



नारायणी डेभलपमेन्ट बैंक लि. Narayani Development Bank Ltd.

“नेपाल राष्ट्र बैंकबाट ‘ख’ वर्गको इजाजतप्राप्त संस्था”

ANNUAL REPORT

**Fiscal Year
2080/81 & 2081/82**



Customer
Centricity



Integrity



Sustainable
Growth



Community
Development

BOARD OF DIRECTORS



MR. CHANDRA MAN MALEKU
Chairman



TEKNATH DHAKAL
Director



MR. GANESHMAN PRADHAN
Director



MR. EK NARAYAN KAFLE
Director



MR. DIPAK GAUTAM
Director



MR. DAWA TAMANG
Director



MR. RAMHARI POUDEL
Independent Director



MR. PASHUPATI POUDEL
Company Secretary/CEO

प्रोक्सी फारम

दफा ७१ को उपदफा (३) सँग सम्बन्धित

श्री संचालक समिति
नारायणी डेभलपमेन्ट बैंक लिमिटेड
केन्द्रिय कार्यालय
भरतपुर १०, चितवन

बिषय :- प्रतिनिधि नियुक्त गरेको बारे ।

महाशय,

.....जिल्ला.....म.न.पा./उ.म.न.पा./न.पा./गा.पा.वार्ड नं वस्ने
म/हामी.....ले त्यस बैंकको शेयरधनीको हैसियतले मिति २०८३ साल कार्तिक महिना २७ गते
शुक्रवारका दिन हुने २३औं तथा २४औं वार्षिक साधारण सभामा, स्वयं उपस्थित भई छलफल तथा निर्णयमा सहभागी हुन नसक्ने
भएकाले, उक्त सभामा मेरो/हाम्रो तर्फबाट भाग लिन तथा मतदान गर्नका लागि जिल्ला न.पा./उ.म.न.पा./
न.पा./गा.वि.स. वडा नं वस्ने श्री लाई मेरो/हाम्रो प्रतिनिधि नियुक्त गरी
पठाएको छु / छौ ।

प्रोक्सी पाउनेको

दस्तखत:

नाम :

ठेगाना:

शेयरधनी नं./डिम्याट नं.:

शेयर संख्या :

मिति :

प्रोक्सी दिनेको

दस्तखत

नाम :

ठेगाना:

शेयरधनी नं./डिम्याट नं.:

शेयर संख्या :

मिति :

द्रष्टव्य :

यो निवेदन साधारणसभा हुनुभन्दा कमिमा ४८ घण्टा अगावै बैंकको केन्द्रिय कार्यालय, भरतपुर १०, चितवनमा पेश गरिसक्नु पर्नेछ ।
शेयरधनी बाहेक अन्य व्यक्तिलाई प्रतिनिधि नियुक्त गर्न पाइने छैन ।

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शेयरधनीको नाम : श्री शेयरधनी परिचय नं./डिम्याट नं.:

शेयर संख्या :

मिति २०८३ साल कार्तिक महिना २७ गते शुक्रवारका दिन हुने नारायणी डेभलपमेन्ट बैंक लिमिटेडको २३औं तथा २४औं वार्षिक
साधारण सभामा उपस्थित हुन जारी गरीएको ।

प्रवेश-पत्र

सभामा भाग लिन आउदा यो प्रवेश-पत्रमा अनिवार्य रूपमा नाम, दस्तखत, शेयरधनी परिचय नं./डिम्याट नं.: तथा कुल शेयर संख्या उल्लेख
गरी साथमा लिई आउनु पर्नेछ ।

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संचालक समितिको आज्ञाले
कम्पनी सचिव

नारायणी डेभलपमेन्ट बैंक लिमिटेडको

२३औं र २४औं वार्षिक साधारण सभा सम्बन्धी सूचना

संचालक समितिको मिति २०८३/०६/२३ को निर्णयानुसार यस कम्पनीको २३औं र २४औं वार्षिक साधारण सभा निम्न मिति, स्थान र समयमा निम्न विषयहरू उपर छलफल गर्न बोलाउने निर्णय भएको हुनाले शेयरधनीहरूको जानकारीका लागि यो सूचना प्रकाशित गरिएको छ ।

साधारण सभाको मिति, समय, स्थान

मिति २०८३/०७/२७

बार शुक्रवार ।

समय बिहान ११:०० बजे ।

स्थान स्मार्ट गार्डेन एण्ड रेष्टुरेन्ट प्रा.लि., बसन्त चोक, भरतपुर १२, चितवन ।

(क) साधारण प्रस्ताव

१. सञ्चालक समितिको तर्फबाट अध्यक्षज्यूले प्रस्तुत गर्नुभएको आर्थिक वर्ष २०८०/०८१ र २०८१/०८२ को वार्षिक प्रतिवेदन उपर छलफल गरी पारित गर्ने ।
२. लेखापरीक्षकको प्रतिवेदनसहित आर्थिक वर्ष २०८०/०८१ र २०८१/०८२ को क्रमशः २०८१ असार मसान्त र २०८२ असार मसान्त सम्मको वासलात, नाफा-नोक्सान हिसाब, नगद प्रवाह विवरण, इक्विटीमा भएको परिवर्तनको विवरण तथा सोसँग सम्बन्धित अनुसूचीहरू समेत समावेश भएको वित्तीय विवरणहरू उपर छलफल गरी पारित गर्ने ।
३. लेखापरीक्षण समितिको सिफारिस तथा प्रचलित कम्पनी ऐन, २०६३ र बैंक तथा वित्तीय संस्था सम्बन्धी ऐन, २०६३ बमोजिम आर्थिक वर्ष २०८१/०८२ को लेखापरीक्षणका लागि संचालक समितिबाट नियुक्त लेखापरीक्षकको नियुक्ति तथा निजको पारिश्रमिक/शुल्क अनुमोदन गर्ने ।
४. लेखापरीक्षण समितिको सिफारिसमा आर्थिक वर्ष २०८२/०८३ को लेखापरीक्षण गर्न प्रचलित कानूनबमोजिम नियुक्त हुने लेखापरीक्षकको नियुक्ति तथा निजको पारिश्रमिक/शुल्क निर्धारण गर्ने ।
५. प्रचलित कानून तथा बैंकको प्रबन्धपत्र र नियमावली बमोजिम रिक्त सञ्चालक पदमा सञ्चालक समितिबाट नियुक्त गरिएका संचालकहरूको नियुक्ति अनुमोदन गर्ने ।
६. विविध ।

(ख) विशेष प्रस्ताव

१. कम्पनीको नियमावली संशोधन गर्ने ।
२. पूँजी बृद्धि गर्ने सम्बन्धमा, विद्यमान हकप्रद शेयर निष्काशनबाट बिक्री हुन बाँकी शेयरको लिलाम प्रक्रिया नियमानुसार सम्पन्न भएपछि, नेपाल राष्ट्र बैंकबाट यस बैंकलाई तोकिएको न्यूनतम चुक्ता पूँजी कायम गर्न आवश्यक पर्ने रकम बराबरको चुक्ता पूँजी वृद्धि गर्न नेपाल राष्ट्र बैंक, नेपाल धितोपत्र बोर्ड तथा अन्य सम्बन्धित नियामक निकायबाट आवश्यक स्वीकृति प्राप्त गर्न प्रचलित कानून तथा नियामकीय व्यवस्था बमोजिम आवश्यकता अनुसार हकप्रद शेयर निष्काशन गर्ने सम्बन्धी सम्पूर्ण प्रक्रिया अगाडि बढाउन सञ्चालक समितिलाई अख्तियारी प्रदान गर्ने ।
३. गाभ्ने/गाभिने, प्राप्त/समाहित तथा रणनीतिक साभेदारी सम्बन्धमा, यस नारायणी डेभलपमेन्ट बैंक लिमिटेडलाई अन्य उपयुक्त बैंक तथा वित्तीय संस्थासँग गाभ्ने/गाभिने (

Merger) तथा प्राप्ति/समाहित (Acquisition) गर्ने, आवश्यकताअनुसार रणनीतिक साभेदार तथा नयाँ लगानीकर्ता भित्र्याउने लगायत बैंकको पूँजी, व्यवसाय तथा संस्थागत क्षमता अभिवृद्धि गर्ने प्रयोजनका लागि उपयुक्त बैंक तथा वित्तीय संस्था, रणनीतिक साभेदार तथा लगानीकर्ताको पहिचान गर्ने, आवश्यक छलफल तथा वार्ता गर्ने, समझदारीपत्र (Memorandum of Understanding – MoU) मा हस्ताक्षर गर्ने, त्यसका आधारमा सैद्धान्तिक स्वीकृतिका लागि नेपाल राष्ट्र बैंक तथा अन्य सम्बन्धित नियामक निकायमा आवेदन/निवेदन पेश गर्ने, सम्पत्ति तथा दायित्वको मूल्याङ्कन (Due Diligence/Valuation) गर्ने प्रयोजनका लागि आवश्यक परामर्शदाता, मूल्याङ्कनकर्ता तथा लेखापरीक्षक नियुक्त गर्ने, निजहरूको पारिश्रमिक/शुल्क निर्धारण गर्ने तथा प्रचलित कानून र नियामकीय स्वीकृतिको अधीनमा रही उक्त कार्यसँग सम्बन्धित आवश्यक सम्पूर्ण कार्य अगाडि बढाउन सञ्चालक समितिलाई अख्तियारी प्रदान गर्ने ।

