

# M.B. SHRESTHA & CO.

Chartered Accountants  
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## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NARAYANI DEVELOPMENT BANK LIMITED

### Report on the Audit of Financial Statements

#### A. Opinion

1. We have audited the accompanying financial statements of Narayani Development Bank Limited (hereinafter "NDBL" or "Bank") comprising of the Statement of Financial Position as at 16 July 2022 (Corresponding to 32 Ashad 2079), Statement of Profit or Loss, Statement of Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow for the year then ended and a summary of Significant Accounting Policies and other explanatory information.
2. In our opinion and to the best of our information and according to the explanations given to us, the financial statements referred to above, present fairly, in all material respects, the financial position of the bank as of 16 July 2022 (i.e. 32 Ashad 2079) and its financial performances, changes in equity and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards (NFRSs) as mentioned under section (8.2) of Report on Other Legal and Regulatory Requirements (Bank & Financial Institutions Act and Company Act).

#### B. Basis for Opinion

3. We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the bank in accordance with the ethical requirement that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our opinion.

#### C. Key Audit Matters

4. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report:


Key Audit Matters	How our Audit addressed the key Audit Matters
<p><u>Impairment of Loans and Advances to Customers including employee loan</u></p> <p>Total Loans and Advances to Customers: NPR 35,35,44 thousand as on 16 July 2022 (NPR 9,44,35 thousand as on 15 July 2021)</p> <p>Total Impairment: NPR 5,74,55 thousand as on 16 July 2022 (NPR 1,00,05 thousand as on 15 July 2021)</p> <p>Total accrued interest income is NPR 96,87 thousand as on 16 July 2022 (NPR 1,37,50 thousand in F/Y 2077/78).</p>	
<p>Bank's policy for the allowance for impairment of loans and advances to customers have been based on the application of incurred loss model, giving impact of Nepal Rastra Bank regulations, as applicable.</p> <p>It involves significant management judgement and estimation. In addition, assessment of allowances for impairment is important as carve out provides for higher of the incurred loss model or NRB's directive.</p> <p>The carrying value of the loans &amp; advances to customers can be materially misstating if management's judgement and estimation are inappropriate.</p> <p>In addition to above, interest income of the bank has been recognized on accrual basis as calculated by the bank's existing/prevaling IT System and following the interest income recognition Guidelines 2019 issued by NRB. Recognition of interest income on non-performing loans and advances involves judgement and estimation on calculating net realizable value of the loans &amp; advances.</p> <p>Therefore, considering the significance of the above matter to the financial statements, we have identified this as a key audit matter.</p>	<p>We tested the bank's operating effectiveness of key controls to identify loss events and for determining the extent of provisioning required against non-performing loans &amp; advances.</p> <p>The testing of control included testing of:</p> <ul style="list-style-type: none"> <li>✓ Controls over correct identification and classification of non – performing loans and advances on time-based criteria</li> <li>✓ Control over accurate computation and recording of provisions.</li> <li>✓ Tested and checked the mode of calculation for the incurred loss in accordance with incurred loss model.</li> <li>✓ Control over the monitoring of loans and advances to customers with higher risk default</li> <li>✓ Control over the governance and approval process for provisions including ongoing reassessment by the bank's Management</li> </ul> <p>In carrying out the substantive procedures, we selected sample of loans &amp; advances to customers and checked the repayment schedules and tested the classification of non-performing loans based on overdue period. Assessed the Management's assumption and judgement for classification of loans &amp; advances based on repayment pattern, documentation, assessment of control over mortgage value of loans &amp;</p>

	<p>advances, inspection and discussion with management.</p> <p>We considered the impairment charges on loans &amp; advances to customers and interest recognition to be acceptable.</p>
<p><b>Investment Valuation, Identification and Impairment</b></p> <p>The bank's investment portfolio includes Development Bond and quoted equity instruments. These instruments were valued in accordance with NAS 39 read with NFRS 9 and NRB Directive 8.</p> <p>Development bond are measured at amortized cost. Investment in an equity instrument that is not held for trading are measured at fair value through Other Comprehensive Income (FVTOCI).</p> <p>Given there are different methods recommended for the treatment of investments based on the nature of cash flow, the business model adopted, complexity of calculation and the significance of amount involved in such investments, same has been considered as Key Audit matter.</p>	<p>Our audit approach regarding verification of process of investment valuation, identification and impairment included:</p> <ul style="list-style-type: none"> <li>✓ Review of the bank's investment and its valuation having reference to NFRS and NRB Directive.</li> <li>✓ For investment valued at amortized cost, on test check basis, we checked the effective interest rate (EIR) and amortization schedule.</li> <li>✓ For the investments measured at Fair Value through Other Comprehensive Income (FVTOCI) for quoted investment, we ensured that fair valuation done at the closing transaction rate in NEPSE as on 15 July 2022.</li> <li>✓ Income and bonus received have been verified through DEMAT statement maintained by the bank wherever applicable. Also, party confirmation has been taken regarding number of equity shares held.</li> </ul>
<p><b>Investment Properties (Non-Companying Assets)</b></p> <p>The bank holds investment property that has been acquired through enforcement of security over the loans and advances.</p> <p>Investment property is to be measured at fair value model or cost model.</p>	<p>Investment Properties includes land, land and building acquired by the bank as non-companying assets but not sold as on the reporting date.</p> <p>During the course of audit, there is no Non-banking Assets.</p>

**D. Other Information**

5. The bank's Management is responsible for the preparation of the other information. The other information comprises the information included in the Management Report, Report of the Board of Directors and Chairman's statement but does not include the financial statement and our auditor's report thereon.





6. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
7. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

**E. Responsibilities of Management and Those Charged with Governance for the Financial Statements**

1. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Nepal Financial Reporting Standards (NFRS), 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.
2. In preparing the financial statements, the management is responsible for assessing the bank's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the bank or to cease operations or has no realistic alternative but to do so.
3. Those charged with governance are responsible for overseeing the bank's financial reporting process.

**F. Auditor's Responsibilities for the Audit of Financial Statements**

4. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these financial statements.
5. As part of an audit in accordance with NSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:
  - 5.1 Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.

- 5.2 Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the organization's internal control.
  - 5.3 Evaluate appropriateness of accounting policies used and reasonableness of accounting estimates and related disclosures made by the management.
  - 5.4 Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up-to the date of our auditor's report. However, future events or conditions may cause the bank to cease to continue as a going concern.
  - 5.5 Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
  7. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear our independence and where applicable, related safeguards.

**G. Report on Other Legal and Regulatory Requirements (Banks & Financial Institution Act and Company Act)**

8. On examination of the financial statements as aforesaid, we report that:
  - 8.1 We have obtained all information and explanations asked for, which to the best of our knowledge and belief were necessary for the purpose of our examination.
  - 8.2 In our opinion, proper books of account as required by law have been kept by the bank, in so far as appears from our examination of those books of account and the financial statements deal with by this report are prepared in conformity with the NFRS based format prescribed by Nepal Rastra Bank.
  - 8.3 In our opinion, the returns received from the respective bank's branches are adequate for the audit purpose, though the statements are independently not audited.
  - 8.4 In our opinion and to the best of our information and according to the explanations given to us and from our examination of the books of account of the bank, we have not come across the cases where the Board of Directors or any member thereof or any employee of the bank has acted contrary to the provisions of the law relating to accounts.



- 8.5 In our opinion, the loans and advances are charged off as per the write off policy and with the approval of the authority concern.
- 8.6 In our opinion, the business of the bank has been conducted within its authority.

For and on behalf of  
M.B. Shrestha & Co., Chartered Accountants



**Maheswarendra Bdr. Shrestha, FCA**

Proprietor

Place: **Kathmandu**

UDIN: 230523CA00117IQe7S

Date: 09 Jestha 2080


**Narayani Development Bank Limited**  
**Statement of Financial Position**  
**As at 32 Ashad 2079**


Particulars	Note	As at 32.03.2079	As at 31.03.2078
<b>Assets</b>			
Cash and cash equivalent	4.1	103,742,637	74,089,010
Due from Nepal Rastra Bank	4.2	21,222,209	19,036,854
Placement with Bank and Financial Institutions	4.3	-	-
Derivative financial instruments	4.4	-	-
Other trading assets	4.5	-	-
Loan and advances to B/FIs	4.6	1,615	15,792,000
Loans and advances to customers	4.7	297,153,389	68,638,260
Investment securities	4.8	10,798,627	4,494,278
Current tax assets	4.9	9,802,468	9,790,725
Investment in subsidiaries	4.10	-	-
Investment in associates	4.11	-	-
Investment property	4.12	-	5,513,510
Property and equipment	4.13	31,584,005	10,887,212
Goodwill and Intangible assets	4.14	2,653,869	3,538,492
Deferred tax assets	4.15	13,929,844	165,728
Other assets	4.16	3,945,177	4,765,652
<b>Total Assets</b>		<b>494,833,840</b>	<b>216,711,721</b>
<b>Liabilities</b>			
Due to Bank and Financial Institutions	4.17	-	-
Due to Nepal Rastra Bank	4.18	-	-
Derivative financial instruments	4.19	-	-
Deposits from customers	4.20	336,672,288	98,469,829
Borrowing	4.21	-	-
Current Tax Liabilities	4.9	-	-
Provisions	4.22	562,240	-
Deferred tax liabilities	4.15	-	-
Other liabilities	4.23	37,406,401	35,996,620
Debt securities issued	4.24	-	-
Subordinated Liabilities	4.25	-	-
<b>Total liabilities</b>		<b>374,640,929</b>	<b>134,466,449</b>
<b>Equity</b>			
Share capital	4.26	262,467,600	131,233,800
Share premium		10,101,374	2,956,688
Retained earnings		(282,016,107)	(217,155,881)
Reserves	4.27	129,640,044	165,210,666
<b>Total equity attributable to equity holders</b>		<b>120,192,911</b>	<b>82,245,273</b>
Non-controlling interest		-	-
<b>Total equity</b>		<b>120,192,911</b>	<b>82,245,273</b>
<b>Total liabilities and equity</b>		<b>494,833,840</b>	<b>216,711,721</b>
Contingent liabilities and commitment	4.28	-	-
Net assets value per share		45.79	62.67


  
Ritu Baniya  
Account & Compliance


  
Pashupati Poudel  
Chief Executive Officer



  
Ram Prasad Ropakheti  
Chairman

  
For M.B. Shrestha & Co.  
Maheswarendra Bahadur Shrestha  
External Auditor



  
Ganeshman Pradhan  
Director

  
Ramesh Paudel  
Director

  
Utsav Sundar Shrestha  
Director

  
Balaram Paudel  
Independent Director

Date:


**Narayani Development Bank Limited**  
**Statement of Profit or Loss**  
**As at 32 Ashad 2079**



Particulars	Note	As at 32.03.2079	As at 31.03.2078
Interest income	4.29	22,715,232	2,267,657
Interest expense	4.30	13,123,339	3,207,620
<b>Net interest income</b>		<b>9,591,894</b>	<b>(939,963)</b>
Fee and commission income	4.31	3,729,763	-
Fee and commission expense	4.32	-	13,542
<b>Net fee and commission income</b>		<b>3,729,763</b>	<b>(13,542)</b>
<b>Net interest, fee and commission income</b>		<b>13,321,656</b>	<b>(953,504)</b>
Net trading income	4.33	-	-
Other operating income	4.34	778,429	2,144,717
<b>Total operating income</b>		<b>14,100,086</b>	<b>1,191,213</b>
Impairment charge/(reversal) for loans and other losses	4.35	42,891,093	(9,194,346)
<b>Net operating income</b>		<b>(28,791,007)</b>	<b>10,385,558</b>
<b>Operating expense</b>			
Personnel expenses	4.36	15,109,995	8,731,583
Other operating expenses	4.37	17,103,059	13,627,713
Depreciation & Amortization	4.38	6,343,132	2,137,537
<b>Operating Profit</b>		<b>(67,347,194)</b>	<b>(14,111,274)</b>
Non operating income	4.39	-	-
Non operating expense	4.40	-	-
<b>Profit before income tax</b>		<b>(67,347,194)</b>	<b>(14,111,274)</b>
Income tax expense	4.41	-	-
Current Tax		-	-
Deferred Tax		13,098,981	2,170,841
<b>Profit for the period</b>		<b>(54,248,213)</b>	<b>(11,940,433)</b>
<b>Profit attributable to:</b>			
Equity holders of the Bank		(54,248,213)	(11,940,433)
Non-controlling interest		-	-
<b>Profit for the period</b>		<b>(54,248,213)</b>	<b>(11,940,433)</b>
<b>Earnings per share</b>			
Basic earnings per share		(27.56)	(9.10)
Diluted earnings per share		(27.56)	(9.10)

  
Ritu Baniya  
Account & Compliance

  
Ramesh Poudel  
Chief Executive Officer



  
Ram Prasad Ropakheta  
Chairman

  
  
For M.B. Shrestha & Co.  
Maheswarendra Bahadur Shrestha  
External Auditor

  
Ganeshman Pradhan  
Director

  
Ramesh Paudel  
Director

  
Utsav Sundar Shrestha  
Director

  
Balaram Paudel  
Independent Director

Date:

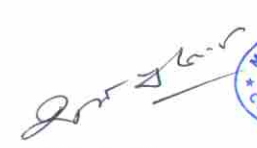



**Narayani Development Bank Limited**  
**Statement of Cash Flow**  
**For the year ended on 32 Asar 2079**

Particulars	Note	As at 32.03.2079	As at 31.03.2078
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest received		21,418,443	2,267,657
Fees and other income received		3,729,763	
Dividend received			
Receipts from other operating activities		778,429	2,223,116
Interest paid		(13,123,339)	(3,207,620)
Commission and fees paid		-	(13,542)
Cash payment to employees		(15,109,995)	(8,731,583)
Other expense paid		(17,157,979)	(13,627,713)
<b>Operating cash flows before changes in operating assets and liabilities</b>		<b>(19,464,678)</b>	<b>(21,089,684)</b>
<u>(Increase)/Decrease in operating assets</u>			
Due from Nepal Rastra Bank		(2,185,354)	(19,036,854)
Placement with bank and financial institutions			
Other trading assets			
Loan and advances to bank and financial institutions		15,998,364	(16,000,000)
Loans and advances to customers		(275,767,424)	(66,711,121)
Other assets		5,410,952	(31,134,475)
<u>Increase/(Decrease) in operating liabilities</u>			(4,000,000)
Due to bank and financial institutions			
Due to Nepal Rastra Bank			
Deposit from customers		238,202,459	72,621,077
Borrowings			
Other liabilities		1,618,412	10,862,875
<b>Net cash flow from operating activities before tax paid</b>		<b>(36,187,270)</b>	<b>(74,488,183)</b>
Income taxes paid		(11,743)	(158,667)
<b>Net cash flow from operating activities</b>		<b>(36,199,012)</b>	<b>(74,646,850)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investment securities		(8,521,465)	(1,162,421)
Receipts from sale of investment securities			1,125,650
Purchase or Sale of debenture/bond			-
Purchase of property and equipment		(26,202,137)	(15,973,643)
Receipt from the sale of property and equipment		110,100	162,065
Purchase of intangible assets			
Receipt from the sale of intangible assets			
Purchase/sale of investment properties		6,131,900	2,500,000
Receipt from the sale of investment properties			
Interest received		232,800	42,225
Dividend received			
<b>Net cash used in investing activities</b>		<b>(28,248,802)</b>	<b>(13,306,124)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipt from issue of debt securities			
Repayment of debt securities			
Receipt from issue of subordinated liabilities			
Repayment of subordinated liabilities			
Receipt from issue of shares		138,378,486	68,573,588
Dividends paid			
Interest paid			
Other receipt/payment		(44,277,045)	(15,092,400)
<b>Net cash from financing activities</b>		<b>94,101,441</b>	<b>53,481,188</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>29,653,627</b>	<b>(34,471,787)</b>
Cash and Cash Equivalent From Acquisition			
<b>Opening balance of cash and cash equivalents</b>		<b>74,089,010</b>	<b>108,560,797</b>
Effect of exchange rate fluctuations on cash and cash equivalents held			
<b>Closing Cash and Cash Equivalent</b>		<b>103,742,637</b>	<b>74,089,010</b>

  
Ritu Baniya  
Account & Compliance

  
Ramesh Paudel  
Chief Executive Officer

  
Ram Prasad Ropakheta  
Chairman

  
For M.B. Shrestha & Co.  
Maheswarendra Bahadur Shrestha  
External Auditor

  
Ganeshman Pradhan  
Director

  
Ramesh Paudel  
Director

  
Utsav Sundar Shrestha  
Director

  
Balaram Paudel  
Independent Director

Date:

Statement of Changes in Equity  
Narayani Development Bank Limited  
Statement of change in Equity  
As at 31 Ashad 2077

Particulars	Attributable to Equity holders of the Bank										Non-Controlling Interest	Total Equity
	Share Capital	Proposed Bonus Share	Share Premium	General Reserve	Exchange Equalization	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning	Other Reserve		
Balance at 1 Sawan 2077	55,571,800	10,045,100		108,174,262		7,964,249	151,030		(207,504,177)	66,081,950	40,484,214	40,484,214
Adjustment/Restatement		(10,045,100)								(15,002,891)	(25,047,991)	(25,047,991)
Adjusted/Restated balance at 1 Sawan 2076												
Comprehensive income for the year												
Profit for the year												
Other comprehensive income, net of tax												
Remeasurements of defined benefit liability (assets)												
Fair value reserve (Investment in equity instrument)												
Net change in fair value												
Net amount transferred to profit or loss												
Gain on sale of share transferred to retained earning												
Net gain (loss) on revaluation												
Cash flow hedges												
Effective portion of changes in fair value												
Net Amount reclassified to profit or loss												
Total comprehensive income for the year												
Transfer of equity on merger and acquisition												
Transfer to reserve during the year												
Transfer from reserve during the year												
Provision for NPA transferred to regulatory reserve												
Transfer to Corporate Social responsibility reserve												
Transfer to Staff Training Fund												
Addition in calls in advance												
Transactions with owners, directly recognized in equity												
Right share issued	75,662,000		2,956,688				130,795					
Dividends to equity holders												
Bonus shares issued												
Cash dividend paid												
Total contributions by and distributions												
Balance at Ashad end 2078	131,233,800		2,956,688	108,174,262		5,675,520	281,825		(217,155,881)	51,079,059	82,245,273	82,245,273
Balance at Shrawan 1, 2078	131,233,800		2,956,688	108,174,262		5,675,520	281,825		(217,155,881)	51,079,059	82,245,273	82,245,273
Adjustment/Restatement												
Adjusted/Restated balance at 1 Sawan 2078												
Comprehensive income for the year												
Profit for the year												
Other comprehensive income, net of tax												
Remeasurements of defined benefit liability (assets)												
Fair value reserve (Investment in equity instrument)												
Net change in fair value												
Net amount transferred to profit or loss												
Gain on sale of share transferred to retained earning												
Net gain (loss) on revaluation												
Cash flow hedges												
Effective portion of changes in fair value												
Net Amount reclassified to profit or loss												
Total comprehensive income for the year												
Transfer of equity on merger and acquisition												
Transfer to reserve during the year												
Transfer from reserve during the year												
Provision for NPA transferred to regulatory reserve												
Transfer to Corporate Social responsibility reserve												
Transfer to Staff Training Fund												
Addition in calls in advance												
Transactions with owners, directly recognized in equity												
Right share issued	131,233,800		7,144,866									
Dividends to equity holders												
Bonus shares issued												
Cash dividend paid												
Total contributions by and distributions												
Balance at Ashad end 2079	262,467,600		10,101,374	108,174,262		15,846,707	(1,270,156)		(282,016,107)	6,889,232	120,192,912	120,192,912



Ritu Baniya  
Account & Compliance

Ganeshman Pradhaf  
Director

Date:

Ramesh Paudel  
Director

Chief Executive Officer

Ramesh Paudel  
Director

Chairman

Utsav Sundar Shrestha  
Director

For M. B. Shrestha & Co.  
Maheswarendra Bahadur Shrestha  
External Auditor

Independent Auditor




**Narayani Development Bank Limited**  
**Statement of Comprehensive Income**  
**As at 32 Ashad 2079**


Particulars	Note	As at 32.03.2079	As at 31.03.2078
<b>Profit for the year</b>		(54,248,213)	(11,940,433)
<b>Other comprehensive income, net of income tax</b>			
<b>a) Items that will not be reclassified to profit or loss</b>			
Gain/(loss) from investments in equity instruments measured at fair value		(2,217,116)	186,850
Gain/(loss) on revaluation			
Actuarial gains/(losses) on defined benefit plans			
Income tax relating to above items		665,135	(56,055)
<b>Net other comprehensive income that will not be reclassified to profit or loss</b>		<b>(1,551,981)</b>	<b>130,795</b>
<b>b) Items that are or may be reclassified to profit or loss</b>			
Gains/(losses) on cash flow hedge			
Exchange gain/(losses) arising from translating financial assets of foreign operation			
Income tax relating to above items			
<b>Net other comprehensive income that are or may be reclassified to profit or loss</b>			
<b>c) Share of other comprehensive income of associate accounted as per equity method</b>			
<b>Other comprehensive income for the period, net of income tax</b>		<b>(1,551,981)</b>	<b>130,795</b>
<b>Total comprehensive income for the period</b>		<b>(55,800,194)</b>	<b>(11,809,638)</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Bank		(55,800,194)	(11,809,638)
Non-controlling interest			
<b>Total comprehensive income for the period</b>		<b>(55,800,194)</b>	<b>(11,809,638)</b>

  
 Ritu Baniya  
 Account & Compliance



  
 Pashupati Poudel  
 Chief Executive Officer

  
 Ram Prasad Ropakheta  
 Chairman

  
 For M.B. Shrestha & Co.  
 Maheswarendra Bahadur Shrestha  
 External Auditor

  
 Ganeshman Pradhan  
 Director

  
 Ramesh Paudel  
 Director

  
 Utsav Sundar Shrestha  
 Director

  
 Balaram Paudel  
 Independent Director

Date:

**Narayani Development Bank Limited**  
**Notes to Financial Statements**  
**For the year ended on 32nd Asadh, 2079**

**1 Reporting entity**

Narayani Development Bank Limited (hereinafter referred to as "Bank") is district level class "B" licensed financial institution licensed by Nepal Rastra Bank. It was initially registered as Narayani Audyogik Bikash Bank Ltd. and was renamed to Narayani Development Bank Ltd. The Bank was declared problematic financial institution on 2070/12/27. After categorization as problematic institution the bank took number of initiatives of revival including recovering of loans and advances and improving capital adequacy ratio. As a result the bank was removed from the list of problematic financial institutions and NRB has withdrawn the restrictions imposed as problematic institution vide letter no Bi.Bai.Su.Bi/Ni.Yo/077/78 dated 2077/04/21. The Bank is operating as district level development bank with the registered and corporate office located at Ratna Nagar, Chitwan, Bagmati Pradesh, Nepal.

