tax	186,757,878	136,602,686	242,879,112	29,272,586	595,512,262
Net Profit	484,675,885	354,512,637	630,322,265	80,476,176	1,549,986,963
Segment Assets	21,193,601,893	14,472,267,050	4,658,625,378	37,389,043,799	77,713,538,121
Segment Liabilities	29,968,205,751	2,869,736,987	31,884,787,392	12,990,807,991	77,713,538,121
Depreciation	11,941,457	-	272,243	14,064,183	26,277,882
Contingent	596,279,265	4,687,923,923	21,558,003,753	53,463,251	26,895,670,192

2015-16	Retail	Commercial	CIB	Others	Total
Particulars					
Net Segment Revenue	1,280,885,382	550,077,590	972,911,492	97,240,873	2,901,115,337
Net Segment Results	557,208,326	407,565,962	724,650,897	90,964,876	1,780,390,061
Provision for Tax	157,849,311	115,457,726	205,283,445	24,741,433	503,331,917
Net Profit	395,462,845	289,258,410	514,300,472	65,663,134	1,264,684,862
Segment Assets	17,821,457,015	12,169,563,552	3,917,384,707	31,440,018,600	65,348,423,874
Segment Liabilities	25,199,920,867	2,413,128,953	26,811,552,411	10,923,821,642	65,348,423,874
Depreciation	9,299,127	-	212,003	10,952,150	20,463,281
Contingent	559,770,347	4,400,892,259	20,238,052,794	50,189,809	25,248,905,210

Related Party Disclosures

Accounting Policy

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

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

Explanatory Notes

21.1 Ultimate Parent and the Group

- i) Ultimate Parent Company : Standard Chartered Plc., London, UK
- ii) Major Shareholders
 - (a) Standard Chartered Grindlays Ltd, Australia: Holding 46.81% of shares
 - (b) Standard Chartered Bank, UK: Holding 23.40% of shares

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

- (a) Head Office and Branches of Head Office
 - 1. Standard Chartered Bank, UK
 - 2. Standard Chartered Bank, India
 - 3. Standard Chartered Bank, Japan
 - 4. Standard Chartered Bank, Singapore
 - 5. Standard Chartered Bank, USA
 - 6. Standard Chartered Bank, Germany
 - 7. Standard Chartered Bank, Indonesia
 - 8. Standard Chartered Bank, Qatar
 - 9. Standard Chartered Bank, U.A.E
 - 10. Standard Chartered Bank, Bangladesh
 - 11. Standard Chartered Bank, Sri Lanka
 - 12. Standard Chartered Bank, Vietnam
- (b) Subsidiaries of Head Office (Standard Chartered Bank UK)
 - 1. Standard Chartered Bank (Mauritius) Limited
 - 2. Scope International Private Limited
 - 3. Standard Chartered Bank (Hong Kong) Limited
 - 4. Standard Chartered Bank (China)
 - 5. Standard Chartered Bank Malaysia
 - 6. Standard Chartered Thailand
 - 7. Standard Chartered Pakistan

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

NPR '000

Transaction during the year	SCB Group	
	2016-17	2015-16
Placements (total placements made during the year)	2,345,733,346	2,462,434,945
Interest on placements	220,347	155,769
Shared Service Center Costs	96,994	620,001
Training Fees	-	-
Other transactions	-	-

NPR '000

Yearend Balance	SCB Group	
	15.07.2017	15.07.2016
Placements	22,941,564	14,656,860
Nostro Balances	778,636	1,204,156
Interest Receivable	60,727	31,435
Shared Service Cost Payable	-	-
Trade Contingents	5,363,496	4,958,486
Fee Income Receivables	110,917	16,543

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

The Bank operates an approved retirement benefit plan for the benefit of its employees. The amount of the contribution made to such plan and amount of payments made to the Bank's employees under the Bank's staff rules have been described in note 8.

21.3 Transactions with and payments to directors of the bank

Following payments have been made to the directors of the Bank

NPR '000

Particulars	2016-17	2015-16
Directors' sitting fees	554	703
Directors' travel and meeting expenses	495	576
Other directors' expenses (if any)	-	-
Remuneration and bonus of the Executive director(s)	21,036	21,259
Other benefits of the Executive director(s)	13,146	12,505
	35,231	35,042

Payments to the executive director are net of taxes, tax amounted for NPR 15,767 thousand (previous year NPR 16,066 thousand)

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

There have been no payments or transactions with the close family member of the directors, except in the normal course of banking business.

21.4 Transactions with and payment to key management personnel (other than directors) compensation

The Bank defines its executive committee members as the key management personnel other than its directors. One of executive committee members is the director of the Bank and payments and transactions relating to the executive director are disclosed above under 21.3.

NPR '000

Particulars	2016-17	2015-16
Remuneration and current employee benefits	25,524	22,810
Terminal benefit (gratuity)	10,365	5,645
Bonus (statutory bonus and welfare assistance)	14,609	14,437
Performance Bonus	9,583	9,245
Vehicle benefit - car allowance	3,960	3,960
Other benefits and payments	1,907	1,722
	65,948	57,819

Benefits are paid as per the Staff service bye-laws. Statutory bonus is paid in accordance with the requirement of the Bonus Act. Performance bonus is paid in accordance with the performance assessment procedures practiced within the Bank. Vehicle allowance is as per the Bank's Rules.

Details of the key management personnel and their composition, and changes if any during the period, are disclosed in the key management personnel report.