४. प्रबन्धपत्र तथा नियमावली संशोधन सम्बन्धमा, बैंकको आवश्यकता, व्यवसायिक संरचना तथा प्रचलित कानूनअनुसार बैंकको प्रबन्धपत्र तथा नियमावलीमा आवश्यक संशोधन, थपघट तथा परिमार्जन गर्ने र सो सम्बन्धमा नेपाल राष्ट्र बैंक, कम्पनी रजिष्ट्रारको कार्यालय, नेपाल धितोपत्र बोर्ड वा अन्य सम्बन्धित नियामक निकायबाट कुनै सुझाव, निर्देशन वा संशोधन गर्नुपर्ने भएमा सोहीबमोजिम आवश्यक संशोधन, थपघट तथा परिमार्जन गर्न सञ्चालक समिति वा सञ्चालक समितिले तोकेको पदाधिकारीलाई अख्तियारी प्रदान गर्ने ।

५. विविध ।

२३औँ तथा २४औँ वार्षिक साधारण सभा सम्बन्धी अन्य जानकारीहरु:

१. २३औँ र २४औँ वार्षिक साधारण सभा प्रयोजनका लागि २०८३/०७/१३ गते शुक्रवार एक (१) दिन कम्पनीको शेयरधनी दर्ता किताब बन्द रहनेछ । मिति २०८३/०७/१२ गते सम्म नेपाल स्टक एक्सचेञ्जमा कारोबार भई प्रचलित कानून बमोजिम बैंकको शेयर रजिष्ट्रार ग्लोबल आइ.एम.इ क्यापिटल लिमिटेडमा प्राप्त विवरणको आधारमा कायम शेयरधनीहरु मात्र साधारण सभामा भाग लिन हाजिर गर्न योग्य हुनेछन ।
२. वार्षिक साधारण सभामा भाग लिन आफ्नो प्रतिनिधी नियुक्त गर्न चाहाने शेयरधनी महानुभावले प्रचलित कम्पनी कानुनले तोकेको ढाँचामा वार्षिक प्रतिवेदन पुस्तिकामा प्रकाशित ढाचामा प्रतिनिधिपत्र (प्रोक्सी) भरी प्रतिनिधि नियुक्त गर्नुपर्नेछ । यसरी नियुक्त प्रतिनिधिले कम्तीमा ४८ घण्टा अगावै बैंकमा प्रतीनिधिपत्र (प्रोक्सी) दर्ता गरीसक्नु पर्नेछ ।
३. शेयरधनी, लेखापरीक्षक र कानुनी सल्लाहकार बाहेकका व्यक्तिहरु सभामा ग्राह्य हुने छैनन ।
४. २३औँ र २४औँ साधारण सभा सम्बन्धी थप जानकारीको लागि यस बैंकको केन्द्रीय कार्यालय भरतपुर १०, चितवनमा सम्पर्क गर्नु हुन वा बैंकको सूचना पाटीमा उल्लेखित ब्यहोराको जानकारी लिनु हुन अनुरोध गरिन्छ ।

**अध्यक्षज्यूको आज्ञाले
कम्पनी सचिव**

नारायणी डेभलपमेन्ट बैंक लिमिटेडको

तेइसौं तथा चौबिसौं वार्षिक साधारण सभामा संचालक समितिको तर्फबाट अध्यक्षज्यूद्वारा प्रस्तुत वार्षिक प्रतिवेदन

आदरणीय शेयरधनी महानुभावहरु,

यस नारायणी डेभलपमेन्ट बैंक लिमिटेडको २३औं तथा २४औं वार्षिक साधारण सभामा उपस्थित शेयरधनी महानुभावहरुलाई हार्दिक स्वागत गर्न पाउँदा खुशीको अनुभूति भएको छ । आजको यस सभामा यस बैंकको आर्थिक वर्ष २०८०/८१ तथा २०८१/८२ दुई आर्थिक वर्षको लेखापरीक्षण प्रतिवेदन सहितको वासलात, नाफा नोक्सान हिसाव तथा नगद प्रवाह विवरण र त्यससँग सम्बन्धित अनुसूचीहरु सभामा उपस्थित शेयरधनी महानुभावहरु समक्ष प्रस्तुत गर्न अनुमति चाहन्छु । यस वार्षिक साधारण सभामा प्रस्तुत गरिएका प्रस्तावहरु उपर हुने छलफल पश्चात प्रस्तुत प्रस्तावहरु सभाबाट पारित हुनेछन् भन्ने विश्वास लिएको छु । साथै चालु आर्थिक वर्षमा बैंकले अवलम्बन गर्ने नीति र भावी योजनाहरु एवम् तिनको कार्यान्वयनको लागि यँहाहरुको बहुमुल्य तथा रचनात्मक सुझावहरु प्राप्त हुने अपेक्षा गरेको छु ।

(१) कारोवारको सिंहावलोकन : मुलुकको अर्थतन्त्रमा विगत लामो समयदेखि विभिन्न कारणहरुले निरन्तर रुपमा कुनै न कुनै असहजता बाट गुजिरहेको सबैलाई अवगत नै छ । उक्त असहजताले प्रत्येक रुपमा बैकिङ, वित्तीय तथा पूँजी बजार क्षेत्रको कारोवारमा प्रभाव पर्न गएको कुरा सबैमा सर्वविदितै छ तथापि यस असहज परिस्थितिमा समेत बैंकले आफ्नो कारोवारमा निरन्तर सजगता अपनाई कारोवार संचालन गर्दै आएको छ । सक्षम र ठुला आकारका प्रतिस्पर्धी बैंक वित्तीय संस्था सरह नै वित्तीय कारोवार संचालन गर्दै जानुपर्ने हुँदा स्रोत साधनहरुको पर्याप्तता, बैंकको आकार तथा क्षमता, बैंक प्रतिको जनभावना तथा दृष्टीकोण आदी कुराहरुलाई निरन्तर सुधार गर्दै लैजानुपर्ने अवस्थालाई आत्मसाथ गर्दै बैंकलाई निरन्तर सुधारोन्मुख अवस्थामा लिएको छ ।

(क) आर्थिक वर्ष २०८०/८१ तथा २०८१/८२ को बैंकको वित्तीय कारोवारको तुलनात्मक संक्षिप्त विश्लेषण देहाए बमोजिम रहेको छ ।

बिबरण	आ.व. २०८१/८२	आ.व. २०८०/८१
चुक्ता पूँजी	२६,२४,६७,६००/-	२६,२४,६७,६००/-
कुल निक्षेप	४४,९६,७५,४४४/-	६३,९५,२९,०२२/-
कुल कर्जा	३२,३८,२९,९५९/-	४०,८७,८२,५७०/-
लगानी	३,९९,५३,३६५/-	४,७९,५३,५५४/-
साधारण जगेडा कोष	२२,९२,३४,०७५/-	९९,६९,३५,४७५/-
संचित नाफा (नोक्सान)	(४६,८५,४३,२२४/-)	(४९,९५,०८,९७८/-)
कुल आम्दानी	५,२७,२८,२३०/-	७,८२,८९,२६७/-
कुल खर्च	९,९०,६४,५९९/-	९,६०,८९,४५०/-
नाफा (नोक्सान)	(३,८३,३६,३६९/-)	(९,७८,००,९८३/-)
कुल कर्जा नोक्सानी व्यवस्था	९३,५९,८३,३८९/-	९४,४३,८५,५५५/-
Cost of Fund	६।२५	७।३८
आधार दर	९५।२४	९६।२२
पूँजीकोष अनुपात	(९०।४९)	२।६०

तालिकामा उल्लिखित वित्तीय विवरणको तुलनात्मक रुपमा विश्लेषण गर्दा आ.व. २०८०/८१ मा कुल निक्षेप रु ६३ करोड ९५ लाख २९ हजार २२ रुपैया रहेकोमा आर्थिक वर्ष २०८१/८२ मा रु.९८ करोड ९८ लाख ४५ हजार ५ सय ७८ रुपैयाले घट्न गई कुल निक्षेप रु ४४ करोड ९६ लाख ७५ हजार ४ सय ४४ रुपैया रहेको छ । कर्जा लगानी तर्फ आ.व. २०८०/८१ मा रु ४० करोड ८७ लाख ८२ हजार ५ सय ७० रुपैया रहेकोमा आर्थिक वर्ष २०८१/८२ मा रु. ८ करोड ४९ लाख ५३ हजार ४ सय ९९ रुपैयाले कर्जा घट्न गई कुल कर्जा रु. ३२ करोड ३८ लाख २९ हजार ९ सय ५९ रुपैया रहेको छ । पूँजीकोष पार्याप्ततामा परेको दबावका कारण नयाँ कर्जा प्रवाह हुन नसक्नु र लगानी गरिएका कर्जाहरु