The Bank was incorporated under Companies Act 2053 as public limited company. The Bank is listed with Nepal Stock Exchange.

The Bank has resumed to accept deposits and lend loans and advances from 2077/04/21.

**2 Basis of Preparation**

**2.1 Statement of Compliance**

The financial statements are prepared in line with Nepal Financial Reporting Standards as issued by Accounting Standards Board Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN).

Nepal Rastra Bank issued circular for reporting format of financial institutions in line with NFRS on November 30, 2017 along with treatment of certain items in the specified reserves. The financial statements are prepared in line with the stated circular, accordingly, are in compliance with regulatory requirement of Nepal Rastra Bank. The financial statements also comply the requirements of Companies Act 2063, Bank and Financial Institution Act, 2073 and policy, procedures and directives of Securities Board of Nepal.

**a) Effective Interest Rate**

As per the definition of effective interest rate (EIR) as per para 9 of NAS 39, all the initial points paid or received is required to be considered for calculation of EIR and the same EIR is used to calculate interest on loans and advances. As per the carve out, if calculation of EIR is impracticable or immaterial, then such could be ignored. Bank has used the carve out and has not considered initial points paid or received on loans to be part of EIR, rather such amount has been accounted as income on accrual basis.

**b) Interest income on amortized loan after impairment recognition**

As per para AG63 of NAS 39, 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 thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The carve out provides that interest income can be calculated on gross carrying amount of loan. Bank has used the stated carve out in preparing the financial statements.

**2.2 Reporting Period and Approval of Financial Statements**

**2.2.1 Reporting Period**

The reporting period for this financial statements is F.Y. 2078-79, starting from 1 Shrawan 2078 and ending on 32 Ashad 2079. Financial information of following period/dates are provided on the financial statements.

1. Comparative NFRS financial statements (financial statements as on and for the period ended on 31 Ashad 2078)

2. NFRS financial statements for current period (financial statements as on and for the period ended on 31 Ashad 2079)

**2.2.2 Approval of Financial Statements**

The approval of financial statements including the notes to the financial statements have been adopted by the Board of Directors in its meeting held on and the Board acknowledges the responsibility of preparation of financial statements of the Bank. The approved financial statements have been recommended for approval by the shareholders in the annual general meeting of the Bank.

**2.3 Functional and Presentation Currency**

The financial statements are presented in Nepalese Rupee, which is also the functional currency of Bank. Figures are rounded off to nearest Rupee, accordingly, minor rounding off error may exist.

**2.4 Use of Estimates, Assumptions and Judgments**

The NFRS requires the Bank to make estimates and assumptions that may affect the profit or loss, financial position and other details provided in annual report. These assumptions are based on information available and judgment of management of the bank. Actual result may be different than estimated and sometimes the effect may be material.

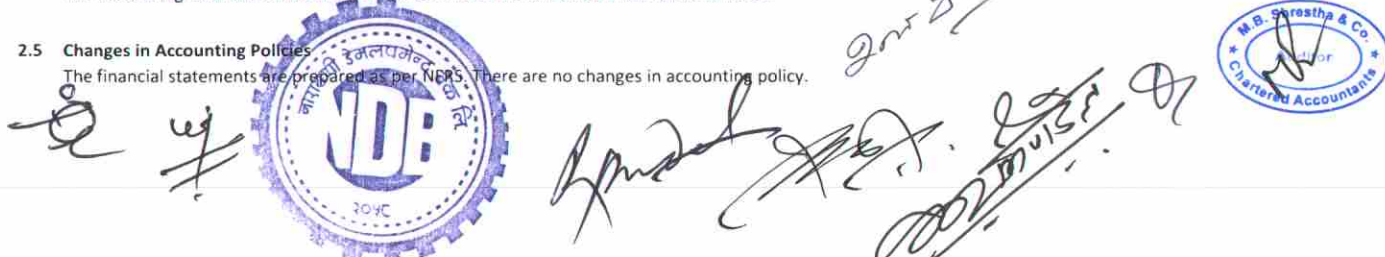
The accounting policies have been included in the relevant notes for each item of the financial statements and the effect and nature of the changes, if any, have been disclosed.

Estimates and underlying assumptions are reviewed periodically by bank. The revision to accounting estimates are recognized in the period in which the estimates are revised and are applied prospectively.

The accounting estimates and effect of such estimates are disclosed in the relevant notes.

**2.5 Changes in Accounting Policies**

The financial statements are prepared as per NFRS. There are no changes in accounting policy.

The bottom of the page features several handwritten signatures in black ink. On the left, there are two signatures. In the center, there is a large, circular blue stamp of Narayani Development Bank (NDB) with the text 'Narayani Development Bank Limited' and '2078' at the bottom. To the right of the NDB stamp, there are more handwritten signatures. On the far right, there is a circular blue stamp of 'M.B. Shrestha & Co. Chartered Accountants' with a signature over it.

**2.6 New Standards in Issue but not Yet Effective**

The financial statements are prepared in line with NFRS issued on 2013. NFRS has not been revised thereafter and accordingly, accounting standards issued by International Accounting Standard Boards and revision thereof have not been considered. A new financial reporting standard (NFRS 2018) has been pronounced by the ICAN on 11th Asadh 2077. The NFRS 2018 contains some new standards with amendment to the existing standards.

NFRS 2018 introduces the new standards as mentioned hereunder which has not been made applicable by ICAN up to the reporting date.

- NFRS 9
- NFRS 14
- NFRS 15
- NFRS 17

**2.7 New Standards and Interpretation not Adapted**

NFRS 9 replaces NAS 39. However, impairment loss on loan and advances has been calculated on incurred loss model of NAS 39 rather than expected credit loss model on NFRS 9, which is consistent on following the carve out provided by ICAN.

**2.8 Discounting**

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

**2.9 Going Concern**

The financial statements are prepared on a going concern basis, as the Bank is satisfied that the Bank has the resources to continue in business for the foreseeable future.

**2.10 Standalone Financial Statements**

The presented financial statements is the standalone financial statement of Bank. Bank does not have subsidiary, accordingly, preparation of consolidated financial statement is not required.

**3 Significant Accounting Policies**

The significant accounting policies adopted by Bank while preparing financial statements are as follows:

Note No.	Accounting Policy	Information Note No.
3.1	Basis of Measurement	
3.2	Basis of Consolidation	
3.3	Cash and Cash Equivalent	4.1
3.4	Financial Assets and Financial Liabilities	
3.5	Trading Assets	
3.6	Derivative Assets and Liabilities	
3.7	Property and Equipment	4.13
3.8	Goodwill Intangible assets	
3.9	Investment Property	4.12
3.1	Income tax	4.9
3.11	Deposits, debt securities issued and	
3.12	Provisions	4.22
3.13	Revenue Recognition	
3.14	Interest expense	4.30
3.15	Employees Benefits	4.23
3.16	Leases	
3.17	Foreign Currency translation	
3.18	Financial guarantee and loan commitment	
3.19	Share capital and reserves	4.26, 4.27
3.2	Earning per share including diluted	
3.21	Segment reporting	5.4

**3.1 Basis of Measurement**

Financial statements are prepared on historical cost convention except for the following material items:

Particulars	Measurement Basis
Investment in shares and mutual fund schemes	Fair value
Non-banking assets	Cost
Long term employee benefits	Accrued amount as of reporting
Loans to employees	Amortized cost

**3.2 Basis of consolidation**

Bank does not have subsidiary companies, accordingly, consolidation of financial statements is not a requirement.

**3.3 Cash and cash equivalent**

Cash and cash equivalent comprises of cash, demand deposit and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. In general, short term investments with original maturity of up to three months are considered as cash equivalent. Cash and cash equivalent are presented at amortized cost on the financial statements.

### 3.4 Financial assets and financial liabilities

Financial assets is any assets that is cash, equity instrument of another entity or any contractual right to receive cash or financial assets of another entity.

Financial liability is any liability with contractual obligation to deliver cash or other financial assets to another entity.

#### 3.4.1 Recognition

The Bank initially recognizes financial assets or financial liability on the date of which the Bank becomes party to the contractual arrangement.

#### 3.4.2 Classification and Measurement

**Financial Assets:** The classification and measurement of financial assets depend on how these are managed i.e. the Bank's business model and their

- i) At Amortized Cost
- ii) At Fair Value through Profit or Loss (FVPL)
- iii) At Fair Value through Other Comprehensive Income (FVOCI)

**i) At amortized cost:** Financial assets at amortized cost are non-derivative financial assets with fixed or determinable payments for which the Bank has intent and ability to hold till maturity. They are initially measured at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, such financial assets are measured at amortized cost using effective interest rate method less any impairment losses.

**ii) At fair value through profit or loss:** Financial assets are classified at fair value through profit or loss if the Bank manages such instruments and makes purchases and sales decisions based on its fair value. Attributable transaction costs and changes in fair value are taken to profit or loss.

**iii) At fair value through other comprehensive income:** Financial assets at FVOCI are non-derivative financial assets that are not classified in any of the above category. Financial assets at FVOCI are measured at fair value. Subsequent to initial recognition, financial assets are measured at fair value, as far as such fair value is available, and changes therein are recognized in other comprehensive income and presented in the fair value reserve in equity. Bank has opted to classify the investment made in shares as financial assets at FVOCI on initial recognition.

**Financial Liabilities:** Bank classifies its financial liabilities, other than financial guarantee and loan commitments, as measured at amortized cost or fair value through profit or loss. Financial liability is measured initially at fair value, or an item not at fair value through profit or loss, at transactions costs that are directly attributable to its acquisition or issue.

#### 3.4.3 De-recognition

##### Financial Assets

Financial assets are partially or fully de-recognized in any of the following condition:

- termination of contractual rights to cash flow
- upon transfer of contractual cash flows in a transaction in which substantially all of the risk and rewards of the ownership of the financial assets are transferred or in which the Bank neither transfer nor retains substantially all of the risk and rewards of the ownership and it does not retain control of the financial assets.

On derecognition of a financial assets, the difference between the carrying amount of the assets (or the carrying amount allocated to the portion of the assets derecognized) and the sum of (i) the consideration received (including any new assets obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in statement of profit or loss.

##### Financial Liabilities

Upon settlement or termination of any liability related to financial liability, financial liability is de-recognized. The difference between carrying amount and settlement amount is accounted through statement of profit or loss.

### 3.4.4 Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is initially considered based on quoted rate where the assets or liabilities are principally transaction, in the absence of which the most advantageous market is the active market.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. The market is regarded as active if transactions for the assets or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

#### Fair Value 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.

Level 1: Fair value is determined based on quoted price of financial instruments in active market.

Level 2: Fair value is determined based on quoted price of similar financial instruments within consideration to significant observable inputs.

Level 3: Fair value is determined used using other method as the inputs for valuation are unobservable inputs for the asset or liability. Bank has used its own data (accounting value) and considered if there exists factors that would otherwise result in changes to the book value of assets or liabilities for this level of valuation.

### 3.4.5 Impairment

The Bank review it's individually significant loans and advances at each statement of financial position date to assess whether an impairment loss should be recorded in the income statement. The bank has conducted objective evidence test for individual impairment through different parameters like inability to meet loan agreements, substantial drop in profits/ turnover, significant adverse cash flows, significant adverse net worth situation, problematic borrower financial position, etc. Mainly, management judgment is required in the estimation of the amount and timing of the expected future cash flows for determination of the impairment loss.

These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the impairment allowance

Loans and advances that have been assessed individually and found to be not impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes in to account data from the loan portfolio such as levels of arrears, credit quality, portfolio size etc. and judgments based on current economic conditions

Loans and advances have been impaired as the higher of amount derived as per the norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per paragraph 63 of NAS 39, as per Carve-out pronounced by Institute of Chartered Accountants of Nepal on 20th September 2018.

The impairment loss on loans and advances is disclosed in Note 4.6 and 4.7 to the financial statements.

Individually Assessed Financial Assets The criteria used to determine whether there is objective evidence of impairment include and not limited to:

- 1) Known Cash Flow difficulties experienced by the borrowers;
- 2) Past due contractual payments of either principal or interest;
- 3) Breach of loan covenants or conditions;
- 4) The probability that the borrower will enter bankruptcy or other financial reorganization;

If there is objective evidence that an impairment loss on financial assets measured at amortized cost has been incurred, the amount of the loss is measured by discounting the expected future cash flows of a financial asset at its original effective interest rate and comparing the resultant present value with the financial asset's current carrying amount. The impairment allowances on individually significant accounts are reviewed more regularly when circumstances require. This normally encompasses re-assessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment allowances are only released when there is reasonable and objective evidence of reduction in the established loss estimate. Interest on impaired assets continues to be recognized through the unwinding of the discount.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write off is later recovered, the recovery is credited to the impairment charges for loans and other losses.

When impairment losses are determined for those financial assets where objective evidence of impairment exists, the following common factors are considered:

- \* Bank's aggregate exposure to the customer;
- \* The viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flows to service their obligations;
- \* The amount and timing of expected receipts and recoveries;
- \* The extent of other creditors' commitments ranking ahead of, or pari-pasu with the Bank and the likelihood of other creditors continuing to support the customer;
- \* The realizable value of security and likelihood of successful repossession

#### Collectively Assessed Financial Assets

Impairment is assessed on a collective basis in two circumstances:

- 1) To cover losses which have been incurred but have not yet been identified on loans subject to individual assessment; and
- 2) For homogeneous groups of loans that is not considered individually significant.



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**3.4.6 Amortized cost measurement**

The 'amortized cost' of a financial asset and financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between initial amount recognized and the maturity amount minus any reduction for impairment.

**3.4.7 Effective Interest Method**

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

**3.5 Trading assets**

Trading assets are those assets that the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

**3.6 Derivatives assets and derivative liabilities**

Derivative assets and liabilities are initially measured at fair value on the contract date and are subsequently remeasured to fair value at each reporting date. The changes in value of instruments are accounted through profit or loss.

**3.7 Property and Equipment**

Non-financial tangible assets that are held for service providing to customers and for administrative use of the Bank are classified as Property and Equipment.

**Recognition**

Property and Equipment are recognized in books whenever it is probable that future economic benefits associated with such assets will flow to the entity and the amount of assets can be reliably measured.

**Measurement**

At initial recognition, items of property and equipment are measured at cost. Cost includes the purchase price and other directly attributable costs as well as the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions. Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow in to the Bank. Ongoing repair and maintenance are expensed off as incurred.

Subsequent to the initial measurement, there is option to measure the assets either on cost or on revaluation. Bank has measured all items at cost on subsequent measurement. On transition to NFRS, the Bank has elected to continue with the carrying value of all of its property and equipment measured as per the previous NAS.

**Derecognition**

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

**Capital Work in Progress**

Assets in the course of construction are capitalized in the assets under capital work in progress (CWIP). At the point when an asset is operating at management's intended use, the cost of construction is transferred to the appropriate category of property, plant and equipment and depreciation commences.

**Salvage Value**

The Bank has assessed the salvage value of all property, plant and equipment considering the expected realizable value on the end of life of such assets.

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**Depreciation**

Depreciation is charged upon the assets is available for use and does not cease until the assets is disposed off, classified as held for sale or ceases to generate economic benefits.

Freehold land is not depreciated. Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items of property and equipment so as to write-off their carrying value over the expected useful economic lives.

Depreciation is calculated as per Income Tax Act.

**3.8 Goodwill and Intangible assets**

**Goodwill**

Goodwill arises on the acquisition financial institutions when the aggregate of the fair value of the consideration transferred exceed the amount of the identifiable assets and liabilities acquired. If the amount of the identifiable assets and liabilities acquired is greater, the difference is recognized immediately in the Statement of profit or loss.

Goodwill is allocated to cash generating units (CGU) at the lowest level at which goodwill is monitored for internal management process. Impairment testing is performed annually, and whenever there is an indication that CGU may be impaired. If the present value of expected cash inflows is less than carrying amount, impairment loss is recognized and accounted through Statement of Profit or Loss. Goodwill is stated at cost less accumulated impairment losses.

**Acquired Intangible Assets**

Intangible assets are recognized whenever the cost of assets can be reliably measured, by the past experience it is demonstrated Bank has control over such assets for the specified period and it is probable that future economic benefits could be derived from such assets.

**Computer Software**

Computer software are capitalized on the basis of the purchase cost of software or license and costs incurred to bring it to use. Cost of internally developed software includes directly attributable costs.

Intangible assets are amortized over the period of its estimated use, or incase of licenses, over the period of contractual right of use. Whenever there is no specific life or license period, such software are amortized over the period of five years.

At each reporting date, impairment test of intangible assets is done in order to oversee whether the carrying amount exceeds recoverable amount. Impairment loss is charged to Statement of Profit or Loss.

**3.9 Investment Property**

Investment property is land and building held either to earn rental income or for capital appreciation or for both but not for sale in the ordinary course of business, use in the supply of services or for administrative purpose.

Land or building or both acquired by the Bank as part of Non-Banking Assets are carried at the lower of fair value or the total receivable amount of loan, which is the cost of assets to bank.

**3.10 Income tax**

Income tax expenses include current tax, deferred tax and any adjustments recognized in the period for current tax of prior periods.

**Current Tax**

Current tax is the amount of income tax payable in respect of taxable profit. This is calculated as per the provisions of Income Tax Act with the effective tax rate for current period. 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. Income tax rate applicable for Bank is 30% .


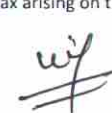

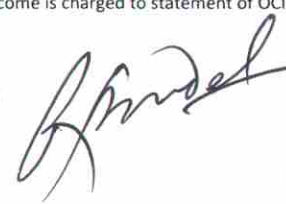
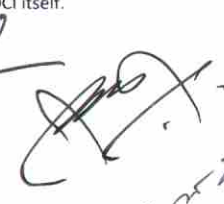

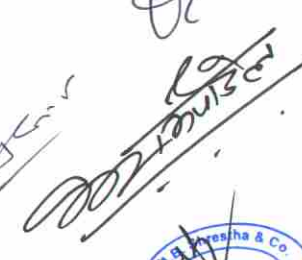

**Deferred Tax**

Deferred tax is calculated using balance sheet approach on temporary differences between tax base of assets and liabilities and carrying amount in the financial statements. Deferred tax is calculated using known future tax rate on each reporting date.

Deferred tax is recognized when it is probable that future taxable profit will be available to adjust the impact of temporary differences. Changes in deferred tax over period is recognized as deferred tax income/expenses in Statement of Profit or Loss.

**Income tax on items of OCI**

Income tax arising on the items of other comprehensive income is charged to statement of OCI itself.

### 3.11 Deposits, debt securities issued and subordinated liabilities

Deposit are financial liabilities and are generally repayable on demand except fixed period deposit accepted by Bank from its customers.

The bank borrows money by issuing debt securities and subordinated debt. The borrowing is acknowledged or evidenced by issue of a negotiable instrument. The negotiable instrument can be certificate of deposit, commercial paper or debt note. Subordinated debt is issued to meet the capital requirements at bank level and to supply the capital to various operations. This debt generally consists of negotiable instruments and is usually listed on exchanges providing an active secondary market for the debt.

### 3.12 Provisions

Provision is a liability with uncertain timing and event. Provision is recognized if as a result of a past event, the group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at the pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

The institution has deposit in Crystal Finance Limited amounting to Rs. 25502375.05. The institution is declared crisis ridden financial institution by the NRB. In view of this provision is made for the balance in the Crystal Finance.

Particulars	Amount
Receivable from Crystal Finance	25,502,375
Provision for Bank Balance(Crystal Finance)	25,502,375

The institution has write back provisions made amounting to NRs. 5,013,500 made to other assets in the current fiscal year with respect to amount recovered from Crystal Finance.