There have been no payments or transactions with the close family member of the key managerial personnel except in the normal course of banking business.

22. Regulatory reporting reconciliations for 2016-17

	2016-17	2015-16
Profit as per Regulatory accounts	1,421,596,136	1,292,494,632
Govt bond - adjustment to income		
Notional Interest - staff Loan	20,155,511	15,961,000
Notional Interest - staff cost	(20,155,511)	(15,961,000)
Processing Fee	(71,417,102)	(46,207,918)
Loan amortised cost interest	49,130,524	12,535,000
Accrued Interest (P/Y difference)	61,972,541	(4,074,668)
Govt Bond unwinding Interest		
Adjust Loan Loss Provision	301,728,548	215,468,928
Adjust Reversal of loan loss	(210,394,339)	(240,965,683)
Deferred Tax	(24,370,980)	(12,826,421)
Reversal of previous impairments		48,260,991
Share Issue Expenses	21,741,635	
DBP Adjustment	-	
NFRS Profit	1,549,986,963	1,264,684,862

Reconciliation of adjustments made to SoCE

Loans and Advances Impairment	(199,838,987)
Loans and Advances EIR Adjustments	33,672,918
Interest Suspense adjustment	(103,312,000)
Deferred Tax	106,786,675
Total	(162,691,395)
Interest Suspense adjustment	166,742,406
AFS FV Adjustment	129,342,173
Loans and Advances Impairment	291,173,198
Accrued Income	(61,972,541)
Loans and Advances Charge / Reversal	(91,334,209)
Deferred Tax Adjustment	(130,688,708)
Deferred Tax OCI Adjustment	24,370,980
Total	327,633,298

23. Events after reporting period

Accounting Policy

Bank monitors and assesses events that may have potential impact to qualify as adjusting and / or non-adjusting events after the end of the reporting period. All adjusting events are adjusted in the books with additional disclosures and non-adjusting material events are disclosed in the notes with possible financial impact, to the extent ascertainable.

Explanatory Notes

There are no material events that have occurred subsequent to 15 July 2017 till the signing of this financial statement on 8 December 2017.

24. Contingent Liabilities and Commitments

Accounting Policy

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

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

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

Explanatory Notes

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

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

	15-Jul-17	15-Jul-16
A. Contingent Liabilities		
Claims on Bank not acknowledged as liabilities	-	2,000,000
Irrevocable Letter of Credits		
Maturity period of less than 6 months	2,197,811,299	2,366,418,274
Maturity period of more than 6 months	84,816,948	92,396,326
Unexpired Guarantees		
Bid Bonds	530,388,617	43,637,500
Performance Bonds	799,950,220	565,123,676
Guarantees against counter guarantee of International Rated Banks	11,075,996,648	11,080,380,603
Financial Guarantees	26,701,500	41,500,000
Advance Payment Guarantee	28,697,944	22,164,388
Other Guarantees	491,992,475	471,116,640
Contingent Liabilities on Taxes	-	-
Other Contingent Liabilities	788,640,415	550,902,660
	16,024,996,066	15,235,640,067

B. Rediscounted Bills	-	-
C. Bills for Collections	1,173,476,647	756,880,383
D. Commitments		
O/s liabilities of forward exchange contracts	2,376,477,206	2,226,620,057
Acceptances and Endorsements	729,589,385	331,057,625
Underwriting Commitments	-	-
Irrevocable Loan Commitments	6,591,130,889	6,698,707,078
Other Commitments	-	-
	9,697,197,480	9,256,384,760
Grand Total	26,895,670,192	25,248,905,210

24.1 Risk management

These exposures have been managed under the Bank's risk management system. The risk management system has been discussed in Note 4.19.

24.2 Collateral

The contingent liability exposures are adequately covered by collateral securities from the customers.

25. Cash Flow Statements

25.1 Effect of changes in foreign exchange rates on cash and cash equivalent

Effect of changes in foreign exchange rates on cash and cash equivalent has been disclosed under the net trading revenue. These are operating assets and the effect of exchange rates on cash and cash equivalent cannot be separately calculated.

25.2 Cash and cash equivalents

Accounting Policy

For the purposes of the cash flow statement, cash and cash equivalents comprise cash, on demand and overnight balances with central banks (unless restricted) and balances with banks with less than three months maturity period. Loans and advances to banks, treasury bills and government bonds are not considered for cash and cash equivalent as these are investments made by the Bank.

Explanatory Notes

	15-Jul-17	15-Jul-16
Cash at vault	811,609,528	799,366,056
Balances with Central bank	7,067,997,124	1,514,671,384
Balances with banks	1,048,695,313	1,658,294,743
Less restricted balances*	(2,555,376,047)	(1,905,045,000)
Total	6,372,925,919	2,067,287,184

*Note: Restricted balance comprises of minimum balance required to be held at central bank

26. Interim reports

Interim reports corresponding to the financial statements reported had been reported in accordance with the regulatory reporting requirements. Those statements have been published.

Disclaimer

Standard Chartered Bank Nepal Limited is an Equal employment Opportunity/Affirmative Action employer. Standard Chartered Nepal Bank Limited is committed to providing equal employment opportunities to every employee and every applicant for employment, regardless of, but not limited to, such factors as race, color, religion sex, age, familial or marital status, ancestry, sexual orientation, veteran status or being qualified individual with a disability; within the legal framework of the country.

Standard Chartered Bank Limited undertakes no obligation to update any statement in this Annual Report 2016-2017 to reflect events or circumstances after the date on which such statement is made.



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