असुलीमा केन्द्रित भई कार्य गर्नुपरेको कारण कर्जा लगानी घट्न गएको हो । लगानी तर्फ आ.व. २०८०/८१ मा ४ करोड ७१ लाख ५३ हजार ५ सय ५४ रहेकोमा ८०,००,१८९/- को शेयर तथा म्युचुअल फण्ड बिक्री गरि आ.व. २०८१/०८२ मा ३ करोड ९१ लाख ५३ हजार ३ सय ६५ रहेको छ । क्रमैसँग खराब कर्जा असुली कार्यलाई सुधार गर्दै लिएको छ भने बैंकको कर्जा प्रशासनलाई सुदृढ गरि गुणस्तरिय कर्जाहरु थप गर्दै लिएको छ । गुणस्तरिय कर्जाहरु को परिमाण बृद्धि गरि असुली कार्यलाई व्यवस्थित बनाउने रणनीति अवलम्बन गरिएकाले यथाशिघ्र खराब कर्जा परिमाण घटाउँदै कर्जा नोक्सानी अनुपात तथा आम्दानी अनुपातमा सुधार ल्याईने छ । संस्थाको संचित नोक्सानि अधिकांश रकम असुली गर्नुपर्ने छ । संचित नोक्सानीमा रहेको यस संस्थाका पुर्व अध्यक्ष श्री दिव्य कुमार श्रेष्ठले बैंकलाई तिर्नुपर्ने रकम रु ७,००,९१,१७२/- लामो समय देखि असुली हुन सकेको छैन । उक्त रकम असुलीको लागि निजको एकाघर परिवार तथा समुहका नाँउमा रहेको यस बैंकको सम्पूर्ण शेयरहरु रोक्का गरी असुली प्रक्रिया अघि बढाईएको छ । त्यस्तै गरी लामो समयदेखि श्री क्रिष्टल वर्ल्ड वाईड मनि ट्रान्सफर बाट यस बैंकले पाँउनुपर्ने रकम रु ६०,१२,५५१।३७ असुलीको लागि नेपाल राष्ट्र बैंक विदेशी विनिमय व्यवस्थापन विभागमा आवश्यक समन्वय भईरहेको छ । उच्च कर्जा नोक्सानी व्यवस्थामा रहेको रकम कर्जा असुली कार्य प्रभावकारी बनाई कम गर्दै लिएको छ । अन्य थप विवरण माथि प्रस्तुत तालिकामा उल्लेख गरिएको हुनाले सोही बमोजिम अध्ययन गर्नुहुन अनुरोध छ ।

(ख) आर्थिक वर्ष २०८०/०८१ मा रु १,४२,८१,१३७/- गैरवैकिक सम्पत्ती रहेकोमा आर्थिक वर्ष २०८१/८२ मा रु.२,१८,५१,०००/- को गैरवैकिक सम्पत्ती थप भई रु ३,६१,३२,१३७/- गैर वैकिक सम्पत्ती रहेकोमा मिति २०८३/०६/१८ मा रु १,१३,९१,९४९।५५ गैरवैकिक सम्पत्ती थप सकार गरी बैंकको गैरवैकिक सम्पत्ती रु ४,७५,२४,०९१।५५ भएको छ ।

२. **राष्ट्रिय तथा अन्तराष्ट्रिय परिस्थितिबाट संस्थाको कारोवारलाई पारेको असर :** मुलुकमा आएको राजनैतिक परिवर्तन सँगै आर्थिक परिवर्तन हुने आशा गरिएता पनि अपेक्षित रुपमा देशको आर्थिक अवस्थामा सुधार भएको अवस्था छैन । अर्थतन्त्रमा विविध कारणहरुले निरन्तर रुपमा देखिएको व्यावसायिक, रियल स्टेट तथा पुँजी बजारको व्यावसायिक संकुचन लगायतका कारणहरुले गर्दा व्यावसायिक वातावरण सहज बन्न सकेको अवस्था छैन । देशको आर्थिक मेरुदण्डको रुपमा रहेका बैंक तथा वित्तीय क्षेत्रमा कर्जा असुली कार्यमा असहजताको सृजना हुनु यस क्षेत्रको लागी सामान्य चुनौतीको विषय होइन भन्ने कुरा सबैतिर महसुस गरिएको छ । विद्यमान अवस्थामा देखिएको आर्थिक विषमताबाट बैंक प्रत्यक्ष रुपमा प्रभावित भएकै छ भने यस परिवेश र परिस्थितीमा बैंकले आफ्नो कारोवारलाई व्यवस्थित र प्रभावकारी बनाउन निरन्तर प्रयास गरिरहेको छ ।

क. **पूँजी संरचना :** नेपाल राष्ट्र बैंकले बैंकलाई दिईएको निर्देशानुसार हाल यस बैंकको चुक्ता पूँजी रु ४५,३३,६६,४००/- (अक्षरेपी पैतालिस करोड तेत्तिस लाख छैसाठौ हजार चार सय) कायम भएको छ भने ७,१५,६८,८००/- को विभिन्न प्रविधिक तथा प्रक्रियागत कारणले पुन लिलाम बिक्री गर्न आवश्यक प्रक्रिया अघि बढाईएको छ । उक्त प्रक्रिया समाप्त भई शेयर बाँडफाँड भएपश्चात यस बैंकलाई तोकिएको न्युनतम चुक्ता पूँजी पुरा हुनेछ । तत्पश्चात सोही पूँजीका आधारमा मिति २०८०/१०/१९ मा नेपाल राष्ट्र बैंकले यस बैंकलाई दिएको पत्रनिर्देशानुसार प्रदेशस्तरीय बैंकको लागि तोकिएको चुक्ता पूँजी रु १२० करोड पुर्‍याउने कार्य अघि बढाईने छ ।

ख. **कार्यालयको भौतिक पुर्वाधारमा सुधार :** यस आर्थिक वर्षमा बैंकले कुनै नयाँ शाखाहरु तथा भौतिक पुर्वाधारहरु निर्माण तथा थप गरि संचालनमा ल्याएको छैन । यस बैंकको टाँडी, चितवन स्थित रहेको रजिष्टर्ड (केन्द्रिय) कार्यालय मिति २०८१ माघ २७ गते देखि भरतपुर म.न.पा. १० स्थित स्थानान्तरण गरि संचालनमा ल्याईएको छ ।

३. **शाखा बिस्तार :** यस आर्थिक वर्षमा बैंकले कुनै नयाँ शाखाहरु संचालनमा ल्याएको छैन ।

४. **बैंकको कारोवारको स्तर तथा क्षमता अभिवृद्धि गर्ने :** कुनै पनि बैंक वित्तीय संस्थाको बलियो पूँजी आधार नभई संस्थाको कारोवार तथा क्षमता अभिवृद्धि नहुने हुनाले क्रमैसँग संस्थाको पूँजी वृद्धि गर्दै संस्थाको कारोवार तथा क्षमतामा वृद्धि गर्दै लगिने नीति लिईएको छ ।

५. मानव संसाधनको विकास : कुनै पनि व्यावसायिक संघ, संस्थाको सफलताको आधारस्तम्भ भनेको त्यस संस्थामा कार्यरत जनशक्ति नै हो । संस्था जे जस्तो सुकै अवस्थामा रहेको भएतापनी पनि संस्थालाई उचित गति दिनमा त्यस संस्थाको जनशक्तिको महत्वपूर्ण भुमिका रहेको हुन्छ । त्यसैले संस्थामा कर्मचारीहरुको पदपूर्ति पारदर्शी विधिबाट लिने नीति लिईएको छ भने कर्मचारीको काम, कार्यशैली तथा आचरणका आधारमा पुरस्कृत, दण्ड र सजाय गर्ने नीति कडाईका साथ अवलम्बन गरिएको छ । कर्मचारीहरुको क्षमता अभिवृद्धीको लागि विभिन्न तालिम, गोष्ठी, सेमिनारहरु तथा तालिममा कर्मचारीहरुलाई सहभागी गराउदै आइएको छ । भविष्यमा बैंकमा कार्यरत इमान्दार तथा लगनशिल कर्मचारीहरुलाई थप प्रोत्साहन, क्षमता अभिवृद्धि तथा उचित कार्य/वातावरण उपलब्ध गराउने कार्यक्रम ल्याई बैंकको सेवालाई थप गुणस्तरीय बनाउने नीति लिईएको छ ।