Particulars	Amount
Provision for Receivable from Crystal Finance	5,013,500
Write back of Provision for Bank Balance(Crystal Finance)	5,013,500

**Contingent Liabilities:** Contingent liabilities are i) possible obligations arising from past events whose existence will be confirmed on happening or not happening or uncertain future events not wholly within the control of Bank, or ii)a present obligation arising from past events but are not recognized because outflow of resources to settle may not be required or such amount can not be reliably estimated.

Contingent liabilities are separately disclosed in financial statements.

### 3.13 Revenue Recognition

Revenue is recognized in line with NAS 18 Revenue when it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably.

#### 3.13.1 Interest income

For all financial instruments measured at amortized cost and interest-bearing financial assets through other comprehensive income interest income or expense is recorded using the Effective Interest Rate (EIR). EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation of effective interest rate includes all charges and fee paid or received that are integral part of the effective interest only if considered necessary. Such a charges are not amortized over the life of the loan and advances as the income so recognized closely approximates the income that would have derived under effective interest method and are recognised directly in statement of profit and loss.

The interest income recognised in the statement of profit and loss includes the following:

# Interest income on financial assets measured at amortized cost calculated on an effective interest rate method, except for impaired loans and advances. These financial assets include investment in government securities, investment in NRB Bond and deposit instruments, reverse repos, interbank lending, etc.  
# As per carve out on NAS 39 Para 9, the Bank has not included the fees and paid or received in loans and advances that are immaterial or impracticable to determine reliably the effective interest rate and have recognized them directly as revenue in the Statement of Profit or Loss.

# As per carve out on NAS 39 AG 93, the Bank has applied the effective interest rate to the gross carrying amount of a financial asset unless the financial asset is written off either partially or fully.

# Interest on investment securities is calculated on effective interest rate.

# Income on discounted instruments like bills purchased, documents negotiation is recognized over the period of discounting on accrual basis using effective interest rate.

# Interest income on all trading assets are considered to be incidental to the Group's trading operations and are presented together with all other changes in fair value of trading assets and liabilities in net trading income.

# The group has adopted the following criterion in to suspend the interest income where there is reasonable doubt about the collectability of the interest:

- Loans where there is reasonable doubt about the ultimate collectability of principal or interest;
- Loans against which individual impairment as per NAS 39 or life time impairment as per NFRS 9 has been made;
- Loans where contractual payments of principal and/or interest are more than 3 months in arrears and where the "net realizable value" of security is insufficient to cover payment of principal and accrued interest;
- Loans where contractual payments of principal and/or interest are more than 12 months in arrears, irrespective of the net realizable value of collateral;
- Overdrafts and other short-term facilities which have not been settled after the expiry of the loan and even not renewed within 3 months of the expiry, and where the net realizable value of security is insufficient to cover payment of principal and accrued interest;

Interest Income from Loans and advances to customer is recognized by following Effective interest method and provision has been created for the differential interest income between two bases (cash and accrual) of accounting to Regulatory Reserve. AIR from loss loan is excluded from interest income. AIR amounting to RS 1,063,989.04 is booked as interest income and regulatory reserve has been created for the same as well.

Bank, in general, generates interest income from loan to customers and on investment in debt securities.



### 3.13.2 Fee and commission income

Fees and commissions are generally recognized on an accrual basis when the service has been provided or significant act performed. The fees and commission income and expense that are integral to the effective interest rate on the financial assets and financial liability are included in the measurement of the effective interest rate. Bank has opted to use carve-out as mentioned in Note 2.1.1 (c) on this matter and accounted all realized fee and commission income upfront.

Commission on guarantees issued that are for more than one year are immediately accounted as income. If the period of guarantee is more than one year, then proportionate amount of fee is accounted as income.

### 3.13.3 Dividend income

Dividend income is recognized when the right to receive dividend is established i.e. dividend is approved by general meeting of companies.

Dividend income if related to period earlier than the date of acquisition of shares and its amount related to pre and post acquisition could be segregated, then the pre-acquisition period dividend is adjusted to cost of investment.

### 3.13.4 Net trading income

Income derived from buying/selling of assets and liabilities classified as for trading purpose are accounted as net trading income. Gain and loss on trading assets and liabilities are recognized on mark to market basis and not on realization basis.

### 3.13.5 Other Operating Income

Income other than interest, fees & commission and trading income are accounted as other operating income. This primarily comprises of changes in foreign exchange rate, dividend income, gain on disposal of non-financial assets etc.

### 3.14 Interest expense

Interest on deposit accepted from customer and borrowings of the bank are accounted on accrual basis.

### 3.15 Employees Benefits

Employee expenses include the amount paid to employees of bank in respect of their service. Payment in respect of services are for the current service and long term benefits. Long term benefits are in the form of defined contribution plan and defined benefit plan. Expenses under defined contribution plan are accounted as they incur and on defined benefit plan as per accrual on reporting date.

**Short term employee benefits include** salary, allowance, encashment of unused leave, provident fund, annual bonus based on profit of the Bank, subsidized loans etc. These are provided as the services are rendered by the employees and measured on undiscounted amount of payment made.

Long term employee benefits include accumulated leave not encashed during service period. These are generally paid on retirement or termination of service of the employee.

Employee benefits are provided as per Employee Service Regulation of the Bank.

### 3.16 Leases

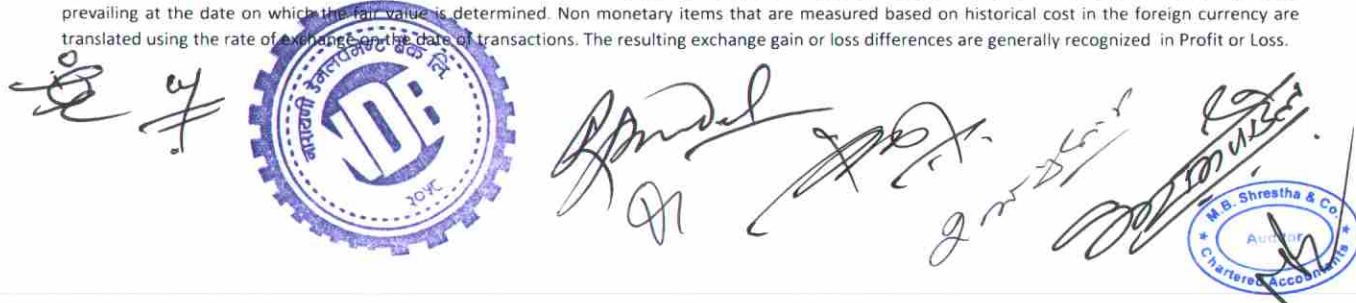
Company has obtained all office spaces on lease for varying periods. Lease payments are either on monthly or quarterly basis. Company has applied NFRS-16 Leases for the first time. As per NFRS 16 para C2, the date of initial application is the beginning of the annual reporting period in which an entity first applies this Standard. Accordingly, current fiscal year is the initial application date of this standard. In line with para C5 (b), company has applied the standard retrospectively with the cumulative effect of initially applying the Standard recognised at the date of initial application. In such scenario, Company shall not be required to restate comparative information. Instead, the Company shall recognise the cumulative effect of initially applying this Standard as an adjustment to the opening balance of retained earnings.

### 3.17 Foreign Currency Transaction

Transaction in foreign currencies are recorded in the functional currency at the rate of exchange prevailing on the date of transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the rate of exchange prevailing on that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payment during the year and the amortized cost in the foreign currency translated at the rate of exchange at the reporting date.

Non monetary assets and liabilities that measured at fair value in a foreign currency are translated into the functional currency at the rate of exchange prevailing at the date on which the fair value is determined. Non monetary items that are measured based on historical cost in the foreign currency are translated using the rate of exchange on the date of transactions. The resulting exchange gain or loss differences are generally recognized in Profit or Loss.



The bottom of the page features several handwritten signatures in black ink. To the left is a circular blue stamp of the bank, containing the text 'संयुक्त बैंक लि.' (Sankat Bank Ltd.) and '२०१८' (2018). To the right is a circular blue stamp of the auditor, 'M.B. Shrestha & Co.', 'Auditor', 'Chartered Accountants'.

**3.18 Financial guarantee and loan commitment**

Financial guarantees are contract that require the Fund to make specified payments to reimburse the holder for a loss that incurs because a specified debtors fails to make payment when it is due in accordance with the terms of a debt instrument. Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

Liabilities arising from financial guarantees or commitments to provide a loan at a below -market interest rate are initially measured at fair value and the initial fair value is amortized over the life of the guarantee or the commitment. The liability is subsequently carried at the higher of this amortized amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable. Financial guarantees and commitments to provide a loan at a below market interest rate included within other liabilities.

**3.19 Share Capital and Reserves**

**3.19.1 Share Capital**

Equity share capital is financial instruments issued by the company only to the extent that they do not meet the definition of financial liabilities.

All the issued shares are paid up and are listed with Nepal Stock Exchange for the purpose of trading by shareholders. All shares have right to vote on the basis of no. of shares hold. Bank does not have shares of other kind other than ordinary shares.

**Proposed Bonus Share**

The proposed bonus shares have not been issued to the shareholders as it may violate the restriction of maximum shareholding limitation of 15%. The shares will be issued after the shareholding is brought within the above limit.

**3.19.2 Reserves**

Bank has created various types of reserves as part of regulatory requirement.

**a) General Reserve**

General reserve is the statutory reserve. In this reserve, the amount transformed from appropriation of net profit according to the Banks and Financial Institutions Act, 2073 shall be included. No type of dividend (cash or bonus share) shall be distributed from the amount in general/statutory reserve. Approval of NRB shall be required in order to use the amount in this reserve.

**b) Exchange Equalization Reserve**

Exchange equalization reserve is a statutory reserve. A bank which has earned foreign exchange revaluation gain on foreign currency other than India currency has to allocate 25 percent of such revaluation gain to this reserve as per provision of the Bank and Financial Institution Act. Any amount allocated to exchange equalization reserve as per the provision of the Bank and Financial Institutions Act, shall be presented under this heading.

**c) Corporate Social Responsibility (CSR) Reserve**

In line with clause 16 of Directive 16/075, Bank is required to allocate 1% of its net profit for the year for CSR and is required to create CSR Reserve. The amount appropriated to this reserve is expensed off as prescribed in the same Directive in the next fiscal year.

Particulars	2076/77	2077/78	2078/79	Remarks
<b>Total amount deposited in Corporate Social Responsibility Fund</b>	<b>9,399</b>	<b>9,399</b>	<b>9,399</b>	<b>9,399</b>
<b>Details of expenses</b>				
Expenditure on social projects				
Financial Literacy				
Direct Grant Expenditure				
Sustainable Development Goals				
Expenses directly incurred by banks and financial institutions for easy supply of oxygen cylinders, oxygen concentrators, life-saving vaccines, medicines, etc., and expenses (according to the actual bill) for the employees working in the organization to be protected from global epidemics.				
Child Day Care Centre Related				
Grants given and expenses incurred to Orphanages, Kindergartens and Old Age Homes				
Expenditure under Open Account Campaign, 2076				
Spending amount up to Rs. 100 (literally one hundred only) per account deposited on behalf of banks and financial institutions in the remittance savings account of Nepalis going for foreign employment.				
Up to 5 percent of the expenses incurred from the said fund will be spent for the promotion of electronic transactions.				
Other expenses				
<b>Total Expenditure</b>			<b>9,399</b>	
<b>Amount owed to Corporate Social Responsibility Fund</b>				<b>9,399</b>



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**d) Regulatory Reserve**

This is specific reserve created in line with NRB Directive 4. All the adjustments made in NFRS that are different from earlier NRB Directives are included in this fund. This fund is not available for distribution of dividend. The provision for NBA as required by GAAP but not required by NFRS is included in regulatory reserve. Wright back of Provision for NBA at the time of sale of NBA, amounting RS 5,495,000 is done during FY 78/79. AIR (good loan) Rs 364,881 being transferred to regulatory reserve as it is booked as interest income for the year (Refer Note 5.10) . Deferred Tax Assets for the Fiscal year 77/78 of Rs 13,929,844 has been transferred to Regulatory Reserve.

**Regulatory Reserve Comprises of Following**

Particulars	Amount
Interest Income On NFRS	364,881
Deferred Tax Assets	13,929,844
Others	1,551,981
<b>Total</b>	<b>15,846,707</b>

**e) Capital Reserve**

The capital reserve represents the amount of those reserves which are in nature of capital and which shall not be available for distribution of cash dividend. The amount from share forfeiture due to non-payment of remaining amount for the unpaid shares, capital grants received in cash or kind, capital reserve arising out of merger and acquisition etc. should be presented under this heading.

**f) Fair Value Reserve**

The fair value reserve comprises the cumulative net change in the fair value of financial assets that are measured at fair value and the changes in fair value is recognized in other comprehensive income, until the assets are derecognized. The cumulative amount of changes in fair value of those financial assets shall be presented under this account head.

**g) Actuarial Gain Reserve**

This reserve is for presenting the OCI component of defined benefit obligations. This is not an actual reserve.

**h) Special Reserve**

In line with circular no. 12/072/073, the interest capitalized on loan that have been restructured or rescheduled because of the borrower facing difficulty resulting from earthquake in 2072 is kept in this reserve. The reserve is required to be maintained till the loan is settled.

**i) Assets Revaluation Reserve**

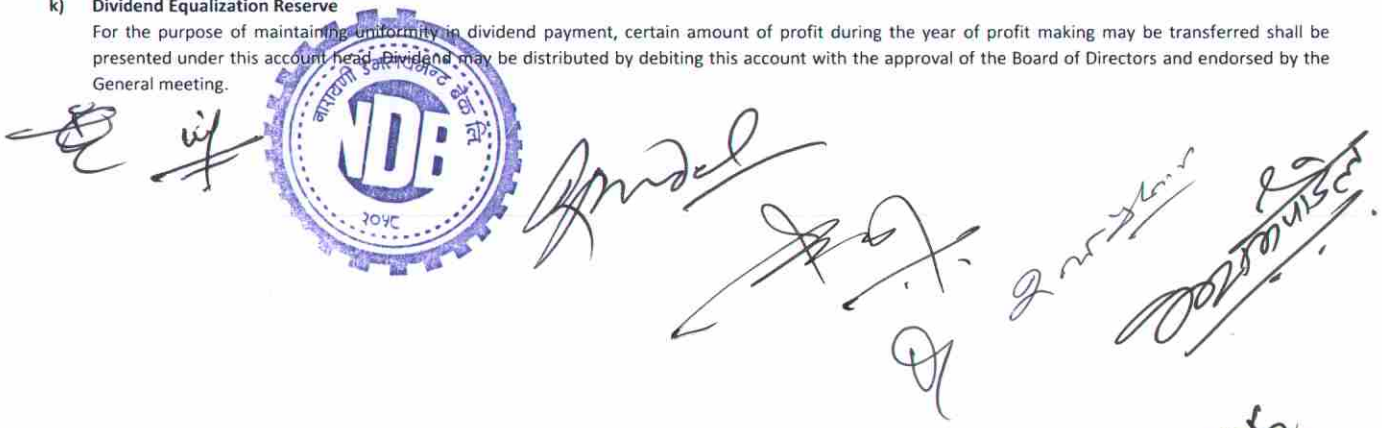
Any reserve created from revaluation of assets (such as Property & Equipment, Intangible Assets, Investment Property) shall be presented under this heading. Revaluation reserves often serve as a cushion against unexpected losses but may not be fully available to absorb unexpected losses due to the subsequent deterioration in market values and tax consequences of revaluation.

**j) Capital Redemption Reserve**

This head shall include the statutory reserve created for making payment towards Redeemable Non-Convertible Preference Shares.

**k) Dividend Equalization Reserve**

For the purpose of maintaining uniformity in dividend payment, certain amount of profit during the year of profit making may be transferred shall be presented under this account head. Dividend may be distributed by debiting this account with the approval of the Board of Directors and endorsed by the General meeting.

The block contains several handwritten signatures in black ink. A prominent circular blue stamp is visible, featuring the letters 'NDE' in the center, surrounded by text in Nepali: 'नेपाली राष्ट्रिय विकास बँक' (Nepali National Development Bank) and '२०५८' (2058 BS). To the right of the signatures, there is another circular blue stamp for an auditor, 'M. B. Shrestha & Co. Chartered Accountants'.

A circular blue stamp for an auditor, 'M. B. Shrestha & Co. Chartered Accountants'. The word 'Auditor' is written in the center of the stamp.

**l) Investment Adjustment Reserve**

It is a regulatory reserve created as a cushion for adverse price movements in bank's investments as directed by the Directives of Nepal Rastra Bank.

**m) Capital Adjustment/ Equilization Fund**

Calls in advance towards subscription to sharecapital and amount set aside for increasing the capital of the institution to fulfill minimum capital requirement are presented under this head.

**n) Employee training fund**

The Bank and Financial Institution are required to allocate and spent atleast 3% of the previous year salary and allowances for the staff skill development as per Directive 6 of the Nepal Rastra Bank Directives. In case the allocated amount isn't spent, the same has to be carried forward to the next financial year in a Staff Skill Development Fund. In line of this requirement, the movement on the Skill Development Fund is as follows:

Particulars	2078/79	2078/79
Opening Staff Training Fund	209,070	209,070
3% of the previous year salary and allowances	261,947	
Total amount incurred for employee training and skill development	174,729	
Excess/(Deficit) amount incurred for employee training and skill development program	(87,218)	
<b>Staff Skill Development Fund carried forward to next year</b>	<b>296,288</b>	<b>209,070</b>

**3.19.3 Share Premium**

The amount of money collected on issue of shares in excess of its face value shall be presented under this heading. The outstanding amount in this account shall not be considered eligible for distribution of cash dividend.

The amount of money NRs. 10,101,374.15 in share premium belongs to the excess face value collected during right auction made by the bank from 2078.12.10 to 2078.12.17. The details is presented below:

Particulars	2078.79		2077.78	
	No.	Amount (NRs.)	No.	Amount (NRs.)
Promoter Kitta	131,998	15,687,575	15,974	2,062,457
Public Kitta	13,651	6,022,011	6,583	3,149,931
<b>Total</b>	<b>145,649</b>	<b>21,709,586</b>	<b>22,557</b>	<b>5,212,388</b>
Face Value of the shares (@100 per kitta)	145,649	14,564,900	22,557	2,255,700
Excess transferred to share premium account		7,144,686		2,956,688
Opening share premium amount if any		2,956,688		-
<b>Closing share premium accounted for the year</b>		<b>10,101,374</b>		<b>2,956,688</b>

**3.19.4 Retained Earning**

The accumulated profits which has not been distributed to shareholders and has been ploughed back in the licensed institutions' operations and is free for distribution to the shareholders is presented under this heading. There is no unrealised gain on sale of investment during Ashadh end 2078.

**3.20 Earning per share including diluted**

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

**3.21 Segment reporting**

Segment has been segregated based on the management function of bank and accordingly, the seven states of Nepal are considered as the segments. Income and expenses directly related to such segments are reported. Assets and liabilities specific to those are presented as segment assets and liabilities. Income tax is not segregated.

**3.22 Events after Reporting Date**

These are the events occurring between the reporting date and up to the date of approval of financial statements which are either adjustable or unadjustable.

Adjustable events are adjusted in the presented financial statements. There are no events that require additional disclosure in the financial statements.

**3.23 Account Receivables**

The following account receivables on which 100% provision has been made is shown net of provision in the financial statements.

Particulars	Amount
Receivable from Crystal Worldwide Money Transfer	6,012,551
Interest Receivable from Crystal Worldwide Money Transfer	2,134,306
Receivable from Crystal Finance	25,502,374
Receivable from Dibya Kumar Shrestha	70,091,172
<b>Total</b>	<b>103,740,403</b>



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**3.24 Non-performing assets**

The Total non performing loan and advances is Rs 10354629.18 and loan loss provision related to the non performing loans and advances is Rs 5366034.25 which is 51.83% of NPA(Rounded upto nearest thousand) and total loan loss provision to NPA is 101.28%. NPL is 14.41%.