६. औद्योगिक तथा व्यावसायिक सम्बन्ध : यस बैंकले आफ्नो स्थापना काल देखि नै बैंकको प्रगति उन्नति र कारोवार विस्तारको लागि विभिन्न संघ, संस्था, औद्योगिक तथा व्यावसायिक प्रतिष्ठानहरु, नियमनकारी निकाय नेपाल राष्ट्र बैंक, कम्पनी रजिष्ट्रारको कार्यालय, नेपाल धितोपत्र बोर्ड, नेपाल स्टक एक्सचेन्ज, सिडिएस एण्ड क्लियरीङ लिमिटेड लगायतका विभिन्न स्थानीय, सरकारी तथा गैर सरकारी संघ संस्था एवम् आफुसँग आवद्ध आदरणीय ग्राहक महानुभावहरु तथा बैंकको व्यवस्थापन र कर्मचारीहरु सँगको सम्बन्ध सुमधुर एवं सौहार्दपूर्ण रहि आएको छ । आगामी दिनहरुमा पनि यस किसिमको सम्बन्धलाई सशक्त बनाउदै लगिने नीति लिईएको छ ।

७. संचालक समितिमा हेरफेर र सो को विवरण : बैंकमा हाल निम्न व्यक्तिहरु संस्थापक र सर्वसाधारण समुहका तर्फबाट संचालक समितिमा कार्यरत रहनुभएको छ ।

अध्यक्ष श्री चन्द्रमान मलेकु	संस्थापक
संचालक श्री गणेशमान प्रधान	सर्वसाधारण
संचालक डा. श्री टेकनाथ ढकाल	संस्थापक
संचालक श्री एकनारायण काफ्ले	सर्वसाधारण
संचालक श्री दिपक गौतम	संस्थापक-प्रतिनिधि श्री स्वेडा इक्विटी फण्ड लिमिटेड
संचालक श्री दावा तामाङ	संस्थापक
संचालक श्री रामहरि पौडेल	स्वतन्त्र संचालक

मिति २०८२/०६/२७ मा सर्वसाधारण समुहका संचालक श्री पुकार थापाले राजिनामा दिनुभई मिति २०८२/०६/२७ को संचालक समितिले निजको राजिनामा स्वीकृति गरेको थियो र राजिनामा स्वीकृति पश्चात खालि रहेको उक्त पदमा मिति २०८२/१०/२२ को संचालक समितिको बैठकबाट सर्वसाधारण समुहको तर्फबाट श्री एकनारायण काफ्लेलाई संचालक पदमा नियुक्ति गरिएको छ । मिति २०८२/०१/१३ मा स्वतन्त्र संचालक रहेका श्री बलराम पौडेलको कार्यकाल समाप्त भएकोले उक्त रिक्त स्थानमा मकवानपुर हेटौडा निवासी श्री रामहरि पौडेललाई स्वतन्त्र संचालक पदमा नियुक्ती गरिएको छ । त्यस्तै संस्थापक समुहबाट संचालक श्री यशोदा अधिकारी नेपाल राष्ट्र बैंकको निर्देशानुसार मिति २०८३/०५/२१ बाट पदमुक्त हुनुभएको छ । संस्थापक समुहबाट रिक्त रहेको संचालक पदमा मिति २०८३/०६/२३ मा संस्थापक शेयरधनी श्री स्वेडा इक्विटी फण्ड लिमिटेडबाट प्रतिनिधि श्री दिपक गौतम र संस्थापक शेयरधनी श्री दावा तामाङ नियुक्त गरिएको छ ।

८. कारोवारलाई असर पार्ने मुख्य कुराहरु : बैंकिङ क्षेत्रको अनुत्पादक क्षेत्रमा बढ्दो लगानी सँगसँगै बढ्दो जोखिम, जटिल नियमनकारी व्यवस्था र बढ्दो अस्वस्थकर प्रतिस्पर्धा मुख्य समस्याको रुपमा अगाडी आएका र अन्य निम्न कारणहरुले समेत कारोवारलाई असर पर्ने प्रचुर सम्भावना रहेको छ ।

- नेपाल सरकार वा केन्द्रिय बैंकले नीति निर्देशन परिवर्तन गर्दा सृजना हुन सक्ने सम्भावित जोखिमहरु ।
- निक्षेप तथा कर्जा लगानीको व्याजदरमा हुने परिवर्तनबाट असर पर्ने जोखिमहरु ।
- केन्द्रिय बैंकको निर्देशन अनुसार व्याजदरमा हुने परिवर्तन तथा थपघटले उत्पन्न हुन सक्ने सम्भावित जोखिमहरु ।
- यथा समयमा कर्जा असुली नभई उत्पन्न हुने जोखिमहरु ।
- अन्तराष्ट्रिय रुपमा देखा परेको आर्थिक मन्दीले नेपाली अर्थ बजारमा पारेको जोखिमहरु ।
- अर्थतन्त्रमा निरन्तर रुपमा देखिएका तरलता संकुन तथा व्यवसायिक मन्दीबाट सृजना हुने तथा हुनसक्ने प्रभाव र चुनौतीहरु ।

९.लेखापरीक्षण प्रतिवेदनमा उल्लेखित कैफियत उपर संचालक समितिको प्रतिक्रिया : बैंकका लेखापरिक्षकहरुले आर्थिक वर्ष २०८०/८१ तथा २०८१/८२ को लेखापरीक्षणको शिलशिलामा औल्याएका टिप्पणी तथा कैफियतका बुँदाहरु उपर संस्थाको संचालक समितिले आफ्नो राय प्रतिक्रिया जनाउँदै सो विषयमा व्यवस्थापनलाई आवश्यक सुधार गर्न निर्देशन दिने गरिएको छ ।

१०.संस्थागत सामाजिक दायित्व : यस बैंकले आफ्नो स्थापनाकाल देखी नै यस क्षेत्रको सामाजिक दायित्व निर्वाह स्वरुप विभिन्न स्कुल कलेज सामाजिक सघं संगठनहरुलाई विभिन्न माध्यमबाट सक्दो सहयोग पुऱ्याउँदै आएको सन्दर्भमा हाल संस्था मुनाफा आर्जन गर्न सक्षम भई नसकेकोले यस आर्थिक वर्षमा संस्थागत सामाजिक दायित्वमा कुनै खर्च गरिएको छैन । अन्त्यमा, नेपाल राष्ट्र बैंक, कम्पनी रजिष्ट्रारको कार्यालय, नेपाल धितोपत्र बोर्ड, नेपाल स्टक एक्सचेन्ज, सिडिएस एण्ड क्लियरीङ लिमिटेड, विभिन्न संघ, संस्था, औद्योगिक तथा व्यावसायिक प्रतिष्ठानहरु, लगायतका विभिन्न स्थानीय, सरकारी तथा गैरसरकारी संघ संस्था एवं आदरणीय ग्राहक महानुभावहरुमा मेरो आफ्नो व्यक्तिगत तथा बैंकको तर्फबाट हार्दिक आभार प्रकट गर्दछु । बैंक मार्फत समग्र वित्तीय क्षेत्रको आर्थिक गतिविधिलाई केही हदसम्म टेवा पुऱ्याउने सोचकासाथ आवद्ध भई सामान्य अवस्थासम्म ल्याई पुऱ्याउन अनवरत रुपमा जुटिरहनु भएका संचालक साथीहरु, संस्थाका सम्पूर्ण शेयरधनी महानुभावहरु साथै यस संस्थाका निक्षेपकर्ता तथा ग्राहक बर्ग, शुभेच्छुक, सहयोगी तथा संस्थाको व्यवस्थापन समुह एवं कर्मचारीहरु प्रति आभार व्यक्त गर्दछु । आगामी दिनमा यस संस्थाको उत्तरोत्तर प्रगति र समृद्धिका लागि यहाँहरु सबैको सहयोग तथा सद्भावको अपेक्षा सहित पुनः एक पटक संस्थाको तेइसौं तथा चौविसौं वार्षिक साधारण सभाको प्रतिवेदन स्वीकृत गरिदिनुहुनको लागि यहाँहरु समक्ष हार्दिक अनुरोध गर्दछु ।

धन्यवाद !

संचालक समितिको तर्फबाट
चन्द्रमान मलेकु
अध्यक्ष
२०८३/०७/२७

कम्पनी ऐन २०६४ को दफा १०९ को उपदफा ४ अनुसारको अतिरिक्त विवरणः
आर्थिक वर्ष २०८०/८१ तथा आर्थिक वर्ष २०८१/८२

१. शेयर जफत भएको भए सो को विवरण
सम्बन्धित आर्थिक वर्षहरूमा कुनै शेयर जफत भएको छैन ।
२. बिगत आर्थिक वर्षमा बैंक र यसको सहायक कम्पनीको कारोबारको प्रगती र सो आर्थिक वर्षको अन्तमा रहेको स्थितीको पुनरावलोकन :
यस बैंकको कुनै सहायक कम्पनी छैन । बैंकले सम्बन्धित आर्थिक वर्षमा सम्पन्न गरेको कारोबारहरू, कारोबारमा आएको परिवर्तन संलग्न वासलात, नाफानोक्सान हिसाब, नगद प्रवाह विवरण, लेखा सम्बन्धी टिप्पणीहरूले प्रष्ट पार्दछ ।
३. कम्पनी तथा त्यसको सहायक कम्पनीले आर्थिक वर्षमा सम्पन्न गरेको प्रमुख कारोबारहरू र सो अवधिमा कम्पनीको कारोबारमा आएको कुनै महत्वपूर्ण परिवर्तन :
यस संस्थाको कुनै पनि सहायक कम्पनी नभएको हुँदा सो सम्बन्धी विवरण उल्लेख गरिएको छैन ।
४. बिगत आर्थिक वर्षहरूमा बैंकका शेयरधनीहरूले बैंकलाई उपलब्ध गराएको जानकारी :
बिगतका आर्थिक वर्षहरूमा आधारभुत शेयरधनीहरूबाट बैंकलाई कुनै पनि किसिमको जानकारी प्राप्त भएको छैन ।
५. बिगत आर्थिक वर्षमा कम्पनीसँग सम्बन्धित सम्भौताहरूमा कुनै सञ्चालक तथा निजको नातेदारको व्यक्तिगत स्वार्थको बारेमा उपलब्ध गराइएको जानकारी :
यस सम्बन्धी कुनै पनि जानकारी प्राप्त भएको छैन ।
६. कम्पनीको आफ्नो शेयर आफैँले खरिद गरेको भए त्यस सम्बन्धी जानकारी :
सम्बन्धित यस संस्थाले आफ्नो शेयर आफैँले खरिद गरेको छैन ।
७. आन्तरिक नियन्त्रण प्रणाली बारेको जानकारी :
बैंकको आन्तरिक नियन्त्रण प्रणालीलाई व्यवस्थित गर्न आवश्यक भएको हुदा आर्थिक प्रशासन विनियमावली-२०७७, कर्मचारी विनियमावली-२०७७, कर्मचारी सेवा सुविधा कार्यविधि- २०८२, कर्जा अपलेखन विनियमावली-२०७८, कर्जा नीति-२०८२, धितो सुरक्षण मुल्याङ्कन निर्देशिका-२०८३, ग्राहक पहिचान पद्धती-२०७८, कर्मचारी दक्षता अभिवृद्धि कार्यविधि-२०७८, संचालक शिक्षा कार्यक्रम कार्यविधि-२०७८, जोखिम व्यवस्थापन नीति-२०७८, आन्तरिक लेखापरीक्षण नीति-२०८२, कार्य संचालन निर्देशिका-२०७७, लिलाम निर्देशिका-२०८३, सूचना प्रविधि कार्यविधि-२०८२, उत्कृष्ट उम्मेदवार छनौट कार्यविधि-२०७८, AML/CFT & KYC Policy-2080, Stress Testing Guidelines-2080, सम्पत्ति तथा दायित्व व्यावस्थापन निर्देशिका -२०७८, लगानी निर्देशिका-२०७८, गैर बैकिङ्ग सम्पत्ति सकार तथा विक्री निर्देशिका-२०७८, लिलाम निर्देशिका-२०७८, Disclosure Policy-2078, Narayani ICAAP Guidelines 2079, कर्जा असुली निर्देशिका-२०८२, खराब कर्जा असुली कार्यविधि-२०७४, कर्जा अपलेखन विनियमावली-२०७८, संचालक निर्वाचन निर्देशिका-२०८०, Business Continuity Planning (BCP)-2025, ATM Card Policy-2023, Mobile Banking Policy & Guideline-2081, Expected Credit Loss (ECL) Guidelines-2081, Contingency Funding Plan (CFP)- 2026, Contingency Management Framework- 2081, Product Paper of Deposit Account-11 & Loan Account-10 बनाई कार्यान्वयनमा ल्याइएको छ सो को प्रभावकारी कार्यान्वयन गरि आन्तरिक नियन्त्रण प्रणालीलाई थप प्रभावकारी बनाउदै लगिने छ । सोहि अनुसार बिभिन्न विभागहरु गठन गरी संस्थाको कार्य संचालन गर्ने गरिएको छ । त्यस्ता विभागहरुको नेतृत्व अधिकृत तथा सुपरभाइजर तहका कर्मचारीले गर्ने व्यवस्था गरिएको छ । विभागका तल्ला तहका कर्मचारीहरूले गर्ने कार्यहरु एक तह माथिका सुपरभाइजर वा अधिकृतले परिक्षण गर्ने व्यवस्था मिलाइएको छ ।
८. बिगत आर्थिक वर्षको कूल व्यवस्थापन खर्चको विवरण :
बिगत आर्थिक वर्षमा संस्थाको कर्मचारी खर्च तथा कार्यालय सञ्चालन खर्च निम्नानुसार रहेको छ।

विवरण	२०८०/८१	२०८१/८२
कर्मचारी खर्च	२,१०,५९,५४३।००	१,९७,५५,२३५/-
अन्य सञ्चालन खर्च	१,८०,६२,७७२।००	१,८६,३५,०७८/-

- ९) लेखापरिक्षण समितिका सदस्यहरूको नामावली निजहरूले प्राप्त गरेको पारिश्रामिक, भत्ता तथा सुविधा, सो समितिले दिएको सुझाव सम्बन्धी जानकारी:

आर्थिक वर्ष २०८०/८१		आर्थिक वर्ष २०८१/८२	
नाम	पद	नाम	पद
स्वतन्त्र संचालक श्री बलराम पौडेल उप- प्रबन्धक, श्री कृष्ण दवाडी अनुपालना विभाग प्रमुख, रितु बानियाँ	संयोजक सदस्य सदस्य सचिव	संचालक श्री यशोदा अधिकारी उप- प्रबन्धक, श्री कृष्ण दवाडी अनुपालना विभाग प्रमुख, रितु बानियाँ	संयोजक सदस्य सदस्य सचिव

लेखापरिक्षण समितिको बैठकमा उपस्थित भए बापत समितिका संयोजकलाई देहाय बमोजिम भत्ता उपलब्ध गराइएको छ । संयोजक बाहेक समितिका अन्य सदस्यहरूलाई कुनै पनि प्रकारको भत्ता उपलब्ध गराइएको छैन ।

आर्थिक वर्ष २०८०/८१		आर्थिक वर्ष २०८१/८२	
नाम/पद	रकम (रु)	नाम/पद	रकम (रु)
संयोजक श्री बलराम पौडेल	५०,०००/-	संयोजक श्री बलराम पौडेल संयोजक श्री यशोदा अधिकारी	३५,०००/-
जम्मा (रु)	५०,०००/-	जम्मा (रु)	३५,०००/-

१०. संचालक, कार्यकारी प्रमुख, संस्थाका आधारभुत शेरधनि वा निजको नजिकका नातेदार वा निज संलग्न रहेको फर्म, कम्पनी वा संगठित संस्थाले कुनै रकम बुझाउन बाँकी भए सो कुरा

यस बैंकका पूर्व अध्यक्ष श्री दिव्य कुमार श्रेष्ठ बाट प्राप्त हुनुपर्ने सण्डी डेटसमा लेखाकित रकम रु ७०,०९१,१७१।७२ (सात करोड एकानव्वे हजार एक सय एकहत्तर र पैसा बहत्तर) ।

११. सञ्चालक, प्रबन्ध सञ्चालक, कार्यकारी प्रमुख, तथा पदाधिकारी हरूलाई भुक्तान गरिएको पारिश्रामिक, भत्ता तथा सुविधाको रकम:

संस्थाका संचालक, प्रबन्ध संचालक, प्रमुख कार्यकारी अधिकृत तथा पदाधिकारीलाई भुक्तानी गरिएको खर्च को विवरण निम्नानुसार रहेको छ :

क्र.स.	विवरण	२०८०/८१	२०८१/८२
१	संचालक समितिको तलब, भत्ता, तथा अन्य सुविधा		
	बैठक भत्ता	७,५२,०००।००	६,६५,५००/-
	भ्रमण भत्ता	१,०२,०००।००	८४,०००/-
	होटल तथा खाना/खाजा	३०६७७०।१४	३,५१,५३४/-
	टेलिफोन सुविधा	५८,०००।००	६३,०००/-
	पत्रपत्रिका	२०,०००।००	२०,०००/-
	ईन्टरनेट सुविधा	७५,०००।००	७५,०००/-
२	प्रमुख कार्यकारी अधिकृतको तलब, भत्ता, तथा अन्य सुविधा		
	तलब	१४,७७,०००।००	१४,४०,०००/-
	भत्ता	७,३०,७८३।६७	७,८०,०००/-
	खाजा	६०,६००।००	
	पत्रपत्रिका/टेलिफोन	१०,५००।००	
	औषधोपचार	१,००,०००।००	१,२०,०००/-

१२. शेरधनिहरूलाई वितरण गर्न बाँकी रहेको लाभांशको विवरण : शेरधनीहरूलाई वितरण गर्न बाँकी कुनै नगद लाभांश नरहेको ।

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of
NARAYANI DEVELOPMENT BANK LIMITED
Ratnagar-1, Chitwan

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Narayani Development Bank Limited (hereinafter "NDBL" or "Bank") comprising of the Statement of Financial Position as at 31 Ashad 2081 (Corresponding to 15 July 2024), 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the bank as at 31 Ashad 2081 (Corresponding to 15 July 2024) its Financial performances and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards (NFRSs)

Basis for Opinion

We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the bank in accordance with the ICAN's Handbook of the Code of Ethics for professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with the ICAN's Handbook of the code of Ethics for professional Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our opinion.