**Narayani Development Bank Limited**

**Classification of Loans, Advances & Bills Purchase and Provisioning**

At the year ended Ashadh, 2079

(Amount NPR in '000)

Particulars	Loans & Advances						Bills Purchased/Discounted			Total
	Domestic			Foreign	Total	Domestic	Foreign	Total		
	Deprived Sector		Other							
	Insured	Uninsured								
<b>1 Performing Loan and Advances</b>	<b>317</b>	<b>2</b>	<b>302,276</b>	<b>4</b>	<b>5=1+2+3+4</b>	<b>6</b>	<b>7</b>	<b>8=6+7</b>	<b>9=5+8</b>	
1.1 Pass Loan	317	2	284,450	-	284,769	-	-	-	284,769	
1.1.1 Pass Loan (other than Restructured/Rescheduled Covid Related)	317	2	284,450	-	284,769	-	-	-	284,769	
1.1.2 Pass Loan (Restructured/Rescheduled Covid Related)	-	-	-	-	-	-	-	-	-	
1.2 Watch List	-	-	17,827	-	17,827	-	-	-	17,827	
<b>2 Non-Performing Loan and Advances</b>	<b>250</b>	<b>-</b>	<b>50,701</b>	<b>-</b>	<b>50,951</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,951</b>	
2.1 Restructured / Rescheduled	-	-	-	-	-	-	-	-	-	
2.2 Sub-standard	-	-	4,633	-	4,633	-	-	-	4,633	
2.3 Doubtful	-	-	3,028	-	3,028	-	-	-	3,028	
2.4 Loss	250	-	43,039.97	-	43,290	-	-	-	43,290	
<b>3 Total Loan and Advances (1+2)</b>	<b>567</b>	<b>2</b>	<b>352,977</b>	<b>-</b>	<b>353,546</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>353,546</b>	
<b>4 Total Loan Loss Provision</b>	<b>254</b>	<b>0</b>	<b>57,201</b>	<b>-</b>	<b>57,456</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>57,456</b>	
4.1 Pass	4.12	0.03	3,697.84	-	3,702	-	-	-	3,702	
4.2 Watch List	-	-	891.34	-	891	-	-	-	891	
4.3 Restructured / Rescheduled	-	-	-	-	-	-	-	-	-	
4.3.1 Restructured / Rescheduled Covid Related	-	-	-	-	-	-	-	-	-	
4.3.2 Restructured / Rescheduled Covid Related	-	-	-	-	-	-	-	-	-	
4.3.2 Restructured / Rescheduled Others	-	-	1,158.14	-	1,158	-	-	-	1,158	
4.4 Sub-standard	-	-	1,514	-	1,514	-	-	-	1,514	
4.5 Doubtful	-	-	43,040	-	43,290	-	-	-	43,290	
4.6 Loss	250	-	647	-	647	-	-	-	647	
4.7 Additional	-	-	6,253	-	6,253	-	-	-	6,253	
4.8 SOL exceed	-	-	-	-	-	-	-	-	-	
4.9 PG & Third party collateral	-	-	-	-	-	-	-	-	-	
<b>Net Loan (3-4)</b>	<b>313</b>	<b>2</b>	<b>295,776</b>	<b>-</b>	<b>296,091</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>296,091</b>	



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**Narayani Development Bank Limited**  
**Notes to Financial Statements**

**Cash and cash equivalent**

4.1

Particulars	As at 32.03.2079	As at 31.03.2078
Cash in hand	32,116,706	12,706,552
Balances with B/FIs	71,625,931	61,382,458
Money at call and short notice		
Other		
<b>Total</b>	<b>103,742,637</b>	<b>74,089,010</b>

**Due from Nepal Rastra Bank**

4.2

Particulars	As at 32.03.2079	As at 31.03.2078
Statutory balances with NRB	21,222,209	19,036,854
Securities purchased under resale agreement		
Other deposit and receivable from NRB		
<b>Total</b>	<b>21,222,209</b>	<b>19,036,854</b>

**Placements with Bank and Financial Institutions**

4.3

Particulars	As at 32.03.2079	As at 31.03.2078
Placement with domestic B/FIs		
Placement with foreign B/FIs		
Less: Allowances for impairment		-
<b>Total</b>		-

**Derivative financial instruments**

4.4

Particulars	As at 32.03.2079	As at 31.03.2078
Held for trading	-	-
Interest rate swap	-	-
Currency swap	-	-
Forward exchange contract	-	-
Others	-	-
Held for risk management		
Interest rate swap		
Currency swap		
Forward exchange contract		
Other		
<b>Total</b>	-	-

**Other trading assets**

4.5

Particulars	As at 32.03.2079	As at 31.03.2078
Treasury bills		
Government bonds		
NRB Bonds		
Domestic Corporate bonds		
Equities		
Other		
<b>Total</b>		-
Pledged		
Non-pledged		



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**Narayani Development Bank Limited**  
**Notes to Financial Statements**

**Loan and advances to B/FIs**

4.6

Particulars	As at 32.03.2079	As at 31.03.2078
Loans to microfinance institutions	1,636	16,000,000
Other		
Less: Allowances for impairment	(21)	(208,000)
<b>Total</b>	<b>1,615</b>	<b>15,792,000</b>

**4.6.1: Allowances for impairment**

Balance at Sawan 1	As at 32.03.2079	As at 31.03.2078
Impairment loss for the year:		
Opening	10,004,555	8,730,524
Charge for the year	47,658,513	1,274,031
Recoveries/reversal	(207,979)	
Amount written off		
<b>Balance at Asar end</b>	<b>57,455,090</b>	<b>10,004,555</b>

**Loans and advances to customers**

4.7

Particulars	As at 32.03.2079	As at 31.03.2078
Loan and advances measured at amortized cost	354,608,458	78,434,815
Less: Impairment allowances		
Collective impairment	4,593,306	1,130,480
Individual impairment	52,861,762	8,666,075
<b>Net amount</b>	<b>297,153,389</b>	<b>68,638,260</b>
Loan and advances measured at FVTPL		
<b>Total</b>	<b>297,153,389</b>	<b>68,638,260</b>

**Disclosure:** The Individual impairment consists of Loan Loss Provision of Staff loan(Bad) Rs 1,032,953.

The above amount of impairment allowance is as per Directive issued by Nepal Rastra Bank.

Particulars	As at 32.03.2079	As at 31.03.2078
Individual impairment	52,861,762	8,666,075
Collective impairment	4,593,306	1,130,480
<b>Total</b>	<b>57,455,069</b>	<b>9,796,555</b>

Provided below is the impairment calculated as per NFRS:

We have selected around 26.45% of our outstanding loan for individual impairment test. The market value of collateral on valuation date was subjected to haircut to arrive at adjusted fair value of collateral on each reporting date and if the adjusted fair value is less than outstanding amount, individual impairment is considered along with other factors like repayment history of borrower, credit rating, additional information of customer regarding financial capability, restructuring/rescheduling of loan, etc. None of the loans were individually impaired. Collective assessment has been done using past default rate (probability of default) and a calculated percentage for non- recovery (loss given default) and the rates have been used to calculate impairment allowance as per NAS 39 using incurred loss model.

Particulars	As at 32.03.2079	As at 31.03.2078
Individual impairment	-	-
Collective impairment	9,539,074	-
<b>Total</b>	<b>9,539,074</b>	-



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**Narayani Development Bank Limited**  
**Notes to Financial Statements**

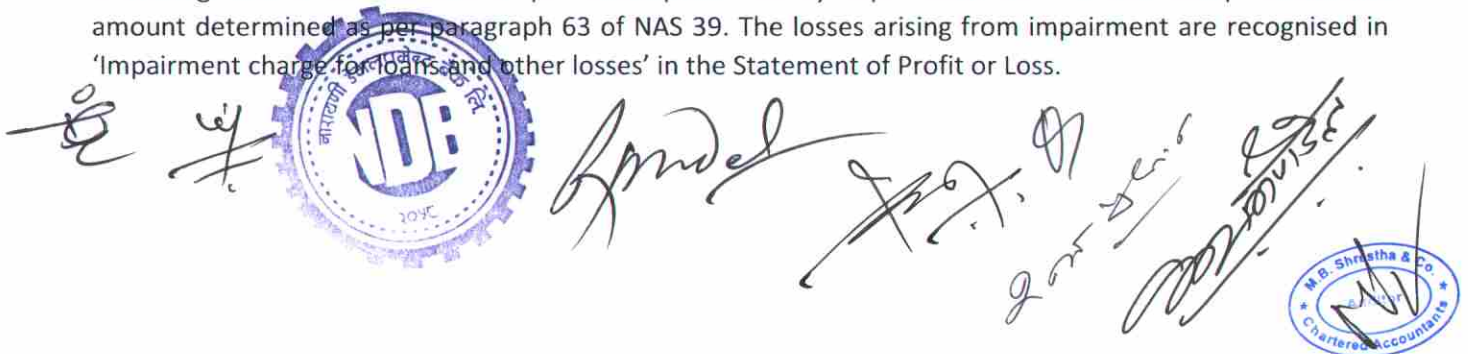
Loan classification and impairment allowance as per NRB Directive 2 is as follows:

Particulars	As at 32.03.2079	As at 31.03.2078
<b>Performing loan</b>	<b>302,593,637</b>	<b>68,582,158</b>
Good	284,766,904	62,356,183
Watchlist	17,826,733	6,225,975
<b>Non-performing loan</b>	<b>49,917,879</b>	<b>8,161,934</b>
Substandard	4,632,563	705,083
Doubtful	3,028,345	-
Loss	42,256,971	7,456,852
<b>Total</b>	<b>352,511,516</b>	<b>76,744,092</b>
<b>Add: loan to employees</b>	<b>1,032,953</b>	<b>1,690,723</b>
<b>Net AIR</b>	<b>1,063,989</b>	<b>-</b>
<b>Total loan</b>	<b>354,608,458</b>	<b>78,434,815</b>
<b>Impairment allowance</b>		
<b>Performing loan</b>	<b>4,593,306</b>	<b>1,130,480</b>
Good	3,701,970	819,181
Watchlist	891,337	311,299
<b>Non-performing loan</b>	<b>52,861,762</b>	<b>8,666,075</b>
Substandard	1,158,141	176,271
Doubtful	1,514,173	-
Loss	43,289,924	8,489,805
Additional	6,899,525	-
<b>Total</b>	<b>57,455,069</b>	<b>9,796,555</b>

Loans and Advances to BFIs has been carried at amortised cost and includes accrued interest receivable amounting NRs. 1,063,989.

The loans and advance to customers are carried at the amortised cost. After the initial recognition, loans and advances are subsequently measured at gross carrying amount using effective interest rate less the provision for impairment. The loan administration charges charged from the customer are considered immaterial thus are not considered while calculating the effective interest rate.

As per the carve out notice issued by ICAN, the Bank has measured impairment loss on loan and advances as the higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per paragraph 63 of NAS 39. The losses arising from impairment are recognised in 'Impairment charge for loans and other losses' in the Statement of Profit or Loss.



**Narayani Development Bank Limited**  
**Notes to Financial Statements**

**4.7.1: Analysis of loan and advances - By Product**

Product	As at 32.03.2079	As at 31.03.2078
Term loans	82,562,605	
Overdraft	95,161,437	31,929,361
Trust receipt/Import loans		
Demand and other working capital loans		
Personal residential loans	36,737,785	7,907,051
Real estate loans		
Margin lending loans		
Hire purchase loans	33,554,664	13,552,403
Deprived sector loans	569,034	650,546
Bills purchased		
Staff loans		1,690,723
Service Loan	10,268,771	25,000
Industrial Loan		
Agriculture Loan	4,649,784	4,986,308
Commercial Loan	73,033,518	12,309,990
Loan Against FDR	5,784,000	
Loan Against Share	7,469,665	
Investment on Sworojgar	2,721,890	2,721,890
Other		2,646,751
<b>Sub total</b>	<b>352,513,152</b>	<b>78,420,023</b>
<b>Loans to employees</b>	<b>1,032,953</b>	
Accrued Interest receivable	1,063,989	14,792
<b>Grand total</b>	<b>354,610,094</b>	<b>78,434,815</b>

**4.7.2: Analysis of loan and advances - By Currency**

Currency	As at 32.03.2079	As at 31.03.2078
Nepalese rupee	354,610,094	78,434,815
Indian rupee		
United State dollar		
Great Britain pound		
Euro		
Japanese yen		
Chinese yuan		
Other		
<b>Total</b>	<b>354,610,094</b>	<b>78,434,815</b>









**Narayani Development Bank Limited**  
**Notes to Financial Statements**

**4.7.3: Analysis of loan and advances - By Collateral**

Collateral	As at 32.03.2079	As at 31.03.2078
<b>Secured</b>		
Movable/immovable assets	324,351,528	74,022,202
Gold and silver		
Guarantee of domestic B/FIs		
Government guarantee	2,721,890	2,721,890
Guarantee of international rated bank		
Collateral of export document		
Collateral of fixed deposit receipt		
Collateral of Government securities		
Counter guarantee		
Personal guarantee		
Other collateral		
<b>Subtotal</b>	<b>327,073,418</b>	<b>76,744,092</b>
<b>Unsecured</b>	26,503,723	-
<b>Grant Total</b>	<b>353,577,141</b>	<b>76,744,092</b>

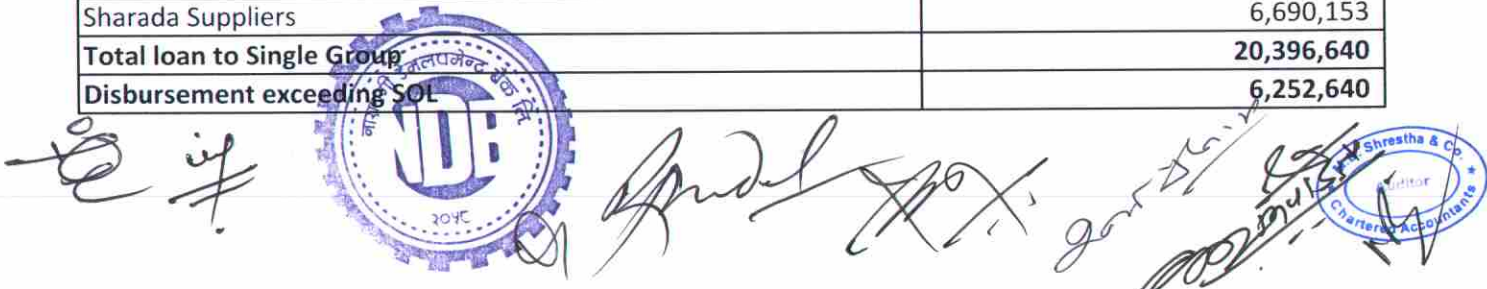
**4.7.4: Allowances for impairment**

Particulars	As at 32.03.2079	As at 31.03.2078
<b>Specific allowances for impairment</b>		
Balance at Sawan 1	8,666,075	-
Impairment loss for the year:		
Charge for the year	44,195,687	
Recoveries/reversal during the year		
Write-offs		
Exchange rate variance on foreign currency		
Other movement		
<b>Balance at Asar end</b>	<b>52,861,762</b>	-
<b>Collective allowances for impairment</b>		
Balance at Sawan 1	1,338,480	8,730,024
Impairment loss for the year:		1,066,531
Transfer On Merger and Acquisition		
Charge/(reversal) for the year	3,254,847.55	
Exchange rate variance on foreign currency		
Other movement		
<b>Balance at end</b>	<b>4,593,328</b>	<b>9,796,555</b>
<b>Total allowances for impairment</b>	<b>57,455,090</b>	<b>9,796,555</b>

**4.7.5: Loans Disbursed Exceeding Single Obligor Limit**

Bank has disbursed loans to following borrowers of the same group exceeding single obligor loan limit of the bank. Provision has been provided for the excess disbursements.

Particulars	Amount in NPR.
<b>Single Obligor Limit</b>	14,144,000
Surendra Bikram Rawal	13,706,487
Sharada Suppliers	6,690,153
<b>Total loan to Single Group</b>	<b>20,396,640</b>
<b>Disbursement exceeding SOL</b>	<b>6,252,640</b>



**Narayani Development Bank Limited**  
**Notes to Financial Statements**

**Investment Securities**

Particulars	As at 32.03.2079	As at 31.03.2078
Investment securities measured at amortized cost	4,000,000	4,000,000
Investment in equity measured at FVTOCI	6,798,627	494,278
<b>Total</b>	<b>10,798,627</b>	<b>4,494,278</b>



**4.8.1: Investment securities measured at amortized cost**


Particulars	As at 32.03.2079	As at 31.03.2078
Debt securities		
Government bonds	4,000,000	4,000,000
Government treasury bills		
Nepal Rastra Bank bonds		
Nepal Rastra Bank deposits instruments		
Other		
Less: specific allowances for impairment		
<b>Total</b>	<b>4,000,000</b>	<b>4,000,000</b>

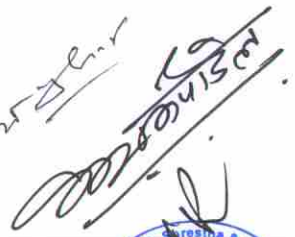

Government bond consist of Development Bond issued by NRB

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

Particulars	As at 32.03.2079	As at 31.03.2078
<b>Equity instruments</b>		
Quoted equity securities	6,798,627	494,278
Unquoted equity securities		
<b>Total</b>	<b>6,798,627</b>	<b>494,278</b>



**Narayani Development Bank Limited**  
**Notes to Financial Statements**

**4.8.3: Information relating to investment in equities**

	As at 32.03.2079		As at 31.03.2078		
	Cost	Fair Value	Cost	Fair Value	
<b>Investment in quoted equity</b>	<b>8,613,136</b>	<b>6,798,627</b>	<b>91,671</b>	<b>494,278</b>	
Prudential Insurance Company Limited - Ordinary Share	54,900	322,248	54,900	444,690	
Nepal Insurance Company Limited - Ordinary Share	4,063,967	2,573,735	-	-	
Ajod Insurance Company Ltd.	2,039,662	1,832,768	-	-	
Investment on share Butwal Power Company Ltd.	2,454,607.94	2,069,494	36,771	49,588	
Lumbini general Insurance Co. Ltd.	-	382	-	-	
<b>Total</b>	<b>8,613,136</b>	<b>6,798,627</b>	<b>91,671</b>	<b>494,278</b>	
S.No.	Name of Company	No. of Shares	Per Unit Cost	Cost price	Market price
1	Prudential Insurance Company Limited(PICL)	549	100	54,900	191,052
2	Prudential Insurance Company Limited(PICL)	128	-	-	44,544
3	Prudential Insurance Company Limited(PICL)(previously not book	249	-	-	86,652
4	Butwal Power Company Limited(BPCL)	98	375	36,771	31,556
5	Butwal Power Company Limited(BPCL)	5,000	386	1,927,830	1,610,000
6	Butwal Power Company Limited(BPCL)	1,318	372	490,007	424,396
7	Butwal Power Company Limited(BPCL)	11	-	-	3,542
8	Nepal Insurance Company Limited(NICL)	500	818	409,094	222,950
9	Nepal Insurance Company Limited(NICL)	2,000	842	1,684,605	891,800
10	Nepal Insurance Company Limited(NICL)	1,500	784	1,176,140	668,850
11	Nepal Insurance Company Limited(NICL)	1,200	662	794,128	535,080
12	Nepal Insurance Company Limited(NICL)(Bonus)	572	-	-	255,055
13	Ajod Insurance Company Ltd.(AIL)	4,091	499	2,039,662	1,832,768
14	Lumbini general Insurance Co. Ltd.(LGIL)(Bonus)	1	-	-	382
<b>Total</b>		<b>17,217</b>		<b>8,613,136</b>	<b>6,798,627</b>







**Narayani Development Bank Limited**  
**Notes to Financial Statements**

**Current tax assets**

4.9

Particulars	As at 32.03.2079	As at 31.03.2078
<b>Current tax assets</b>	<b>9,802,468</b>	<b>9,790,725</b>
Current year income tax assets	9,802,468	9,790,725
Tax assets of prior periods		
<b>Current tax liabilities</b>		-
Current year income tax liabilities		
Tax liabilities of prior periods		
<b>Total</b>	<b>9,802,468</b>	<b>9,790,725</b>

**Investment in subsidiaries**

4.10

Particulars	As at 32.03.2079	As at 31.03.2078
Investment in quoted subsidiaries		
Investment in unquoted subsidiaries		
<b>Total investment</b>		-
Less: Impairment allowances		
<b>Net carrying amount</b>		-


  
 The bottom section of the page contains several handwritten signatures in black ink. A prominent circular blue stamp is visible, featuring the letters 'NDB' in the center, surrounded by text in Hindi and the year '२०१८'. To the right, there is another circular blue stamp for 'Suresha & Co. Auditor Chartered Accountants'.