Emphasis of Matters regarding compliance of legal obligations

The development bank has not fulfilled capital fund requirement as per the directives of Nepal Rastra Bank. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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:



445, Jwagal Madhu Marg, Jwagal, Lalitpur, Nepal.
P.O. Box No: 9222, Kathmandu, Nepal.
Tel + 977 1 5450424, 5269887
Email: info@lspa.com.np
Web: www.lspa.com.np

S.No.	Key Audit Matters	Auditor's Response
1.	Interest Income Ref. note no. 4.29 and accounting policies to the financial Statements Interest income has been recognized on accrual basis as per the interest recognition guidelines of Nepal Rastra Bank / NFRS. Interest has been recognized on accrual basis in case of nonperforming loans. Due to limitation of lack of system capability to review the fair value of the collateral on regular basis, manual intervention might be required for recognition of accrual of interest income. As this may have effect on the recognition of the interest income by the company, we have considered it as a key audit matter.	We applied following procedure in respect of verification of interest income: • Understanding of the core banking software of the company how interest rate on loans & advances has been implemented in system. • Whether interest income on advances in automatically generated in the CBS System. • Review of accrual & recognition interest income whether relevant NFRS and the NRB norms have been followed by the company for the same. • Review and verify the transactions relating to manual debit or credit of interest in the system. • Understanding as to how the company management in monitors their businesses analyze its credit portfolio & the interest income thereon. • Review whether the legal remedies against defaulting borrowers are not adversely affected. Our Results Accounting policies and recognition of interest income has been considered acceptable.
2.	Impairment of Loans and Advances to Customers Ref. Note no. 4.6.1 and accounting policies to the financial statements. Company's policy for the allowance for impairment of loans and advances has been based on the application of incurred loss model and Nepal Rastra Bank regulations, as applicable. It involves significant management judgment 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. The carrying value of the loans and advances to customers can be materially misstating if management's judgment and estimation are inappropriate. Therefore considering the significance of	We applied following procedures in respect of verification of loan Loss provision: • We tested the company's operating effectiveness of key controls to identify loss events and for determining the extent of provisioning required against non-performing loans and advances. • Controls over correct identification and classification of non-performing loans and advances on time based criteria. • Review of IT system to provide loan loss provision based on overdue payments. • Control over accurate computation and recording of provisions. • Control over statistical model used to calculate the incurred loss in accordance with incurred loss model.




	the above matter to the financial statements, we have identified this as a key audit matters.	- Control over the monitoring of loans advances to customers with higher default risk. - Control over the governance and approval process for the provisions including ongoing reassessment by the Management. - Carrying out the substantive procedure, selected sample of loan and advances to the customers and checked the documentation, repayment schedules, tested the classification of non-performing loans based on overdue period. Assessed the management's assumption and judgment for classification of loans and advances based on repayment pattern, - Assessment of mortgage value of loans and advances. Our Results We considered the impairment charges on loans and advances to the customers to be acceptable.
3.	Information Technology System The information technology of the company involve large number of independent and inter-dependent IT systems that are used to process and record a large volume of transactions in the company's activities. As a result, the financial accounting and reporting procedure places a significant level of reliance and rely on such IT systems. Appropriate IT general application controls and are required to ensure that such IT systems are able to process the data, as required completely, accurately and consistently for reliable financial reporting. Due to the importance of the impact of the IT systems and related control environment on the company's financial reporting process, we have identified testing of IT system and related control environment as key audit matter.	Our Audit Regarding Information Technology of the company is based upon the Information Technology Guidelines issued by NRB and it also included: - Verification of the interest income and expense booking regarding loan and deposits on test check basis with the core banking system of the institution. - Verification of the provisioning of the loan and Advance based on ageing on the test check. Our Results We considered the IT systems and their relevant controls to be adequate.

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

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.

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.

Those charged with governance are responsible for overseeing the bank's financial reporting process.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is 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 base of these financial statements.

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

- Identify and assess the 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.
- 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.
- Evaluate appropriateness of accounting policies used and reasonableness of accounting estimates and related disclosures made by the management.
- 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.



- 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.

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.

Report on Other Legal and Regulatory Requirements

Report as per the requirements of and company Act 2063, Banks and financial Institution Act 2073 and other regulatory requirements.

- 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.
- Based on our audit proper books of account as required by law have been kept by the bank.
- The statement of financial Position, the statement of profit or Loss and Other comprehensive income, the statement of Cash flows and the statement of Changes in Equity dealt with by this report are in agreement with the books of account maintained by the bank.
- The provision for possible impairment of assets of the bank is adequate considering the Directives issued by Nepal Rastra Bank.
- 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 any case where the Board of Directors or any office bearer, employee of the bank has acted contrary to the provisions of the law, or committed any misappropriation or caused any loss or damage to the bank and violated Directives issued by Nepal Rastra Bank or acted in a manner as will jeopardize the interest of the bank, its shareholders and its depositors.
- In our opinion, the business of the bank has been conducted satisfactorily and operated within its jurisdiction and has been functioning as per NRB Directives.


CA Gopal Kumar Shrestha
Partner
L.S.P. Associates
Chartered Accountants



Place: Lalitpur, Nepal
Date: 2081/11/12

UDIN Number:250302CA00144Cs7d2

Narayani Development Bank Limited
Statement of Financial Position
As on Asar 31st, 2081

Particulars	Note	Bank	
		Current Year	Previous Year
Assets			
Cash and cash equivalent	4.1	264,049,666	128,200,835
Due from Nepal Rastra Bank	4.2	48,488,766	40,879,280
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	-	-
Loans and advances to customers	4.7	264,397,015	410,294,367
Investment securities	4.8	47,153,554	47,427,610
Current tax assets	4.9	10,344,772	9,980,040
Investment in subsidiaries	4.10	-	-
Investment in associates	4.11	-	-
Investment property	4.12	14,281,137	-
Property and equipment	4.13	30,649,123	31,037,039
Goodwill and Intangible assets	4.14	7,299,826	9,968,372
Deferred tax assets	4.15	38,787,446	39,525,027
Other assets	4.16	10,775,599	5,611,042
Total Assets		736,226,905	722,923,611
	Note	Current Year	Previous Year
Liabilities			
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	631,521,022	632,813,148
Borrowing	4.21	-	-
Current Tax Liabilities	4.9	-	-
Provisions	4.22	-	864,450
Deferred tax liabilities	4.15	-	-
Other liabilities	4.23	46,710,411	43,582,077
Debt securities issued	4.24	-	-
Subordinated Liabilities	4.25	-	-
Total liabilities		678,231,434	677,259,675
Equity			
Share capital	4.26	262,467,600	262,467,600
Share premium		10,101,374	10,101,374
Retained earnings		(411,508,978)	(387,783,472)
Reserves	4.27	196,935,475	160,878,435
Total equity attributable to equity holders		57,995,470	45,663,936
Non-controlling interest		-	-
Total equity		57,995,470	45,663,936
Total liabilities and equity		736,226,905	722,923,611
Contingent liabilities and commitment	4.28	22,286,603	64,182,715
Net assets value per share		22.10	17.40

SD
Ritu Baniya
Finance

SD & Stamp
Bishnu Regmi
Chief Executive Office

SD
Chandra Man Maleku
Chairman

SD & Stamp
For L.S.P. & Associates
Gopal Kumar Shrestha
External Auditor

SD
Teknath Dhakal
Director

SD
Yasodha Adhikari
Director

SD
Pukar Thapa
Director

SD
Ganesh Man Pradhan
Director
Date:

SD
Balam Paudel
Independent Director

Narayani Development Bank Limited
Statement of Profit or Loss
For the year ended Asar 31st, 2081

Particulars	Note	Bank	
		Current Year	Previous Year
Interest income	4.29	53,802,411	71,822,108
Interest expense	4.30	46,810,903	46,445,529
Net interest income		6,991,508	25,376,579
Fee and commission income	4.31	4,354,077	3,333,251
Fee and commission expense	4.32	350	19,189
Net fee and commission income		4,353,727	3,314,062
Net interest, fee and commission income		11,345,235	28,690,641
Net trading income	4.33	-	-
Other operating income	4.34	2,298,309	1,013,827
Total operating income		13,643,544	29,704,468
Impairment charge/(reversal) for loans and other losses	4.35	(18,646,267)	80,379,306
Net operating income		32,289,811	(50,674,838)
<u>Operating expense</u>			
Personnel expenses	4.36	21,059,543	21,177,848
Other operating expenses	4.37	18,062,772	21,101,497
Depreciation & Amortization	4.38	10,147,882	10,502,538
Operating Profit		(16,980,386)	(103,456,721)
Non operating income	4.39	-	-
Non operating expense	4.40	-	-
Profit before income tax		(16,980,386)	(103,456,721)
Income tax expense	4.41		
Current Tax			
Deferred Tax		(819,797)	25,355,998
Profit for the year		(17,800,183)	(78,100,723)
Profit attributable to:			
Equity holders of the Bank		(17,800,183)	(78,100,723)
Non-controlling interest			
Profit for the year		(17,800,183)	(78,100,723)
Earnings per share			
Basic earnings per share		(6.78)	(29.76)
Diluted earnings per share		(6.78)	(29.76)

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Chairman

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For L.S.P. & Associates
Gopal Kumar Shrestha
External Auditor

SD
Teknath Dhakal
Director

SD
Yasodha Adhikari
Director

SD
Pukar Thapa
Director

SD
Ganesh Man Pradhan
Director
Date:

SD
Balam Paudel
Independent Director

Narayani Development Bank Limited
Statement of Comprehensive Income
For the year ended Asar 31st, 2081

Particulars	Note	Bank	
		Current Year	Previous Year
Profit for the year		(17,800,183)	(78,100,723)
Other comprehensive income, net of income tax			
a) Items that will not be reclassified to profit or loss			
Gain/(loss) from investments in equity instruments measured at fair value		(274,056)	(797,283)
Gain/(loss) on revaluation			
Actuarial gains/(losses) on defined benefit plans			
Income tax relating to above items		82,217	239,185
Net other comprehensive income that will not be reclassified to profit or loss		(191,839)	(558,098)
b) Items that are or may be reclassified to profit or loss			
Gains/(losses) on cash flow hedge			
Exchange gain/(losses) arising from translating financial assets of foreign operation			
Income tax relating to above items			
Net other comprehensive income that are or may be reclassified to profit or loss			
c) Share of other comprehensive income of associate accounted as per equity method			
Other comprehensive income for the year, net of income tax		(191,839)	(558,098)
Total comprehensive income for the year		(17,992,022)	(78,658,821)
Total comprehensive income attributable to:			
Equity holders of the Bank		(17,992,022)	(78,658,821)
Non-controlling interest		-	-
Total comprehensive income for the year		(17,992,022)	(78,658,821)

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Statement of Changes in Equity
Narayani Development Bank Limited
Statement of change in Equity
For the year ended Asar 31st, 2081

Particulars	Share Capital	Share Premium	General Reserve	Exchange Equalization	Attributable to Equity holders of the Bank	Retained Earning	Other Reserve	Total	Non-Controlling Interest	Total Equity
Balance at Shrawan 1, 2079	262,467,600	10,101,374	108,174,262	-	15,846,707	(282,016,107)	6,889,232	120,192,912	-	120,192,911
Adjustment/Restatement	-	-	-	-	3,043,162	(6,293,111)	-	567,116	-	567,116
Adjusted/Restated balance at 1 Sawan 2079	262,467,600	10,101,374	108,174,262	-	15,846,707	(282,682,044)	6,889,232	120,560,157	-	120,560,156
Comprehensive Income for the year	-	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	-	-	-	-
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-
Gains/(losses) from investments in equity instruments measured at fair value	-	-	-	-	-	(78,100,723)	-	(78,100,723)	-	(78,100,723)
Gains/(losses) on revaluation	-	-	-	-	-	-	-	-	-	-
Atuarial gains/(losses) on defined benefit plans	-	-	-	-	-	-	-	(558,098)	-	(558,098)
Gains/(losses) on cash flow hedge	-	-	-	-	-	-	-	-	-	-
Exchange gains/(losses) arising from translating financial assets of foreign operation	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	-	-	-	-
Transfer to reserve during the year	-	-	-	-	-	-	-	-	-	-
Statutory General Reserve	-	-	-	-	-	-	-	-	-	-
Staff Training Fund	-	-	-	-	-	-	-	-	-	-
Corporate Social Responsibility Reserve	-	-	-	-	-	-	-	-	-	-
Regulatory Reserve as per NRB	-	-	-	-	26,990,726	(26,990,726)	-	-	-	-
Transfer from reserve during the year	-	-	-	-	-	-	-	-	-	-
Statutory General Reserve	-	-	-	-	-	-	-	-	-	-
Staff Training Fund	-	-	-	-	-	-	-	-	-	-
Corporate Social Responsibility Reserve	-	-	-	-	-	-	-	-	-	-
Regulatory Reserve as per NRB	-	-	-	-	-	-	-	-	-	-
Addition in calls in advance	-	-	-	-	-	-	-	-	-	-
Transactions with owners, directly recognized in equity	-	-	-	-	-	-	-	-	-	-
Share issued to equity holders	-	-	-	-	-	-	-	-	-	-
Dividend	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	-	-	-	-	-	-	-	-	-	-
Cash dividend paid	-	-	-	-	-	-	-	-	-	-
Total contributions by and distributions	-	-	-	-	-	-	-	-	-	-
Balance at Ashadh end 2080	262,467,600	10,101,374	108,174,262	-	42,837,432	(387,783,472)	10,651,832	45,663,936	-	45,663,935
Adjustment/Restatement	-	-	-	-	-	-	-	-	-	-
Adjusted/Restated balance at 1 Sawan 2080	262,467,600	10,101,374	108,174,262	-	42,837,432	(387,783,472)	10,651,832	45,663,936	-	45,663,935
Comprehensive Income for the year	-	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	-	-	-	-
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-
Gains/(losses) from investments in equity instruments measured at fair value	-	-	-	-	-	-	-	-	-	-
Gains/(losses) on revaluation	-	-	-	-	-	-	-	-	-	-
Atuarial gains/(losses) on defined benefit plans	-	-	-	-	-	-	-	-	-	-
Gains/(losses) on cash flow hedge	-	-	-	-	-	-	-	-	-	-
Exchange gains/(losses) arising from translating financial assets of foreign operation	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	-	-	-	-
Transfer to reserve during the year	-	-	-	-	-	-	-	-	-	-
Statutory General Reserve	-	-	-	-	-	-	-	-	-	-
Staff Training Fund	-	-	-	-	-	-	-	-	-	-
Corporate Social Responsibility Reserve	-	-	-	-	-	-	-	-	-	-
Regulatory Reserve as per NRB	-	-	-	-	-	-	-	-	-	-
Transfer from reserve during the year	-	-	-	-	-	-	-	-	-	-
Statutory General Reserve	-	-	-	-	-	-	-	-	-	-
Staff Training Fund	-	-	-	-	-	-	-	-	-	-
Corporate Social Responsibility Reserve	-	-	-	-	-	-	-	-	-	-
Regulatory Reserve as per NRB	-	-	-	-	-	-	-	-	-	-
Addition in calls in advance	-	-	-	-	-	-	-	-	-	-
Transactions with owners, directly recognized in equity	-	-	-	-	-	-	-	-	-	-
Share issued	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	-	-	-	-	-	-	-	-	-	-
Cash dividend paid	-	-	-	-	-	-	-	-	-	-
Total contributions by and distributions	-	-	-	-	-	-	-	-	-	-
Balance at Ashadh end 2081	262,467,600	10,101,374	108,174,262	-	49,042,711	(411,508,978)	40,695,433	57,995,470	-	57,995,470

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Narayani Development Bank Limited
Statement of Cash Flow
For the year ended on 31st Asadh 2081