**Narayani Development Bank Limited**  
Notes to Financial Statements

**4.10.1: Investment in quoted subsidiaries**

	As at 32.03.2079		As at 31.03.2078	
	Cost	Fair Value	Cost	Fair Value
.....Ltd.				
.....shares of Rs. ....each				
.....Ltd.				
.....shares of Rs. ....each				
.....				
<b>Total</b>	-		-	

**4.10.2: Investment in unquoted subsidiaries**

	As at 32.03.2079		As at 31.03.2078	
	Cost	Fair Value	Cost	Fair Value
.....Ltd.				
.....shares of Rs. ....each				
.....Ltd.				
.....shares of Rs. ....each				
.....				
<b>Total</b>	-		-	

**4.10.3: Information relating to subsidiaries of the Bank**

	Percentage of ownership held by the Bank	
	As at 32.03.2079	As at 31.03.2078
.....Ltd.		
.....Ltd.		
.....Ltd.		
.....Ltd.		
<b>Total</b>	-	



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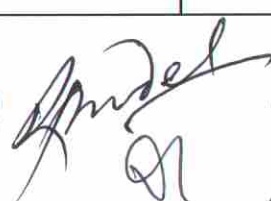




**Narayani Development Bank Limited**  
**Notes to Financial Statements**

**4.10.4: Non controlling interest of the subsidiaries**

	As at 32.03.2079	As at 31.03.2078
Equity interest held by NCI (%)		... Ltd.
Profit/(loss) allocated during the year		
Accumulated balances of NCI as on Asar end		
Dividend paid to NCI		
	As at 32.03.2079	As at 31.03.2078
Equity interest held by NCI (%)		... Ltd.
Profit/(loss) allocated during the year		
Accumulated balances of NCI as on Asar end		
Dividend paid to NCI		
	As at 32.03.2079	As at 31.03.2078
Equity interest held by NCI (%)		... Ltd.
Profit/(loss) allocated during the year		
Accumulated balances of NCI as on Asar end		
Dividend paid to NCI		

**Investment in associates**

Particulars	As at 32.03.2079	As at 31.03.2078
Investment in quoted associates		
Investment in unquoted associates		
<b>Total investment</b>		-
Less: Impairment allowances		
<b>Net carrying amount</b>		-

**Narayani Development Bank Limited**  
Notes to Financial Statements

**4.11.1: Investment in quoted associates**

	As at 32.03.2079		As at 31.03.2078	
	Cost	Fair Value	Cost	Fair Value
<b>Total</b>	-		-	

**4.11.2: Investment in unquoted associates**

	As at 32.03.2079		As at 31.03.2078	
	Cost	Fair Value	Cost	Fair Value
<b>Total</b>	-		-	

**4.11.3: Information relating to associates of the Bank**

	Percentage of ownership held by the Bank	
	As at 32.03.2079	As at 31.03.2078
<b>Total</b>	-	

**4.11.4: Equity value of associates**

	As at 32.03.2079	As at 31.03.2078






**Narayani Development Bank Limited**  
**Notes to Financial Statements**

**Investment properties**

4.12

Particulars	As at 32.03.2079	As at 31.03.2078
<b>Investment properties measured at fair value</b>		
Balance as on Sawan 1, .....		
Addition/disposal during the year		
Net changes in fair value during the year		
Adjustment/transfer		
<b>Net amount</b>		-
<b>Investment properties measured at cost</b>		
Balance as on Sawan 1	5,513,510	7,982,759
Addition during the year		
Disposal during the year	(5,513,510)	(2,469,249)
Adjustment/transfer		
Accumulated depreciation		
Accumulated impairment loss		
<b>Net amount</b>	-	<b>5,513,510</b>
<b>Total</b>	-	<b>5,513,510</b>

**Note 4.12.1: Investment property comprise the following**

Own Land		18,510
Non-Banking Assets		5,495,000
<b>Total</b>	-	<b>5,513,510</b>

**Note 4.12.2: Details of Non Banking Assets:**

Borrower's or Party's Name & Address	Acquisition date of Non-banking assets	As at 32.03.2079	As at 31.03.2078
1.Saibaba Kastha furniture Udhyog pvt ltd. (Gun Bahadur Thapa)	7/23/2074	-	5,495,000
2.Dhurba Thapa	7/23/2074	0.00	-
<b>Total</b>		-	<b>5,495,000</b>



Property and Equipment

Particulars	Land	Building	Leasehold Properties	Computer & Accessories	Vehicle	Furniture & Fixture	Machinery	Equipments & Others	Right of Use Assets	Total
<b>Cost</b>										
As on Sawan 1, 2076		398,390		5,920,045	1,340,961	4,754,589	762,920	275,568		13,452,473.00
Addition during the Year										
Acquisition										
Acquired on business combination										
Capitalization										
Disposal during the year										
Adjustment/Revaluation										
<b>Balance as on Asar end 2077</b>	-	398,390	-	5,920,045	1,340,961	4,754,589	762,920	275,568	-	13,452,473
Addition during the Year			394,597	2,786,941	6,693,514	754,789		139,414	3,726,405	14,495,660
Acquisition										
Acquired on business combination										
Capitalization										
Disposal during the year										
Adjustment/Revaluation										
<b>Balance as on Asar end 2078</b>	-	398,390	394,597	10,010,562	7,879,069	5,509,378	762,920	414,982	3,726,405	29,096,304
Addition during the Year			2,809,617	3,844,235	748,800	1,867,596		2,097,565	11,760,224	23,128,037
Acquisition										
Acquired on business combination										
Capitalization										
Disposal during the year										
Adjustment/Revaluation										
<b>Balance as on Asar end 2079</b>	-	-	3,602,604	13,854,797	8,581,035	7,376,974	762,920	2,512,547	15,486,628	52,177,506
<b>Depreciation &amp; Impairment</b>										
As on Sawan 1, 2076										
Impairment for the year										
Depreciation charge for the Year		(147,305)		(5,562,756)	(1,093,019)	(4,578,489)	(585,777)	(271,096)		(12,238,442)
Accu. Depreciation on assets acquired on business combination										
Disposals										
Adjustment										
<b>As on Ashadh end 2077</b>		(147,305)	-	(5,562,756)	(1,093,019)	(4,578,489)	(585,777)	(271,096)		(12,700,811)
Impairment for the year										
Depreciation charge for the Year		(12,554)	(3,243)	(938,418)	(977,904)	(143,598)	(26,571)	(10,934)	(652,304)	(2,765,526)
Accu. Depreciation on assets acquired on business combination										
Disposals										
Adjustment										
<b>As on Asadh end 2078</b>	-	(159,859)	(3,243)	(6,632,197)	(2,070,923)	(4,722,087)	(612,348)	(282,030)	(652,304)	(15,134,991)
Impairment for the year										
Depreciation charge for the Year			(445,667)	(1,552,108)	(1,232,969)	(482,270)	(22,586)	(224,847)	(1,498,063)	(5,458,509)
Accu. Depreciation on assets acquired on business combination										
Disposals										
Adjustment		159,859	(159,859)							
<b>As on Asadh end 2079</b>	-	-	(608,769)	(8,184,305)	(3,303,892)	(5,204,357)	(634,934)	(506,877)	(2,150,367)	(20,593,501)
Impairment for the year										
Depreciation charge for the Year										
Accu. Depreciation on assets acquired on business combination										
Disposals										
Adjustment										
<b>Balance as on Asadh 31, 2077</b>	-	251,085	-	357,289	247,942	176,100	177,143	4,472	-	751,662
Balance as on Asadh 31, 2078	-	238,531	391,354	3,378,365	5,808,146	787,291	150,572	132,952	3,074,100	13,968,312
Balance as on Asadh 32, 2079	-	-	2,993,835	5,670,492	5,277,143	2,172,617	127,986	2,005,670	13,336,261	31,580,005



*Handwritten signatures and notes:*  
 At the end of the year, the value of property and equipment is ₹ 13,452,473.00.  
 The value of property and equipment as on Asadh 31, 2078 is ₹ 13,968,312.  
 The value of property and equipment as on Asadh 32, 2079 is ₹ 31,580,005.

Narayani Development Bank Limited  
Notes to Financial Statements

4.14

Goodwill and Intangible Assets

Particulars	Goodwill	Software		Other	Total
		Purchased	Developed		
<b>Cost</b>					
<b>As on Sawan 1, 2076</b>					
Addition during the Year					
Acquisition					
Acquired on business combination					
Capitalization					
Disposal during the year					
Adjustment/Revaluation					
<b>As on Asar end 2077</b>					
Addition during the Year		3,931,658			3,931,658
Acquisition					
Acquired on business combination					
Capitalization					
Disposal during the year					
Adjustment/Revaluation					
<b>Balance as on Asar end 2078</b>	-	3,931,658	-	-	3,931,658
Addition during the Year					
Acquisition					
Acquired on business combination					
Capitalization					
Disposal during the year					
Adjustment/Revaluation					
<b>Balance as on Asar end 2079</b>	-	3,931,658	-	-	3,931,658
<b>Amortization and Impairment</b>					
<b>As on Sawan 1, 2076</b>					
Amortization charge for the Year					
Impairment for the year					
Disposals					
Adjustment					



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<b>As on Asar end 2077</b>						
Amortization charge for the Year			393,166			393,166
Impairment for the year						-
Disposals						-
Adjustment						-
<b>As on Asar end 2078</b>			<b>393,166</b>			<b>393,166</b>
Amortization charge for the Year			884,623			884,623
Impairment for the year						-
Acquired on business combination						-
Disposals						-
Adjustment						-
<b>As on Asar end 2079</b>			<b>1,277,789</b>			<b>1,277,789</b>
<b>Capital Work in Progress</b>						
<b>Net Book Value</b>						
<b>As on Asar end 2077</b>						
<b>As on Asar end 2078</b>			<b>3,538,492</b>			<b>3,538,492</b>
<b>As on Asar end 2079</b>			<b>2,653,869</b>			<b>2,653,869</b>



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Narayani Development Bank Limited  
Notes to Financial Statements

Deferred Tax

4.15

Particulars	As at 32.03.2079			As at 31.03.2078		
	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets/(Liabilities)	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets/(Liabilities)
<b>Deferred tax on temporary differences on following items</b>						
Loan and Advance to B/Fis	-	-	-			-
Loans and advances to customers	11,917,860	-	11,917,860			-
Investment properties	-	-	-		120,782	(120,782)
Investment securities	544,353	-	544,353		-	-
Property & equipment	-	3,652,881	(3,652,881)	286,510	-	286,510
Employees' defined benefit plan	897,945	-	897,945			-
Lease liabilities	4,222,567	-	4,222,567			-
Provisions	-	-	-			-
Other temporary differences	-	-	-			-
<b>Deferred tax on temporary differences</b>	<b>17,582,725</b>	<b>3,652,881</b>	<b>13,929,844</b>	<b>286,510</b>	<b>120,782</b>	<b>165,728</b>
Deferred tax on carry forward of unused tax losses						
Deferred tax due to changes in tax rate						
<b>Net Deferred tax (asset)/liabilities as on year end of Asadh 20</b>	<b>17,582,725</b>	<b>3,652,881</b>	<b>13,929,844</b>	<b>286,510</b>	<b>120,782</b>	<b>165,728</b>
Deferred tax (asset)/liabilities as on Sawan 1, 2078			(165,728)			1,947,684
Deferred tax assets/(liability) transferred on acquisition						
<b>Origination/(Reversal) during the year</b>						
Deferred tax expense/(income) recognized in profit or loss			(13,098,981)			2,170,841
Deferred tax expense/(income) recognized in other comprehensive income			(665,135)			(56,055)
Deferred tax expense/(income) recognized in equity						










**Narayani Development Bank Limited**  
**Notes to Financial Statements**

**Other Assets**

4.16

Particulars	As at 32.03.2079	As at 31.03.2078
Assets held for sale		
Other non banking assets		
Bills receivable		
Accounts receivable	2,017,868	1,908,705
Accrued income		-
Prepayments and deposit		
Income tax deposit		
Deferred employee expenditure		
Prepaid Expenses	589,314	309,125
Other	1,337,994	2,547,822
<b>Total</b>	<b>3,945,177</b>	<b>4,765,652</b>


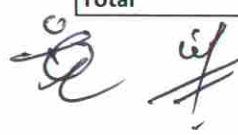

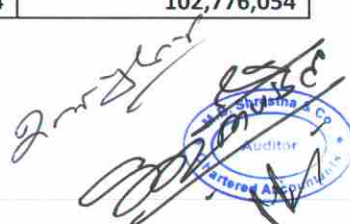

**Disclosure:** Provisions are made for Account Receivables as Follows:

	As at 32.03.2079	As at 31.03.2078
Receivable from Dibya Kumar Shrestha	70,091,173	70,091,173
Receivable from Others	34,700	-
Provision for Sundry Debtors (including Dibya kumar shrestha)	70,125,873	70,091,173
	As at 32.03.2079	As at 31.03.2078
Receivable from Crystal Worldwide Money Transfer	6,012,551	6,012,551
Provision For Advance	6,012,551	6,012,551
	As at 32.03.2079	As at 31.03.2078
Receivable from Crystal Finance	25,502,374	30,515,874
Provision for Bank Balance(Crystal Finance)	25,502,374	30,515,874
<b>Net</b>	<b>-</b>	<b>(0.00)</b>

Net Of Account receivables	As at 32.03.2079	As at 31.03.2078
Account Receivables	100,813,375	104,684,759
Total Provision less Provision For advance	(97,762,554)	(108,788,605)
<b>Total</b>	<b>3,050,821</b>	<b>104,684,759</b>
Net of Other Assets (other)		
Other	7,804,604	8,560,373
Provision For Advance	(6,012,551)	(6,012,551)
Provision for IBT	(454,059)	-
<b>Net of Other Assets (other)</b>	<b>1,337,994</b>	<b>2,547,822</b>
<b>Total Provision made</b>		

Provision for Advance is deducted from Other Assets(other) and remaining provision amount of Rs 102,776,054 is deducted from Account receivables.

Particulars	As at 32.03.2079	As at 31.03.2078
PROVISION FOR RECEIVABLE OTHERS	2,134,306	2,134,306
PROVISION FOR SUNDRY DEBTORS	70,125,873	70,125,873
PROVISION FOR ADVANCE		-
PROVISION FOR BANK BALANCE(Crystal Finance)	25,502,375	30,515,874
Provision for IBT		-
<b>Total</b>	<b>97,762,554</b>	<b>102,776,054</b>



**Narayani Development Bank Limited**  
**Notes to Financial Statements**

**Due to Bank and Financial Institutions**

4.17

Particulars	As at 32.03.2079	As at 31.03.2078
Money market deposits		
Interbank borrowing		
Other deposits from BFIs		
Settlement and clearing accounts		
Other deposits from BFIs		
<b>Total</b>	-	-

**Due to Nepal Rastra Bank**

4.18

Particulars	As at 32.03.2079	As at 31.03.2078
Refinance from NRB		
Standing Liquidity Facility		
Lender of last report facility from NRB		
Securities sold under repurchase agreements		
Other payable to NRB		
<b>Total</b>		-

**Derivative financial instruments**

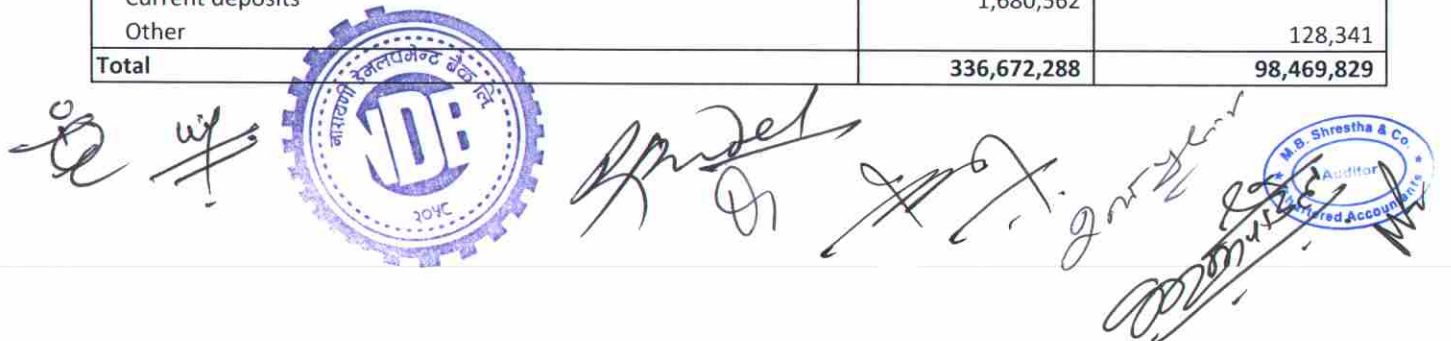
4.19



Particulars	As at 32.03.2079	As at 31.03.2078
<b>Held for trading</b>		
Interest rate swap		
Currency swap		
Forward exchange contract		
Others		
<b>Held for risk management</b>		
Interest rate swap		
Currency swap		
Forward exchange contract		
Others		
<b>Total</b>		-

**Deposits from customers**

4.20

Particulars	As at 32.03.2079	As at 31.03.2078
<b>Institutions customers:</b>		
Term deposits	19,500,211	20,000,000
Call deposits	30,397,462	
Current deposits	35,472,210	11,904,785
Other	878,341	
<b>Individual customers:</b>		
Term deposits	131,163,000	6,715,711
Saving deposits	117,580,503	59,720,993
Current deposits	1,680,562	
Other		128,341
<b>Total</b>	<b>336,672,288</b>	<b>98,469,829</b>



**Narayani Development Bank Limited**  
**Notes to Financial Statements**

**4.20.1: Currency wise analysis of deposit from customers**

Particulars	As at 32.03.2079	As at 31.03.2078
Nepalese rupee	336,672,288	98,469,829
Indian rupee		
United State dollar		
Great Britain pound		
Euro		
Japanese yen		
Chinese yuan		
Other		
<b>Total</b>	<b>336,672,288</b>	<b>98,469,829</b>

**Borrowing**

4.21

Particulars	As at 32.03.2079	As at 31.03.2078
Domestic Borrowing		
Nepal Government		
Other Institutions		
Other		
<b>Sub total</b>		-
Foreign Borrowing		
Foreign Bank and Financial Institutions		
Multilateral Development Banks		
Other Institutions		
<b>Sub total</b>		-
<b>Total</b>		-

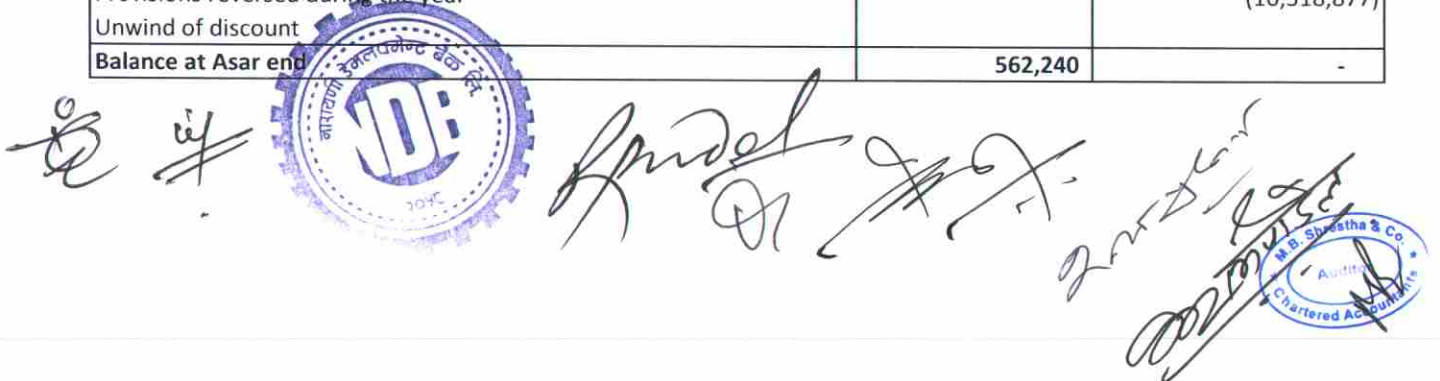
**Provisions**

4.22

Particulars	As at 32.03.2079	As at 31.03.2078
Provisions for redundancy		
Provision for restructuring		
Pending legal issues and tax litigation		
Onerous contracts		
Other	562,240	-
<b>Total</b>	<b>562,240</b>	<b>-</b>

**4.22.1: Movement in provision**

Particulars	As at 32.03.2079	As at 31.03.2078
Balance at Sawan 1	-	40,750,137
Provisions made during the year	562,240	(30,431,259)
Provisions used during the year		
Provisions reversed during the year	-	(10,318,877)
Unwind of discount		
<b>Balance at Asar end</b>	<b>562,240</b>	<b>-</b>



**Narayani Development Bank Limited**  
**Notes to Financial Statements**

**Other liabilities**

4.23

Particulars	As at 32.03.2079	As at 31.03.2078
Liability for employees defined benefit obligation	1,520,313	2,469,242
Liability for long-service leave	1,472,837	910,218
Short-term employee benefits		
Staff Welfare Fund	1,380,870	
Bills payable		
Creditors and accruals	17,622,863	32,303,826
Interest payable on deposit	510,049	84,444
Interest payable on borrowing		
Liabilities on deferred grant income		
Unpaid Dividend		
Liabilities under Finance Lease	14,075,224	-
Employee bonus payable		
Other	824,245.40	228,891
<b>Total</b>	<b>37,406,401</b>	<b>35,996,620</b>

**4.23.1: Defined benefit obligations**

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

Particulars	As at 32.03.2079	As at 31.03.2078
Present value of unfunded obligations		
Present value of funded obligations		
Total present value of obligations		
Fair value of plan assets		
Present value of net obligations		
Recognized liability for defined benefit obligations		

**4.23.2: Plan assets**

Plan assets comprise

Particulars	As at 32.03.2079	As at 31.03.2078
Equity securities		
Government bonds		
Bank deposit		
Other		
<b>Total</b>		-

Actual return on plan assets

**4.23.3: Movement in the present value of defined benefit obligations**

Particulars	As at 32.03.2079	As at 31.03.2078
Defined benefit obligations at Sawan 1		
Actuarial losses		
Benefits paid by the plan		
Current service costs and interest		
Defined benefit obligations at Asar end		

**4.23.4: Movement in the fair value of plan assets**

Particulars	As at 32.03.2079	As at 31.03.2078
Fair value of plan assets at Sawan 1		
Contributions paid into the plan		
Benefits paid during the year		
Actuarial (losses) gains		
Expected return on plan assets		
Fair value of plan assets at Asar end		

**Narayani Development Bank Limited**  
**Notes to Financial Statements**

**4.23.5: Amount recognized in profit or loss**

Particulars	As at 32.03.2079	As at 31.03.2078
Current service costs		
Interest on obligation		
Expected return on plan assets		
<b>Total</b>		-

**4.23.6: Amount recognized in other comprehensive income**

Particulars	As at 32.03.2079	As at 31.03.2078
Actuarial (gain)/loss		
<b>Total</b>		-

**4.23.7: Actuarial assumptions**

Particulars	As at 32.03.2079	As at 31.03.2078
Discount rate		
Expected return on plan asset		
Future salary increase		
Withdrawal rate		

**Debt securities issued**

4.24

Particulars	As at 32.03.2079	As at 31.03.2078
Debt securities issued designated as at fair value through profit or loss		
Debt securities issued at amortized cost		
<b>Total</b>		-

**Subordinated Liabilities**

4.25

Particulars	As at 32.03.2079	As at 31.03.2078
Redeemable preference shares		
Irredeemable cumulative preference shares		
Other		
<b>Total</b>		-

**Share capital**

4.26

Particulars	As at 32.03.2079	As at 31.03.2078
Ordinary shares	262,467,600	131,233,800
Convertible preference shares (equity component)		
Irredeemable preference shares (equity component)		
Perpetual debt (equity component only)		
Proposed Bonus Share		
<b>Total</b>	<b>262,467,600</b>	<b>131,233,800</b>

**4.26.1: Ordinary shares**

Particulars	As at 32.03.2079	As at 31.03.2078
Authorized Capital		
5,300,000 Ordinary share of Rs. 100 each	530,000,000	265,000,000
Issued capital		
26,24,676 Ordinary share of Rs. 100 each	262,467,600	
13,12,338 Ordinary share of Rs. 100 each		131,233,800
Subscribed and paid up capital		
26,24,676 Ordinary share of Rs. 100 each	262,467,600	
13,12,338 Ordinary share of Rs. 100 each		131,233,800
<b>Total</b>	<b>262,467,600</b>	<b>131,233,800</b>



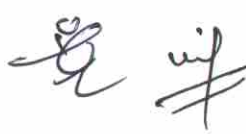
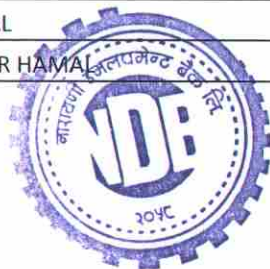


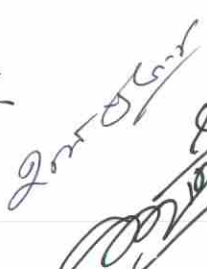

**Narayani Development Bank Limited**  
**Notes to Financial Statements**

Regulatory capital for the related years are:

Reconciliation of no. of equity shares	As at 32.03.2079	As at 31.03.2078
Opening	1,312,338	555,718
Add: issued during the year	1,312,338	756,620
<b>Closing</b>	<b>2,624,676</b>	<b>1,312,338</b>

The shareholders holding 0.5% or more of total paid up capital As at 32.03.2079 are as follows:

Name of Shareholders	Percentage
ROPA INVESTMENT PVT.LTD	9.89%
LAWA PRASAD MALLY	7.51%
ARJUN KUMAR POKHREL	6.78%
UTTAM PRASAD DWA	4.01%
ANJU DEVI SHRESTHA	3.6%
RAMKISHAN GOTAME	3.6%
NAWARAJ BAJGAI	3.05%
KAILASH KARKI	2.88%
JAMUNA KRISHNA TAMRAKAR	2.51%
SUJAN DUWADI	2.07%
HEMA KUMARI LOHANI	1.91%
ALPANA SHRESTHA	1.89%
DHIRENDRA MAINALI	1.88%
RABIN DAHAL	1.81%
RAJESH KUMAR KARMACHARYA	1.26%
ARJUN BHATTARAI	1.15%
AMBI RATNA SHAKYA	1.07%
GAUTAM PRASAD KHANAL	1.05%
TEK NATH DHAKAL	1%
TIRTHA RAM SHRESTHA	0.97%
REKHA BHATTARAI	0.96%
ANUSHA CHUKE	0.87%
KRISHNA MURARI LAMICHHANE	0.87%
MANJU BOHARA	0.77%
GOPAL KARMACHARYA	0.76%
SHOVA MISHRA	0.73%
PRAKASH PANT	0.64%
SUNIL SHRESTHA	0.63%
SUNIL SHRESTHA	0.63%
DEEPAK DHITAL	0.51%
HARI BAHADUR HAMAL	0.51%

**Narayani Development Bank Limited**  
**Notes to Financial Statements**

**4.26.2: Ordinary share ownership**

Particulars	As at 32.03.2079		As at 31.03.2078	
	Percent	Amount	Percent	Amount
<b>Domestic ownership</b>				
Nepal Government				
"A" class licensed institutions				
Other licensed institutions				
Other Institutions				
Public	30%	787,613	30%	393,796
Other	70%	1,837,063	70%	918,542
<b>Foreign ownership</b>				
<b>Total</b>	<b>100%</b>	<b>2,624,676</b>	<b>100%</b>	<b>1,312,338</b>

**Reserves**

Particulars	As at 32.03.2079	As at 31.03.2078
Statutory general reserve	108,174,262	108,174,262
Exchange equalization reserve		
Corporate social responsibility reserve	9,399	9,399
Capital adjustment reserve	6,583,545	50,860,590
Regulatory reserve	15,846,707	5,675,520
Investment adjustment reserve		
Capital reserve		
Assets revaluation reserve		
Fair value reserve	(1,270,157)	281,825
Dividend equalization reserve		
Actuarial gain		
Special reserve		
Staff Training Fund	296,288	209,070
<b>Total</b>	<b>129,640,044</b>	<b>165,210,666</b>

**Regulatory Reserve Comprises of Following**

Particulars	Amount	Amount
Interest Income On NFRS	364,881	14,792
Loss on investment		
Loss On NBA		
Deferred Tax Assets	13,929,844	165,728
Fair Value reserve transferred from Retained earnings	1,551,981	
Bargain gain		
Actuarial Valuation		
Others	-	5,495,000
<b>Total</b>	<b>15,846,707</b>	<b>5,675,520</b>

**Movement in the Regulatory reserve from FY2076/77 to FY 2078/79 as per the AGM procedure of NRB.**

Regulatory Reserve	Amount	Amount
As on Ashadh End 076/77	7,964,249	7,964,249
As on Ashadh End 077/78	5,675,520	5,675,520
Land sale of NBA	-	-
Deferred Tax Assets	13,929,844	13,929,844
INTEREST INCOME IN NFRS	364,881	364,881
Fair Value reserve transferred from Retained earnings	1,551,981	1,551,981
As on Ashadh End 078/79	15,846,707	15,846,707

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**Narayani Development Bank Limited**  
**Notes to Financial Statements**

**Fair Value Reserve Comprises of Following**

Particulars	Amount	Amount
As on Ashadh End 076/77	151,030	151,030
As on Ashadh End 077/78	281,825	
Net change in fair value	(1,551,981)	130,795
<b>Total</b>	<b>(1,270,157)</b>	<b>281,825</b>

**Details of capital adjustment reserve and other reserves.**

Capital adjustment reserve	Amount
CALL IN ADVANCE	21,855
CAPITAL ADJUSTMENT RESERVE FUND	6,561,690
<b>Total</b>	<b>6,583,545</b>

Staff Training Fund	Amount
Opening Balance of the Fund	209,070
Less: Expenses made during the year	
Add: Addition to the reserves	87,218
<b>Total</b>	<b>296,288</b>

Discloser: Capital adjustment reserve fund was created from accumulated profit of 067/68.

Profit Appropriation FY 2067/68	Amount
Net Profit	24,159,261
Appropriation	
Staff Bonus	2,196,296
Provision for Tax	6,726,811
Balance	15,236,154
Previous year(FY 2066/67) balance	5,766,831
<b>Net Total</b>	<b>21,002,985</b>
<b>Appropriation</b>	
Capital Adj Reserve Fund	6,561,690
General Reserve Fund	3,047,231
Balance	11,394,064
Write back Reserve	137,922
<b>Retained Earning Carried Forward to FY 2068/69</b>	<b>11,531,986</b>

**Contingent liabilities and commitments**

**4.28**

Particulars	As at 32.03.2079	As at 31.03.2078
Contingent liabilities		
Undrawn and undisbursed facilities		
Capital commitment		
Lease Commitment	-	
Litigation		
<b>Total</b>	<b>-</b>	<b>-</b>

**4.28.1: Contingent liabilities**

Particulars	As at 32.03.2079	As at 31.03.2078
Acceptance and documentary credit		
Bills for collection		
Forward exchange contracts		
Guarantees		
Underwriting commitment		
Other commitments		
<b>Total</b>		



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**Narayani Development Bank Limited**  
**Notes to Financial Statements**

**4.28.2: Undrawn and undisbursed facilities**

Particulars	As at 32.03.2079	As at 31.03.2078
Undisbursed amount of loans		
Undrawn limits of overdrafts		
Undrawn limits of credit cards		
Undrawn limits of letter of credit		
Undrawn limits of guarantee		
<b>Total</b>		-

**4.28.3: Capital commitments**






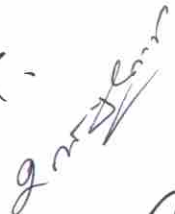


Capital expenditure approved by relevant authority of the bank but provision has not been made in financial statements.

Particulars	As at 32.03.2079	As at 31.03.2078
<b>Capital commitments in relation to Property and Equipment</b>		
Approved and contracted for		
Approved but not contracted for		
<b>Sub total</b>		-
<b>Capital commitments in relation to Intangible assets</b>		
Approved and contracted for		
Approved but not contracted for		
<b>Sub total</b>		-
<b>Total</b>		-

**4.28.4: Lease commitments**

Particulars	As at 32.03.2079	As at 31.03.2078
<b>Operating lease commitments</b>		
Future minimum lease payments under non cancellable operating lease, where the bank is lessee		
Not later than 1 year		
Later than 1 year but not later than 5 years		
Later than 5 years		
<b>Sub total</b>		-
<b>Finance lease commitments</b>		
Future minimum lease payments under non cancellable operating lease, where the bank is lessee		
Not later than 1 year		
Later than 1 year but not later than 5 years	13,934,075	
Later than 5 years		
<b>Sub total</b>	<b>13,934,075</b>	-
<b>Grand total</b>	<b>13,934,075</b>	-

**4.28.5: Litigation**



**Narayani Development Bank Limited**  
**Notes to Financial Statements**

**Interest income** **4.29**

Particulars	As at 32.03.2079	As at 31.03.2078
Cash and cash equivalent	-	-
Due from Nepal Rastra Bank	-	-
Placement with bank and financial institutions	1,199,791	876,144
Loan and advances to bank and financial institutions	-	-
Loans and advances to customers	21,249,411	1,241,468
Investment securities	232,800	-
Loan and advances to staff	33,230	150,045
Other	-	-
<b>Total interest income</b>	<b>22,715,232</b>	<b>2,267,657</b>

**Disclosure:** During the year, RS 1,063,989 has been included in interest income as per NFRS and accrued income on substandard, doubtful and bad loan has not been recognized.

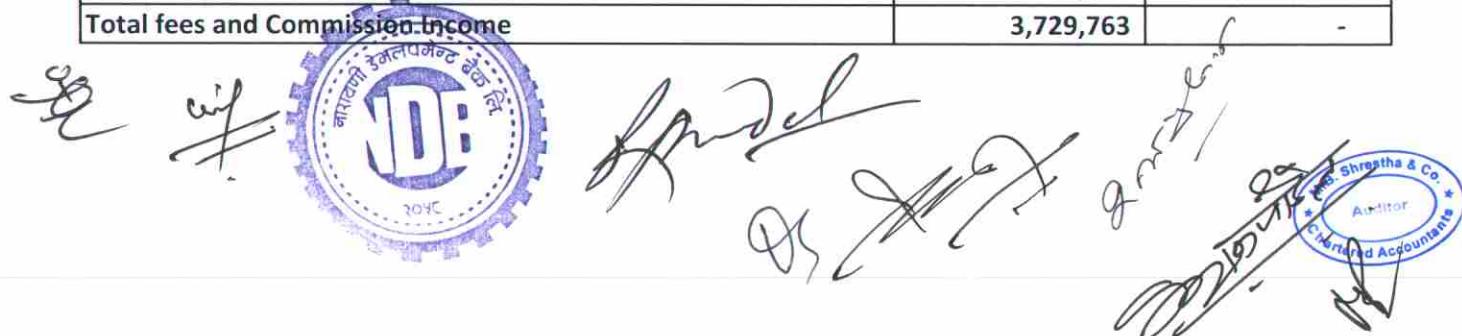
Refer Note 13(a) for interest income recognition criterion.

**Interest expense** **4.30**

Particulars	As at 32.03.2079	As at 31.03.2078
Due to bank and financial institutions	623,321	-
Due to Nepal Rastra Bank	-	-
Deposits from customers	12,500,017	3,207,620
Borrowing	-	-
Debt securities issued	-	-
Subordinated liabilities	-	-
Other	-	-
<b>Total interest expense</b>	<b>13,123,339</b>	<b>3,207,620</b>

**Fees and Commission Income** **4.31**

Particulars	As at 32.03.2079	As at 31.03.2078
Loan administration fees	-	-
Service fees	3,331,886	-
Consortium fees	-	-
Commitment fees	-	-
DD/TT/Swift fees	-	-
Credit card/ATM issuance and renewal fees	-	-
Prepayment and swap fees	-	-
Investment banking fees	-	-
Asset management fees	-	-
Brokerage fees	-	-
Remittance fees	352,377	-
Commission on letter of credit	-	-
Commission on guarantee contracts issued	-	-
Commission on share underwriting/issue	-	-
Locker rental	-	-
Other fees and commission income	45,500	-
<b>Total fees and Commission Income</b>	<b>3,729,763</b>	-


  
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**Narayani Development Bank Limited**  
**Notes to Financial Statements**

**Fees and commission expense**

**4.32**

Particulars	As at 32.03.2079	As at 31.03.2078
ATM management fees	-	-
VISA/Master card fees	-	-
Guarantee commission	-	-
Brokerage	-	-
DD/TT/Swift fees	-	-
Remittance fees and commission	-	-
Other fees and commission expense	-	13,542
<b>Total fees and Commission Expense</b>	<b>-</b>	<b>13,542</b>

**Net trading income**

**4.33**

Particulars	As at 32.03.2079	As at 31.03.2078
Changes in fair value of trading assets	-	-
Gain/loss on disposal of trading assets	-	-
Interest income on trading assets	-	-
Dividend income on trading assets	-	-
Gain/loss foreign exchange transaction	-	-
Other	-	-
<b>Net trading income</b>	<b>-</b>	<b>-</b>

**Other operating income**

**4.34**

Particulars	As at 32.03.2079	As at 31.03.2078
Foreign exchange revaluation gain	-	-
Gain/loss on sale of investment securities	-	-
Fair value gain/loss on investment properties	-	-
Dividend on equity instruments	-	548,055
Gain/loss on sale of property and equipment	63,266	687,882
Gain/loss on sale of investment property	618,390	30,751
Operating lease income	-	-
Gain/loss on sale of gold and silver	-	-
Locker rent	-	-
Other	96,773	878,029
<b>Total</b>	<b>778,429</b>	<b>2,144,717</b>

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

**4.35**

Particulars	As at 32.03.2079	As at 31.03.2078
Impairment charge/(reversal) on loan and advances to B/FIs	(207,979)	208,000
Impairment charge/(reversal) on loan and advances to customer	47,658,513	1,066,532
Impairment charge/(reversal) on financial Investment	-	-
Impairment charge/(reversal) on placement with banks and financial institutions	-	-
Impairment charge/(reversal) on property and equipment	-	-
Impairment charge/(reversal) on goodwill and intangible assets	-	-
Impairment charge/(reversal) on investment properties	-	-
Impairment charge/(reversal) on other assets	(4,559,441)	(10,468,878)
<b>Total</b>	<b>42,891,093</b>	<b>(9,194,346)</b>

**Narayani Development Bank Limited**  
**Notes to Financial Statements**

**Personnel Expense**

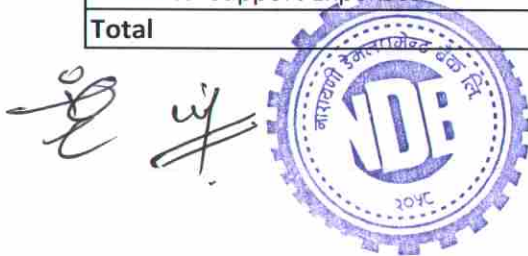
**4.36**

Particulars	As at 32.03.2079	As at 31.03.2078
Salary	6,515,494	4,505,640
Allowances	6,639,723	1,523,815
Gratuity expense	-	-
Provident fund	452,381	162,852
Uniform	89,950	231,300
Training & development expense	174,729	-
Leave encashment	644,008	933,190.35
Medical	-	-
Insurance	-	3,620
Employees incentive	-	-
Cash-settled share-based payments	-	-
Contribution To Employee Pension Fund	593,710	852,336
Finance expense under NFRS	-	-
Other expenses related to staff	-	518,830
<b>Subtotal</b>	<b>15,109,995</b>	<b>8,731,583</b>
Employees bonus	-	-
<b>Grand total</b>	<b>15,109,995</b>	<b>8,731,583</b>

**Other operating expense**

**4.37**

Particulars	As at 32.03.2079	As at 31.03.2078
Directors' fee	1,179,000	336,953
Directors' expense	516,327	164,218
Auditors' remuneration	497,200	243,540
Other audit related expense	308,183	31,875
Professional and legal expense	140,000	209,060
Office administration expense	13,092,003	10,347,035
Operating lease expense	496,085	1,871,053
Operating expense of investment properties	-	-
Corporate social responsibility expense	-	-
Finance cost under lease NFRS 16	558,526	-
Onerous lease provisions	-	-
Technical support Expenses	315,736	423,978
<b>Total</b>	<b>17,103,059</b>	<b>13,627,713</b>



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**Narayani Development Bank Limited**  
**Notes to Financial Statements**

<b>Office administration expenses include the following:</b>	<b>As at 32.03.2079</b>	<b>As at 31.03.2078</b>
Water and electricity	755,708	234,337
<b>Repair and maintenance</b>	-	-
Building	-	469,091
Vehicles	141,214	55,637
Computer and accessories	207,259	-
Office equipment and furniture	245,213	749,219
Others	49,452	186,623
Insurance	457,537	58,588
Postage, telex, telephone , fax	140,284	413,474
Printing and stationery	687,524	340,528
Newspaper, books and journal	14,375	11,180
Advertisement	702,144	725,497
Donation	100,000	200,000
COVID Expenses	-	11,780
Security	1,891,702	1,161,183
Deposit and loan guarantee premium	93,644	45,790
Travel allowance and expense	622,980	178,490
Entertainment	89,295	10,265
Annual/special general meeting	828,397	722,900
Fuel Expenses	664,845	358,952
Other	3,860,845	599,025
<b>REGISTRATION FEES AND CHARGES</b>	<b>1,429,569</b>	<b>3,607,221</b>
NCHL and CIC Expenses	110,016	210,463
<b>Total</b>	<b>13,092,003</b>	<b>10,347,035</b>

**Disclosure:**

<b>Other expenses include the following:</b>	<b>Amount (Rs.)</b>
AMORTIZATION OF SHARE ISSUE EXP.	448,692
BUSINESS PROMOTION EXPENSES	314,404
BUSINESS EXHIBITION EXPENSES	384,962
ANNUAL MAINTENANCE CONTACT EXP.	341,102
ANTIVIRUS EXPENSES	72,147
CONNECTIVITY EXPENSES	8,000
INTERNET EXPENSES	203,400
INTRANET EXPENSES	227,763
BRANCH OPENING EXPENSES	434,833
OTHER EXP KITCHEN	187,017
OTHER EXP CLEANING AND SANITATION	80,313
OTHER EXP SMALL ACCESSORIES	126,251
OTHER EXP BANK CHARGES	7,613
OTHER EXP MEETING EXPENSES	3,740
OTHER EXP INTERNSHIP EXPENSES	65,800
OTHER EXP GIFT AND SOUVENIR	7,040
OTHER EXP VEHICLE PARKING EXPENSE	1,885
OTHER EXP AUCTION ALLOWANCE EXP.	42,000
OTHER EXP OFFICE EXP	817,869
OTHER EXP MISC EXPENSES	86,016
<b>Total</b>	<b>3,860,845</b>



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**Narayani Development Bank Limited**  
**Notes to Financial Statements**

**Depreciation & Amortization**

**4.38**

Particulars	As at 32.03.2079	As at 31.03.2078
Depreciation on property and equipment	5,458,509	2,137,537
Depreciation on investment property	-	-
Amortization of intangible assets	884,623	-
<b>Total</b>	<b>6,343,132</b>	<b>2,137,537</b>

**Non operating income**

**4.39**

Particulars	As at 32.03.2079	As at 31.03.2078
Recovery of loan written off	-	-
Bargain gain on acquisition	-	-
Loan write off	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**Non operating expense**

**4.40**

Particulars	As at 32.03.2079	As at 31.03.2078
Loan written off	-	-
Redundancy provision	-	-
Expense of restructuring	-	-
Other expense	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

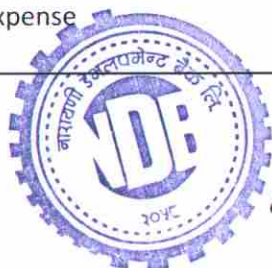
**Income tax expense**

**4.41**

Particulars	As at 32.03.2079	As at 31.03.2078
<b>Current tax expense</b>	-	-
Current year	-	-
Adjustments for prior years	-	-
<b>Deferred tax expense</b>	<b>13,098,981</b>	-
Origination and reversal of temporary differences	13,098,981	-
Changes in tax rate	-	-
Recognition of previously unrecognized tax losses	-	-
<b>Total income tax expense</b>	<b>13,098,981</b>	<b>-</b>

**4.41.1: Reconciliation of tax expense and accounting profit**

Current Year	As at 32.03.2079	As at 31.03.2078
Profit before tax	(67,347,194)	(14,111,274)
Tax amount at tax rate of 30%	-	-
Add: Tax effect of expenses that are not deductible for tax purpose	-	-
Less: Tax effect on exempt income	-	-
Add/less: Tax effect on other items	-	-
Total income tax expense	-	-
Effective tax rate	-	-



**Narayani Development Bank Limited**  
**Notes to Financial Statements**

**Statement of Distributable Profit or Loss**

4.42

Particulars	As at 32.03.2079	As at 31.03.2078
<b>Opening Retained Earning (As at 31.03.2078)</b>	<b>(217,155,881)</b>	<b>(207,504,177)</b>
Adjustment due to NFRS 16	(353,609)	
Dividend To Shareholders	-	-
Gain from investment on sale of shares transferred from OCI to retained earning	-	-
<b>Adjusted Retained Earning available for distribution before current year profit</b>	<b>(217,509,490)</b>	<b>(207,504,177)</b>
<b>Net profit or (loss) as per statement of profit or loss</b>	<b>(54,248,213)</b>	<b>(11,940,433)</b>
Appropriations:		
a. General reserve		
b. Foreign exchange fluctuation fund		
c. Capital redemption reserve		
d. Corporate social responsibility fund		
e. Employees' training fund	87,218	
f. Other		
<b>Profit or (loss) before regulatory adjustment</b>	<b>(271,844,920)</b>	<b>(219,444,610)</b>
Regulatory adjustment :		
a. Interest receivable (-)/previous accrued interest received (+)	(350,089)	(14,792)
b. Short loan loss provision in accounts (-)/reversal (+)		
c. Short provision for possible losses on investment (-)/reversal (+)		
d. Short loan loss provision on Non Banking Assets (-)/reversal (+)	5,495,000	2,469,249
e. Deferred tax assets recognized (-)/ reversal (+)	(13,764,116)	(165,728)
f. Goodwill recognized (-)/ impairment of Goodwill (+)		
g. Bargain purchase gain recognized (-)/reversal (+)		
h. Actuarial loss recognized (-)/reversal (+)		
i. Other (+/-) Fair Value Gain/(Loss)	(1,551,981)	
<b>Distributable profit or (loss)</b>	<b>(282,016,107)</b>	<b>(217,155,881)</b>



**Narayani Development Bank Limited**  
**Notes to Financial Statements**

**5 Disclosure and Additional Information**

**5.1 Risk Management**

The Bank's business activities expose to a variety of risks, namely primarily to liquidity risk, operational risk and credit risk, which may adversely impact the fair value of its financial instruments and in overall, impact the financial performance and position of Bank. The Bank's Board and senior management has overall responsibility for the establishment and oversight of the Bank's risk management. The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits (tolerance limit) and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

**a) Credit Risk**

Credit risk refers to the probability of loss due to a borrower's failure to make payments on the loan provided by the Bank. This directly impacts the financial performance of Bank. Motive of credit risk management is to gain a complete understanding of a bank's overall credit risk by viewing risk at the individual, customer and portfolio levels so that mitigating measures could be applied at desired levels.

Credit policy, product papers are the primary documented matters that are directly linked to credit risk management. The policies and procedures to be followed are in documented form defining roles and responsibilities of the personnel involved that provides a degree to autonomy on the evaluation and analysis of individual borrower.

The tools being used by bank to assess overall credit risk is the ratio of non-performing loan to total loan on each loan sector.

**b) Market Risk**

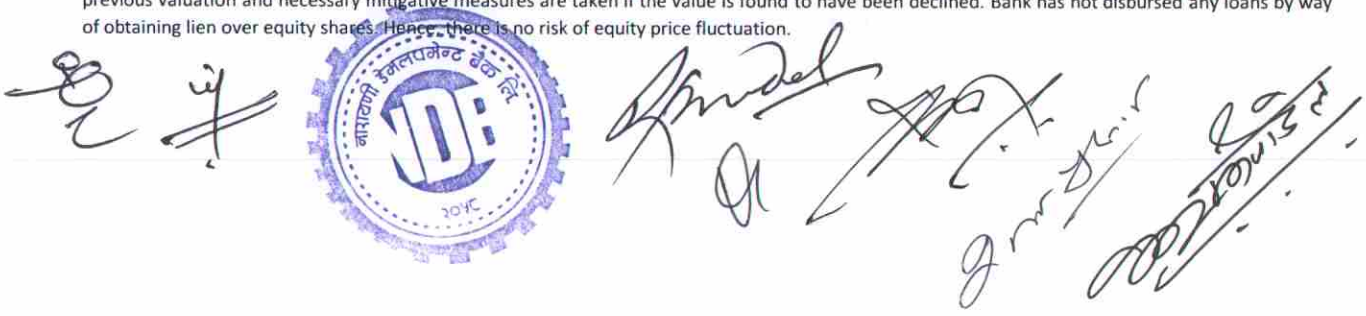
Market risk is the risk of happening of potential loss on assets of the Bank due to market factors. Market factors mainly comprise of interest rate, and collateral price. This risk is not entirely manageable as it encompasses factors that are not wholly within the control of Bank and arises on transaction with customers. In general, management of this type of risk is by diversification.

Bank has the objective of effective risk management by way of risk identification, measurement, monitoring, management and analysis.

**Interest Rate Risk:** Interest rate risk is the risk of increased volatility due to changes in interest rate.

**Foreign Exchange Risk:** Foreign exchange risk is the risk of changes in exchange rates of convertible foreign currencies. This risk mainly arises from changes in exchange rate of US Dollars. Bank does not have transaction in foreign currency and accordingly, there is no foreign exchange risk.

**Equity Price Risk:** Bank has secured its loan by way of obtaining lien over the collateral of borrower. The value of loan disbursed is directly pegged with the value of collateral. Decrease in price of collateral may result in cases of non-recovery of the due amount if borrower defaults in making payment. Collateral value may decline due to environmental factors, government decision, etc. Bank properly analyses the collateral before considering it as security and conducts independent valuation of collateral. Revaluation is done on periodic basis based on the developments after previous valuation and necessary mitigative measures are taken if the value is found to have declined. Bank has not disbursed any loans by way of obtaining lien over equity shares. Hence, there is no risk of equity price fluctuation.

The block contains several handwritten signatures in black ink. In the center is the official logo of Narayani Development Bank Limited, which is circular with a gear-like border. The text inside the logo includes 'Narayani Development Bank Limited' in Hindi and English, and the year '2010'. To the right of the logo are more handwritten signatures.

A circular blue stamp with the text 'M.B. Shrestha & Co. Chartered Accountants' around the perimeter. In the center, the word 'Auditors' is written. A handwritten signature is written over the stamp.

**Narayani Development Bank Limited**  
**Notes to Financial Statements**

**5 Disclosure and Additional Information**

**c) Liquidity Risk**

Liquidity risk is the risk that either bank does not have financial resource to meet its obligations when due or could access to those resources at excessively high cost. Liquidity risk is managed by complying with the Directives and circulars issued by regulatory authority on time to time basis. CRR and SLR are maintained as per regulatory requirement and periodic status of liquidity profile are prepared to analyze liquidity status. Assets Liability Management Committee is formed at Bank to monitor the liquidity profile. Cash, highly liquid securities and investments form an integral part of managing liquidity risk.

S.N.	Particulars	1-90 Days	91-180 Days	181-270 Days	271-365 Days	Over 1 Year	Total Amount
<b>Assets</b>							
1	Cash Balance	32,116,706	-				32,116,706
2	Balance with Banks & FIs	21,222,209					21,222,209
3	Investment in Foreign Banks						-
4	Call Money	71,625,931					71,625,931
5	Government Securities	4,000,000					4,000,000
6	Nepal Rastra Bank Bonds						-
7	Inter Bank & FI Lending	1,615					1,615
8	Loans & Advances	297,153,389					297,153,389
9	Interest Receivable	1,063,989					1,063,989
10	Reverse Repo						-
11	Receivables from other Institutions under Commitment						-
12	Payment to be made for facilities under s.no 20,21 & 22						-
13	Others						-
	<b>Total Assets (A)</b>	<b>427,183,839</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>427,183,839</b>
<b>Liabilities</b>							
14	Current Deposits	37,147,194					37,147,194
15	Saving Deposits	117,580,503					117,580,503
16	Fixed Deposits	49,995,000	41,343,000	140,000	57,665,000	1,520,000	150,663,000
17	Debentures						-
18	Borrowings:						-
	(a) Call/Short Notice						-
	(b) Inter-bank/Financial Institutions						-
	(c) Refinance						-
	(d) Others						-
19	Other Liabilities and Provisions	74,929,973	-	-	-	-	74,929,973
	(a) Sundry Creditors	16,964,833					16,964,833
	(b) Bills Payable						-
	(c) Interest Payable	510,049					510,049
	(d) Provisions	57,455,090					57,455,090
	(e) Others	-					-
20	Payable to other institutions under Commitment						-
21	Unutilized Approved Facilities						-
22	Letter of Credit/Guarantee (Net of Margin)						-
23	Repo						-
24	Payment to be made for facilities under S.No 11						-
25	Others						-
	<b>Total Liabilities (B)</b>	<b>279,652,670</b>	<b>41,343,000</b>	<b>140,000</b>	<b>57,665,000</b>	<b>1,520,000</b>	<b>380,320,670</b>
	<b>Net Financial Assets (A-B)</b>	<b>147,531,169</b>	<b>(41,343,000)</b>	<b>(140,000)</b>	<b>(57,665,000)</b>	<b>(1,520,000)</b>	<b>46,863,169</b>
	<b>Cumulative Net Financial Assets</b>	<b>147,531,169</b>	<b>106,188,169</b>	<b>106,048,169</b>	<b>48,383,169</b>	<b>46,863,169</b>	

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**Narayani Development Bank Limited**  
**Notes to Financial Statements**

**5 Disclosure and Additional Information**

**d) Operational Risk**

Operational risk is potential for loss resulting from inadequate or failed internal processes, people and systems or external events. Standard operating procedures are prepared and implemented in order to define the process, people and system involved in each operational matters. Bank carries out internal audit from independent professionals on periodic basis in order to review the effectiveness of control system that has been designed to mitigate the operational risk which is monitored by the Audit Committee.

**e) Information Technology Risk**

Information technology risk refers to the risk arising from use of information technology. It includes hardware and software failure, human error on using IT, spam , virus, malicious attacks and also includes natural disaster. IT is integral part of operation of Bank and bank has to rely heavily on IT. In order to minimize the risk related to IT, Bank uses antivirus softwares.

**f) Other Risk**

The ever-changing environment gives rise to various new risks. Some of this include reputational risk, human resource risk, compliance risk etc. The risks are being evaluated and managed on daily/periodic basis by way of implementing mitigating measures.

**5.2 Fair Value of Financial Assets and Liabilities and their Classification**

The method of determination of fair value of financial assets and financial liabilities of the Bank at three levels (level one, level two and level three) has been disclosed in Note 3.4.4. Classification of financial assets and financial liabilities is done as mentioned in Note 3.4.2.

Fair value measurement is done for investment in shares. Fair value hierarchy of financial assets and liabilities at each reporting dates for the financial instruments presented in statement of financial position is as follows:

**As at 31 Ashad 2079**

Particulars	Classification	Level 1	Level 2	Level 3
<b>Financial Assets</b>				
Cash and cash equivalent				103,742,637
Due from Nepal Rastra Bank	AC			21,222,209
Loans and advances to BFI	AC			1,615
Loans and advances to customers	AC			297,153,389
Investment securities				
Quoted shares	FVOCI	283,284		6,798,627
Unquoted shares	FVOCI			-
Other Investment	AC			-
<b>Total Financial Assets</b>		<b>283,284</b>	<b>-</b>	<b>428,918,477</b>
<b>Financial Liabilities</b>				
Due to Bank and Financial Institutions	AC			-
Due to Nepal Rastra Bank	AC			-
Deposits from customers	AC			336,672,288
Borrowing	AC			-
Other Liabilities	AC			37,406,401
<b>Total Financial Liabilities</b>		<b>-</b>	<b>-</b>	<b>374,078,689</b>

**As at 31 Ashad 2078**

Particulars	Classification	Level 1	Level 2	Level 3
<b>Financial Assets</b>				
Cash and cash equivalent				74,089,010
Due from Nepal Rastra Bank	AC			19,036,854
Loans and BFI	AC			15,792,000
Loans and advances to customers	AC			68,638,260
Investment securities				
Quoted shares	FVOCI	-		494,278
Unquoted shares	FVOCI			-
Other Investment	AC			5,513,510
<b>Total Financial Assets</b>		<b>-</b>	<b>-</b>	<b>183,563,912</b>
<b>Financial Liabilities</b>				
Due to Bank and Financial Institutions	AC			-
Due to Nepal Rastra Bank	AC			-
Deposits from customers	AC			98,469,829
Borrowing	AC			-
Other Liabilities	AC			35,996,620
<b>Total Financial Liabilities</b>		<b>-</b>	<b>-</b>	<b>134,466,449</b>

Note: AC = Amortized Cost, FVOCI = Fair Value Through OCI

**Narayani Development Bank Limited**  
**Notes to Financial Statements**

**5 Disclosure and Additional Information**

**5.3 Capital Management**

**5.3.1 Principle and Objective**

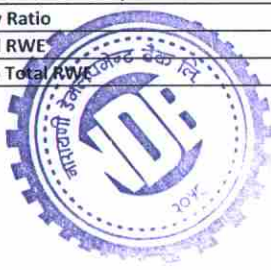
The principle of capital management of the Bank is to maintain strong capital base, meet the regulatory requirements and ensure reasonable return on capital to its shareholders. The Bank is in the process to issue additional share capital to meet the capital requirements.

Bank has not issued preference capital or any other form of hybrid instruments that may be converted into capital.

**5.3.2 Capital Structure and Capital Adequacy**

Capital Fund of Bank as per CAF 2007 is as follows (amount in '000):

Particulars	32.03.2079	31.03.2078
<b>1.1 Risk Weighted Exposure (RWE)</b>		
RWE for Credit Risk	516,145,929	122,534,755
RWE for Operational Risk	3,401,273	8,954,261
RWE for Market Risk		-
<b>Total RWE before adjustment under Pillar II</b>	<b>519,547,202</b>	<b>131,489,016</b>
<b>Adjustments under Pillar II</b>		
<i>Add RWE equivalent to reciprocal of capital charge of 3 % of gross income.</i>	816,703	
<i>Overall risk management policies and procedures are not satisfactory. Add 4% of RWE</i>	20,781,888	
<i>Desired level of disclosure requirement has not been achieved. Add 2% of RWE</i>	10,390,944	
<b>Total RWE</b>	<b>551,536,737</b>	<b>131,489,016</b>
<b>1.2 Capital</b>		
<b>A. Core Capital (Tier I)</b>	<b>120,192,911</b>	<b>76,068,559</b>
Paid up Equity Share Capital	262,467,600	131,233,800
Irredeemable Non-cumulative preference shares		-
Share Premium	10,101,374	2,956,688
Proposed Bonus Equity Shares		-
Call in Advance	21,855	44,298,000
Statutory General Reserves	108,174,262	108,174,262
Retained Earnings	(282,016,107)	(217,155,881)
Un-audited current year cumulative profit/(loss)	-	-
Capital Redemption Reserve		-
Capital Adjustment Reserve	21,443,927	6,561,690
Dividend Equalization Reserves		-
Other Free Reserve		-
Less: Goodwill		-
Less: Deferred Tax Assets	-	
Less: Fictitious Assets		
Less: Investment in equity in licensed Financial Institutions		-
Less: Investment in equity of institutions with financial interests		-
Less: Investment in equity of institutions in excess of limits		-
Less: Investments arising out of underwriting commitments		-
Less: Reciprocal crossholdings		-
Less: Purchase of land & building in excess of limit and unutilized		
Less: Other Deductions		
<b>Adjustments under Pillar II</b>		
<b>B. Supplementary Capital (Tier II)</b>	<b>4,593,306</b>	<b>819,181.00</b>
Cumulative and/or Redeemable Preference Share		-
Subordinated Term Debt		-
Hybrid Capital Instruments		-
General Loan Loss Provision	4,593,306	819,181
Exchange Equalization Reserve		-
Investment Adjustment Reserve		-
Assets Revaluation Reserve		-
Other Reserves		-
<b>Total Capital Fund (Tier I and Tier II)</b>	<b>124,786,217</b>	<b>76,887,740</b>
<b>1.3 Capital Adequacy Ratio</b>		
Tier I Capital to Total RWE	22%	58%
Total Capital Fund to Total RWE	23%	58%




b) Operational Risk

Particulars	Fiscal Year		
	2075-76	2076-77	2077-78
Net Interest Income	1,658	1,883	(940)
Commission and Discount Income			
Other Operating Income	1,416	641	2,145
Exchange Fluctuation Income			
Addition/Deduction in Interest Suspense during the period		-	-
<b>Gross income (a)</b>	<b>3,074</b>	<b>2,524</b>	<b>1,205</b>
<b>Alfa (b)</b>	<b>0</b>	<b>15%</b>	<b>15%</b>
<b>Fixed Percentage of Gross Income [c=(a×b)]</b>	<b>461</b>	<b>379</b>	<b>181</b>
<b>Capital Requirement for operational risk (d) (average of c)</b>			<b>340</b>
<b>Risk Weight (reciprocal of capital requirement of 10%) in times (e)</b>			<b>10</b>
<b>Equivalent Risk Weight Exposure [f=(d×e)]</b>			<b>3,401</b>
Pillar II Adjustments			
<b>If Gross Income for the last three years is negative (6.4 a 8)</b>			
Total Credit and Investment (net of Specific Provision) of related month			-
Capital Requirement for Operational Risk (5% of net credit and investment)			-
<b>Risk Weight (reciprocal of capital requirement of 10%) in times</b>			<b>10</b>
<b>Equivalent Risk Weight Exposure (g)</b>			
<b>Equivalent Risk Weight Exposure [h=f+g]</b>			<b>3,401</b>

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Notes to Financial Statements

5.3.3 Risk Exposure  
Table of Risk Exposure at the reporting dates (amount in '000) is as follows:

A. Balance Sheet Exposures	As on Ashad 32 2079						As on Ashad 31 2078						As on Ashad 31 2078	
	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures	Net Value	Risk Weighted Exposures
	a	b	c	d=a-b-c	e	f=d*e	a	b	c	d=a-b-c	e	f=d*e		
Cash Balance	32,116,706	-	-	32,116,706	0%	-	12,706,552	-	-	12,706,552	0%	-	12,706,552	-
Balance With Nepal Rastra Bank	21,222,209	-	-	21,222,209	0%	-	19,036,854	-	-	19,036,854	0%	-	19,036,854	-
Gold	-	-	-	-	0%	-	-	-	-	-	0%	-	-	-
Investment in Nepalese Government Securities	4,000,000	-	-	4,000,000	0%	-	-	-	-	-	0%	-	-	-
All Claims on Government of Nepal	-	-	-	-	0%	-	2,721,890	-	-	2,721,890	0%	-	2,721,890	-
Investment in Nepal Rastra Bank securities	-	-	-	-	0%	-	-	-	-	-	0%	-	-	-
All claims on Nepal Rastra Bank	-	-	-	-	0%	-	-	-	-	-	0%	-	-	-
Claims on Foreign Government and Central Bank (ECA 0-1)	-	-	-	-	0%	-	-	-	-	-	0%	-	-	-
Claims on Foreign Government and Central Bank (ECA -2)	-	-	-	-	20%	-	-	-	-	-	20%	-	-	-
Claims on Foreign Government and Central Bank (ECA -3)	-	-	-	-	50%	-	-	-	-	-	50%	-	-	-
Claims on Foreign Government and Central Bank (ECA-4-6)	-	-	-	-	100%	-	-	-	-	-	100%	-	-	-
Claims on Foreign Government and Central Bank (ECA -7)	-	-	-	-	150%	-	-	-	-	-	150%	-	-	-
Claims On BIS, IMF, ECB, EC and MDB's recognized by the framework	-	-	-	-	0%	-	-	-	-	-	0%	-	-	-
Claims on Other Multilateral Development Banks	-	-	-	-	100%	-	-	-	-	-	100%	-	-	-
Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	20%	-	-	-	-	-	20%	-	-	-
Claims on Public Sector Entity (ECA 2)	-	-	-	-	50%	-	-	-	-	-	50%	-	-	-
Claims on Public Sector Entity (ECA 3-6)	-	-	-	-	100%	-	-	-	-	-	100%	-	-	-
Claims on Public Sector Entity (ECA 7)	-	-	-	-	150%	-	-	-	-	-	150%	-	-	-
Claims on domestic banks that meet capital adequacy requirements	71,625,931	-	-	71,625,931	20%	14,325,186	61,382,458	-	-	61,382,458	20%	12,276,492	61,382,458	12,276,492
Claims on domestic banks that do not meet capital adequacy requirements	-	-	-	-	100%	-	-	-	-	-	100%	-	-	-
Claims on foreign bank (ECA Rating 0-1)	-	-	-	-	20%	-	-	-	-	-	20%	-	-	-
Claims on foreign bank (ECA Rating 2)	-	-	-	-	50%	-	-	-	-	-	50%	-	-	-
Claims on foreign bank (ECA Rating 3-6)	-	-	-	-	100%	-	-	-	-	-	100%	-	-	-
Claims on foreign bank (ECA Rating 7)	-	-	-	-	150%	-	-	-	-	-	150%	-	-	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	-	-	-	-	20%	-	-	-	-	-	20%	-	-	-
Claims on Domestic Corporates	46,111,709	18,365,452	-	27,746,257	100%	27,746,257	36,092,803	-	-	36,092,803	100%	36,092,803	36,092,803	36,092,803
Claims on Foreign Corporates (ECA 0-1)	-	-	-	-	20%	-	-	-	-	-	20%	-	-	-
Claims on Foreign Corporates (ECA 2)	-	-	-	-	50%	-	-	-	-	-	50%	-	-	-
Claims on Foreign Corporates (ECA 3-6)	-	-	-	-	100%	-	-	-	-	-	100%	-	-	-
Claims on Foreign Corporates (ECA 7)	-	-	-	-	150%	-	-	-	-	-	150%	-	-	-
Regulatory Retail Portfolio (Not Overdue)	-	-	-	-	75%	-	-	-	-	-	75%	-	-	-
Claims fulfilling all criterion of regularity retail except granularity	-	-	-	-	100%	-	-	-	-	-	100%	-	-	-
Claims secured by residential properties	-	-	-	-	60%	-	-	-	-	-	60%	-	-	-
Claims not fully secured by residential properties	-	-	-	-	150%	-	-	-	-	-	150%	-	-	-
Claims secured by residential properties (Overdue)	-	-	-	-	100%	-	-	-	-	-	100%	-	-	-
Claims secured by Commercial real estate	-	-	-	-	100%	-	-	-	-	-	100%	-	-	-
Past due claims (except for claims secured by residential properties)	2,693,721	2,693,721	-	-	150%	-	7,442,884	-	-	7,442,884	150%	-	-	-
High Risk claims	303,706,086	31,802,589	-	271,903,497	150%	407,855,246	-	-	-	-	150%	-	-	-
Investments in equity and other capital instruments of institutions listed in stock exchange	6,798,627	-	-	6,798,627	100%	6,798,627	494,278	-	-	494,278	100%	494,278	494,278	494,278
Investments in equity and other capital instruments of institutions not listed in the stock exchange	-	-	-	-	150%	-	-	-	-	-	150%	-	-	-
Staff loan secured by residential property	-	-	-	-	60%	-	-	-	-	-	60%	-	-	-
Interest Receivable/claim on government securities	-	-	-	-	0%	-	-	-	-	-	0%	-	-	-
Cash in transit and other cash items in the process of collection	-	-	-	-	20%	-	-	-	-	-	20%	-	-	-
Other Assets (as per attachment)	61,914,895	-	-	59,420,614	100%	59,420,614	68,926,952	-	-	68,926,952	100%	53,607,803	68,926,952	53,607,803
TOTAL (A)	550,189,883	52,861,762	-	494,833,840	-	516,145,929	216,711,721	7,442,884	209,268,838	2	107,215,606	209,268,838	209,268,838	107,215,606



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Notes to Financial Statements

5.3.3

**Risk Exposure**

B. Off Balance Sheet Exposures										
Revocable Commitments	-	-	-	-	0%	-	-	-	-	0%
Bills Under Collection	-	-	-	-	0%	-	-	-	-	0%
Forward Exchange Contract Liabilities	-	-	-	-	10%	-	-	-	-	10%
LC Commitments With Original Maturity Up to 6 months domestic counterparty	-	-	-	-	20%	-	-	-	-	20%
Foreign counterparty (ECA Rating 0-1)	-	-	-	-	20%	-	-	-	-	20%
Foreign counterparty (ECA Rating 2)	-	-	-	-	50%	-	-	-	-	50%
Foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-	-	-	-	100%
Foreign counterparty (ECA Rating 7)	-	-	-	-	150%	-	-	-	-	150%
LC Commitments With Original Maturity Over 6 months domestic counterparty	-	-	-	-	50%	-	-	-	-	50%
Foreign counterparty (ECA Rating 0-1)	-	-	-	-	20%	-	-	-	-	20%
Foreign counterparty (ECA Rating 2)	-	-	-	-	50%	-	-	-	-	50%
Foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-	-	-	-	100%
Foreign counterparty (ECA Rating 7)	-	-	-	-	150%	-	-	-	-	150%
Bid Bond, Performance Bond and Counter guarantee domestic counterparty	-	-	-	-	50%	-	-	-	-	50%
Foreign counterparty (ECA Rating 0-1)	-	-	-	-	20%	-	-	-	-	20%
Foreign counterparty (ECA Rating 2)	-	-	-	-	50%	-	-	-	-	50%
Foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-	-	-	-	100%
Foreign counterparty (ECA Rating 7)	-	-	-	-	150%	-	-	-	-	150%
Underwriting commitments	-	-	-	-	50%	-	-	-	-	50%
Lending of Bank's Securities or Posting of Securities as collateral	-	-	-	-	100%	-	-	-	-	100%
Repurchase Agreements, Assets sale with recourse	-	-	-	-	100%	-	-	-	-	100%
Advance Payment Guarantee	-	-	-	-	100%	-	-	-	-	100%
Financial Guarantee	-	-	-	-	100%	-	-	-	-	100%
Acceptances and Endorsements	-	-	-	-	100%	-	-	-	-	100%
Unpaid portion of Partly paid shares and Securities	-	-	-	-	100%	-	-	-	-	100%
Irrevocable Credit commitments (short term)	-	-	-	-	20%	-	-	-	-	20%
Irrevocable Credit commitments (long term)	-	-	-	-	50%	-	-	-	-	50%
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	-	-	-	-	20%	-	-	-	-	20%
Other Contingent Liabilities	-	-	-	-	100%	-	-	-	-	100%
Unpaid Guarantee Claims	-	-	-	-	200%	-	-	-	-	200%
TOTAL (B)	550,189,883	52,861,762	-	494,833,840	-	516,145,929	216,711,721	7,442,884	209,268,838	107,215,606
Adjustments under Pillar II	-	-	-	-	-	-	-	-	-	-
Total RWE for Credit Risk	550,189,883	52,861,762	-	494,833,840	-	516,145,929	216,711,721	7,442,884	209,268,838	107,215,606





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5.3.3 Risk Exposure

Eligible Credit Risk Mitigators

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	Deposits with Bank	Deposits with other banks/FI	Gold	G'tee of domestic banks	G'tee of MDBs	Sec/G'tee of Foreign Banks	Total
	(a)	(b)	(c)	(d)	(e)	(f)	(a)	(b)	(c)	(g)	(h)	(i)	
<b>Balance Sheet Exposures</b>													
Claims on Foreign government and Central Bank (ECA -2)													-
Claims on Foreign government and Central Bank (ECA -3)													-
Claims on Foreign government and Central Bank (ECA-4-6)													-
Claims on Foreign government and Central Bank (ECA -7)													-
Claims on Other Multilateral Development Banks													-
Claims on Public Sector Entity (ECA 0-1)													-
Claims on Public Sector Entity (ECA 2)													-
Claims on Public Sector Entity (ECA 3-6)													-
Claims on Public Sector Entity (ECA 7)													-
Claims on domestic banks that meet capital adequacy requirements													-
Claims on domestic banks that do not meet capital adequacy requirements													-
Claims on foreign bank (ECA Rating 0-1)													-
Claims on foreign bank (ECA Rating 2)													-
Claims on foreign bank (ECA Rating 3-6)													-
Claims on foreign bank (ECA Rating 7)													-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement													-
Claims on Domestic Corporates													-
Claims on Foreign Corporates (ECA 0-1)													-
Claims on Foreign Corporates (ECA 2)													-
Claims on Foreign Corporates (ECA 3-6)													-
Claims on Foreign Corporates (ECA 7)													-
Regulatory Retail Portfolio (Not Overdue)													-
Claims fulfilling all criterion of regularity 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 claims secured by residential properties)													-
High Risk claims													-
Investments in equity and other capital instruments of institutions listed in stock exchange													-
Investments in equity and other capital instruments of institutions not listed in the stock exchange													-
Other Assets (as per attachment)													-
<b>Total</b>													-

Notes to Financial Statements

5.3.3 Risk Exposure

Off Balance Sheet Exposures													
Forward Exchange Contract Liabilities													
LC Commitments With Original Maturity Up to 6 months domestic counterparty													
Foreign counterparty (ECA Rating 0-1)													
Foreign counterparty (ECA Rating 2)													
Foreign counterparty (ECA Rating 3-6)													
Foreign counterparty (ECA Rating 7)													
LC Commitments With Original Maturity Over 6 months domestic counterparty													
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													
Foreign counterparty (ECA Rating 0-1)													
Foreign counterparty (ECA Rating 2)													
Foreign counterparty (ECA Rating 3-6)													
Foreign counterparty (ECA Rating 7)													
Underwriting commitments													
Lending of Bank's Securities or Posting of Securities as collateral													
Repurchase Agreements, Assets sale with recourse													
Advance Payment Guarantee													
Financial Guarantee													
Acceptances and Endorsements													
Unpaid portion of Partly paid shares and Securities													
Irrevocable Credit commitments (short term)													
Irrevocable Credit commitments (long term)													
Other Contingent Liabilities													
Unpaid Guarantee Claims													
<b>Total</b>													
<b>Grand Total</b>													



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**Narayani Development Bank Limited**  
**Notes to Financial Statements**

**5.4 Operating Segment Information**

**5.4.1 General Information**

Bank's management has identified its operating segments based on the management of its branches and offices. In line with this, 7 different segments are identified based on 7 Provinces of Nepal on geographical separation basis. The operation, risk, transactions, etc. are more inclined on similar manner on a particular state. All the related income and expenses of such segments are presented in the segment information. Equity, staff bonus, NFRS adjustments and income tax are not segregated and are included in central account. Intra-segment transactions are eliminated. As per NFRS 8, an entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. Bank's management has identified its operating segments based on the management of its branch and offices situated on different geographical location. In line with this, all its branches are located in same province i.e province 3, hence the bank has single operating segment.

*In general, the products that derive revenue is classified in the following manner.*

- i) Consumer banking: Revenue generated by serving individual consumer is categorized under this product. This includes loans and deposit from individual customer.
- ii) Corporate banking: Revenue generated from customer other than consumer is categorized under this product. This includes loan and deposit.
- iii) Treasury: Revenue generated by way of making investment in government securities, corporate bonds, mutual fund units, shares etc. are grouped under this product.
- iv) Others: Other revenue are included in this product and includes operational service fees, locker, guarantee commission, etc.

The Bank was declared a crisis ridden financial institution and is under reformative process. At present the Bank is restricted to accept deposits and lend loans and advances and is focussing on recovery of loans and payment of deposits. Thus, the major source of revenue is recovery of loans and advance which has been classified under consumer banking.

**5.4.2 Segment result and segment position for the year ended on Ashad 2079**

Particulars	Province 1	Province 2	Province 3	Gandaki	Province 5	Province 6	Province 7	Total
Revenue from external customers								-
Intersegment revenues								-
<b>Net revenue</b>	-	-	-	-	-	-	-	-
Interest income			22,715,232					22,715,232
Interest expenses			13,123,339					13,123,339
<b>Net interest revenue</b>	-	-	<b>9,591,894</b>	-	-	-	-	<b>9,591,894</b>
Depreciation and amortization			6,343,132					6,343,132
<b>Segment profit/(loss)</b>			<b>3,248,761</b>					<b>3,248,761</b>



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**Narayani Development Bank Limited**  
**Notes to Financial Statements**

**5.4.3 Measurement of operating segment profit or loss, assets and liabilities**

- i) **Basis of accounting for any transactions between reportable segments:**  
All revenue generated including intra-segment revenue and expenses incurred in particular segment are presented under segment revenue and expenses. Intra-segment revenue/cost is netted off at Head Office.
- ii) **Nature of any differences between the measurements of the reportable segment's profits or losses and the entity's**  
There does not exist such difference.
- iii) **Nature of any differences between the measurements of the reportable segment's assets and the entity's assets.**  
There does not exist such difference.
- iv) **Nature of any changes from prior periods in the measurement methods used to determine reported segment profit or**  
Previously, segment reporting was not done. In current scenario, segment reporting based on geographical segment is presented.
- v) **Nature and effect of any asymmetrical allocations to reportable segments**  
There is no such allocation.

**5.4.4 Reconciliations of reportable segment revenues, profit or loss, assets and liabilities**

a) **Revenue**

<b>Total revenue for reportable segments</b>	<b>22,715,232</b>
Other revenue	-
Elimination of intersegment revenues	-
<b>Entity's revenue</b>	<b>22,715,232</b>

b) **Profit or loss**

<b>Total profit or loss for reportable segments</b>	<b>3,248,761</b>
Other profit or loss	
Elimination of intersegment profit	
Unallocated amounts:	
Staff bonus	-
Income tax	-
NFRS adjustments	
<b>Profit After income tax</b>	<b>3,248,761</b>

c) **Assets**

<b>Total assets for reportable segments</b>	
Other assets	
Unallocated assets	
<b>Entity's assets</b>	

d) **Liabilities**

<b>Total liabilities for reportable segments</b>	
Other liabilities	
Unallocated liabilities	
<b>Entity's liabilities</b>	

**5.4.5 Information about product and services**

Particulars	Amount
Consumer banking	
Corporate banking	
Treasury	
Others	

**5.4.6 Information about geographical areas**

Revenue from geographical areas are as follows:

<b>Domestic:</b>	
Province 1	-
Province 2	-
Province 3	9,591,894
Gandaki	-
Province 5	-
Province 6	-
Province 7	-
<b>Foreign:</b>	-
<b>Total</b>	<b>9,591,894</b>



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**Narayani Development Bank Limited**  
**Notes to Financial Statements**

**5.4.6 Information about major customers**

None of the customer have contribution of 10% of more revenue on total revenue of Bank.

**5.5 Share options and share based payment**

Not applicable

**5.6 Contingent liabilities and capital commitment**

Contingent liabilities are:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or

- present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Capital commitment are projected capital expenditure a company commits to spend on long-term assets over a period of time.

**5.7 Related parties disclosure**

Related parties of the Bank include key management personnel of the Bank.

**5.7.1 Key management personnel**

Key management personnel include Board of Director of the Bank and Chief Executive Officer.

**a) Board of Directors**

Board of Directors of the Bank comprise the following:

<b>Name</b>	<b>Position</b>
Ram Prasad Ropakheti	Chairman
Ganesh Man Pradhan	Director
Ramesh Paudel	Director
Utsav Sundar Shrestha	Director
Balram Paudel	Independent Director

**Allowance and facilities provided to board members**

Total amount paid as various meeting allowance during the year to board members was Rs. 11,79,000

For official travel, members of board are provided travel and daily allowance as per the rules of Bank.

Apart from the stated allowance and facilities, other allowance and facilities are not provided to board members.

There has not been any commercial transaction of the Bank with its board members.

**b) Chief Executive Officer**

Pashupati Poudel serves as Chief Executive Officer of the Bank. He is provided salary and allowance and benefits as per contract entered on his appointment. The salary and allowances provided to Mr. Poudel during the year amounts to Rs. 18,34,500.

Bank has not entered into any commercial transaction with its CEO.

**5.8 Merger and acquisition**

No such merger and acquisition has taken place.

**5.9 Events after reporting date**

**Proposed dividend**

The bank has not declared any dividend.

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### 5.10 Events after reporting date

#### Recovery of Interest after year end and upto Shrawan 15, 2079

The Nepal Rastra Bank Directives requires the Bank and Financial Institutions to transfer the equivalent amount of interest on loans and advances accounted as an interest income under the accrual basis of accounting but not recovered upto the end of reporting period to the Regulatory Reserve from the Retained Earnings. However, the same directives has relaxed this provision with which Bank may not appropriate such amount in case it is recovered within the 15 days after the year end, i.e 15th Shrawan.

In line with the aforesaid relaxation the gross amount of NPR 1,063,989 which was otherwise required to be appropriated to the Regulatory Reserves has not been so appropriated. The details are as follows:

Particulars	As on Asadh end 2079	As on Asadh end 2078
Accrued interest receivable (except for the staff loans)	1,063,989	14,792
Less: Cessation of the the interest on loan (Refer Notes 5.11)	-	-
Less: Interest recovered upto 15th Shrawan/(upto Bhadra 15 in PY) as per Directives No. 4	484,812	-
<b>Amount required to be appropriated to Regulatory Reserves (before staff bonus &amp; tax)</b>	<b>579,177</b>	<b>14,792</b>
<b>Gross appropriations to the Regulatory Reserves (before staff bonus &amp; taxes)</b>	<b>364,881</b>	<b>14,792</b>
<b>Amount already appropriated to Regulatory Reserves (before staff bonus &amp; tax)</b>	<b>14,792</b>	<b>-</b>
<b>Net appropriations to the Regulatory Reserves for unrecovered interest</b>	<b>350,089</b>	<b>14,792</b>

### 5.11 Disclosure pursuant to Guideline on Recognition of Interest Income, 2019

In line with the NRB's Guideline on Recognition of Interest Income, 2019 which provides for the cessation of the the interest on loan, in case where contractual payments of principal and/or interest of the loan are due for more than 12 months. The Bank has not suspended to recognize interest income pursuant to above guideline.

### 5.12 As per AGM Procedure of NRB Guidelines No.16

Particulars	As of Asadh end 2079	
	No. of Customers	Amount
Accrued Interest Received after Asadh end 2079 till 15 Shrawan 2079	40	484,812
Additional 0.3% Loan Loss Provision created on Pass Loan Portfolio	177	854,301
Extension of moratorium period of loan provided to Industry or Project under Construction	NA	
Restructure/Rescheduled Loan with 5% Loan Loss Provision	NA	
Enhancement of Working Capital Loan by 20% to COVID affected borrowers	NA	
Enhancement of Term Loan by 10% to COVID affected borrowers	NA	
Expiry Date of Additional 20% working capital loan (COVID Loan) extended for upto 1 year with 5% provisioning	NA	
Expiry Date of Additional 10% Term loan (COVID Loan) extended for upto 1 year with 5% provisioning	NA	
Time Extension provided for repayment of Principal and Interest for upto two years as per clause 41 of NRB Directives 2	NA	

Table No. 2

Particulars		
	No. of Customers	Amount
Refinance Loan		
Business Continuity Loan	NA	

Table No. 3

Particulars	During FY 2078/79	
	No. of Customers	Amount
Subsidized Loan	NA	





Movement in the Regulatory reserve from FY2076/77 to FY 2078/79 as per the AGM procedure of NRB.

F.Y	Interest Receivable	Short loan loss provision	Short provision for possible losses on investment	Short Provision on NBA	Deferred Tax Assets	Goodwill	Gain on Bargain Purchase	Actuarial Loss Recognized	Fair Value Loss Realised In OCI	Others	Total
2076/77	-	-	-	7,964,249	-	-	-	-	-	-	7,964,249
Transfer From Regulatory Reserve to RE											-
Transfer To Regulatory Reserve From RE				7,964,249							7,964,249
<b>2077/78</b>				<b>7,964,249</b>							<b>7,964,249</b>
Transfer From Regulatory Reserve to RE				(2,469,249)							(2,469,249)
Transfer To Regulatory Reserve From RE	14,792				165,728						180,520
<b>2078/79</b>	<b>14,792</b>			<b>5,495,000</b>	<b>165,728</b>						<b>5,675,520</b>
Transfer From Regulatory Reserve to RE				(5,495,000)							(5,495,000)
Transfer To Regulatory Reserve From RE	350,089				13,764,116				1,551,981		15,666,187
<b>Total</b>	<b>364,881</b>				<b>13,929,844</b>				<b>1,551,981</b>		<b>15,846,707</b>

Disclosure: AIR (good loan) NRs 350,089 after deducting NRs. 14,792 of AIR of previous year from interest receivable NRs. 364,881 of current year being transferred to regulatory reserve as it is booked as interest income for the year. Deferred Tax Assets for the Fiscal year 78/79 of Rs 13,764,116 after deducting 1,65,728 from current year Deferred Tax Assets of NRs. 13,929,844 has been transferred transferred to Regulatory Reserve.



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EPS and Net Worth for the year 2078-79

Net worth	As at 31.03.2079	As at 31.03.2078
Total Equity	120,192,911	82,245,273
Less: amount not attributable to shareholders		
CSR		
Training		
Available to shareholders	120,192,911	82,245,273
No. of shares including bonus share	2,624,676	1,312,338
No. of shares excluding bonus share		
<b>Net worth per share</b>	<b>46</b>	<b>63</b>

EPS	As at 31.03.2079	As at 31.03.2078
Profit for the year	(54,248,213)	(11,940,433)
<b>Wtd. Avg no. of shares</b>	<b>1,968,507</b>	<b>1,312,338</b>
EPS-Basic	(27.56)	(9.10)
EPS_Diluted	(27.56)	(9.10)
Annualized	(27.56)	(9.10)