Particulars	Note	Current Year	Previous Year
CASH FLOWS FROM OPERATING ACTIVITIES			-
Interest received		51,658,434	67,335,847
Fees and other income received		4,354,077	3,333,251
Dividend received		-	-
Receipts from other operating activities		10,038	1,013,827
Interest paid		(46,810,903)	(46,445,529)
Commission and fees paid		(350)	(19,189)
Cash payment to employees		(21,059,543)	(21,177,848)
Other expense paid		(26,312,240)	(20,318,910)
Operating cash flows before changes in operating assets and liabilities		(38,160,488)	(16,278,552)
<u>(Increase)/Decrease in operating assets</u>		-	-
Due from Nepal Rastra Bank		7,609,487	(19,657,071)
Placement with bank and financial institutions		-	-
Other trading assets		(14,281,137)	-
Loan and advances to bank and financial institutions		-	1,636
Loans and advances to customers		144,174,693	(195,081,733)
Other assets		5,164,557	1,903,656
<u>Increase/(Decrease) in operating liabilities</u>		-	-
Due to bank and financial institutions		-	-
Due to Nepal Rastra Bank		-	-
Deposit from customers		(1,292,126)	296,140,860
Borrowings		-	-
Other liabilities		976,470	6,538,036
Net cash flow from operating activities before tax paid		104,191,456	73,566,833
Income taxes paid		(364,732)	(177,572)
Net cash flow from operating activities		103,826,724	73,389,261
CASH FLOWS FROM INVESTING ACTIVITIES		-	-
Purchase of investment securities		-	(40,000,000)
Receipts from sale of investment securities		-	4,063,967
Purchase or Sale of debenture/bond		-	-
Purchase of property and equipment		(621,928)	(21,211,363)
Receipt from the sale of property and equipment		156,962	4,298,534
Purchase of intangible assets		-	-
Receipt from the sale of intangible assets		-	-
Purchase/sale of investment properties		-	-
Receipt from the sale of investment properties		-	-
Interest received		155,200	155,200
Dividend received		2,288,271	-
Net cash used in investing activities		1,978,505	(52,693,662)
CASH FLOWS FROM FINANCING ACTIVITIES		-	-
Receipt from issue of debt securities		-	-
Repayment of debt securities		-	-
Receipt from issue of subordinated liabilities		-	-
Repayment of subordinated liabilities		-	-
Receipt from issue of shares		-	-
Dividends paid		-	-
Interest paid		-	-
Other receipt/payment		30,043,601	3,762,600
Net cash from financing activities		30,043,601	3,762,600
Net increase (decrease) in cash and cash equivalents		135,848,830	24,458,199
Cash and Cash Equivalent From Acquisition		-	-
Opening balance of cash and cash equivalents		128,200,835	103,742,637
Effect of exchange rate fluctuations on cash and cash equivalents held		-	-
Closing Cash and Cash Equivalent		264,049,666	128,200,835

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Narayani Development Bank Limited
Notes to Financial Statements
For the year ended on 31st Asadh, 2081

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 Going Concern

The financial statements are prepared on a going concern basis, as the bank have the resources to continue in business for foreseeable future. In making this assignment, the Board of Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources.

2.2 Statement of Compliance

The financial statements have been prepared on a going concern basis and under historical cost conventions except where the standards require otherwise. The financial statements of the group have been prepared in accordance with Nepal Financial Reporting Standards (NFRS) developed by the Accounting Standards Board, Nepal (ASB Nepal) and pronounced for application by the Institute of Chartered Accountants of Nepal (ICAN).

The Financial Statements comprise of Statement of Financial Position, Statement of Profit or Loss, Statement of Other Comprehensive Income, Statement of Change in Equity, Statement of Cashflows and Notes to Accounts on the format prescribed by NRB Directive No. 4.

2.3 Reporting Period and Approval of Financial Statements

Reporting Period:

The Bank follows the Nepalese Financial year based on Nepali Calendar starting from 1st of Shrawan, 2080 and ending as on 31st Asadh, 2081. (17th of July, 2023 to 15th of July, 2024).

Approval of Financial Statements

The accompanied financial statements have been approved and authorised for issue by the Board of Directors in its meeting held on of , 2081 and have been recommended for approval by shareholders in the Annual General Meeting.

2.4 Functional and Presentation Currency

The financial statements are presented in Nepalese Rupee, which is also the functional and presentation currency of the Bank. Figures are rounded off to nearest Rupee, except, where otherwise stated.

2.5 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. Continuous evaluation is done on the estimation and judgements based on historical experience and other factors, including expectations of the future events that are believed to be reasonable. Revisions to accounting estimates are recognised prospectively.

The accounting estimates and effect of such estimates are disclosed in the relevant notes wherever the estimates have been applied along with the nature and effect of change in accounting estimates, if any.

Reporting Pronouncement

The Bank has, for the preparation of financial statements, adopted the NFRS pronounced by ASB as effective on 13th September, 2013. The NFRS confirm, in all material aspect, to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

However, the Institute of Chartered Accountants of Nepal (ICAN) vide its notice dated 10th November, 2020 and 18 July 2022 has resolved that Carve-outs in NFRS with Alternative Treatment and effective period shall be provided to the Banks and Financial Institutions regulated by NRB on the specific recommendation of Accounting Standard Board (ASB).

2.6 Changes in Accounting Policies

The accounting policies are applied consistently to all the periods presented in the financial statements, including the preparation of opening NFRS compliant Statement of Financial Position as at 1st Shrawan, 2074 being the date of transition to NFRS.

2.7 New Standards and Interpretations not adapted.

Amendments in existing standards and interpretations issued by IASB after the pronouncement of NFRS have not been applied and shall be adopted as and when made effective by ICAN/ASB Nepal.

2.7.1 NFRS 9 'Financial Instruments'-Impairment

IFRS 9 'Financial Instruments' was issued by the IASB in July 2014 and effective internationally for the financials beginning on or after 1 January 2018. Accounting Standard Board of Nepal (ASBN) endorsed NFRS 9 Financial Instruments with some exceptions, mainly in the Impairment. Currently, Impairment is calculated as per carve out provided by ASB. The requirement of IFRS 9 is Expected Credit Loss Model.

Expected Credit Loss Model (ECL) of Impairment

The Expected Credit Loss (ECL) model is a forwardlooking model. The ECL estimates are unbiased, probability-weighted, and include supportable information about past events, current conditions, and forecasts of future economic conditions.

Under the general approach, IFRS 9 recognizes three stage approach to measure expected credit losses and recognized interest income.

Stage 1: 12-month ECL – No significantly increased credit risk Financial instruments that have not had a significant increase in credit risk since initial recognition require, at initial recognition a provision for ECL associated with the probability of default events occurring within the next 12 months (12-month ECL). For those financial assets with a remaining maturity of less than 12 months, a Probability of Default (PD) is used that corresponds to the remaining maturity. Interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.

Stage 2: Lifetime ECL – Significantly increased credit risk in the event of a significant increase in credit risk since initial recognition, a provision is required for the lifetime ECL representing losses over the life of the financial instrument (lifetime ECL).

Interest income will continue to be recognized on a gross basis.

Stage 3: Lifetime ECL – Defaulted Financial instruments that move into Stage 3 once credit impaired and purchases of credit impaired assets will require a lifetime provision. Interest income will be calculated based on the gross carrying amount of the financial asset less ECL.

The standard NAS 39: Financial Instruments: Recognition and Measurement (equivalent to IAS 39 issued in 2013 before update in 2018) recognized impairment of financial assets using an 'incurred loss model which assumes that all loans will be repaid until evidence to the contrary (known as a loss or trigger event) is identified. Only at that point is the impaired loan (or portfolio of loans) written down to a lower value. An entity has to assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

A non-optional carve out has been provided by ICAN till FY 2080/81 on the recommendation of ASB, Nepal BFIs, with respect to NFRS 9. The Carve out has allowed the use of incurred loss model of impairment till aforementioned period.

Since the carve out/deferment is valid only till FY 2080/81 and NFRS 9 (2018) has already been pronounced by ASB, Nepal to be applicable from 16th July 2021, the BFIs are required to adopt the ECL impairment model of NFRS 9. Since default is a lagging indicator of credit risk and since classification of non-performing loans normally takes place after a borrower is overdue for more than 90 days, loan loss provisions are presently made by banks with significant delays after the borrower may have started facing financial difficulties thereby increasing the credit risk of BFIs. Generally, there will be a significant increase in credit risk before a financial asset becomes credit impaired or an actual default occurs. As (ECL) Impairment model incorporates more forward looking approach and assesses significant change in credit risk in determining impairment as against extant 'incurred loss' approach, the adoption of ECL model is expected to enhance credit risk management and resilience of banks and financial institutions.

Management has therefore planned to fully implement ECL model from next fiscal year.

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:

3.1 Basis of Measurement:

The financial statements have been prepared on the historical cost basis, except for the following material items.

Item	Basis of Measurement
Investment Securities through SOCI	Fair Value
Employee Defined Benefit Obligation	Accrued Amount as of reporting date.
Non-Banking Assets	Cost
Loans to Employees	Amortised 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.

The Cash and Cash equivalents for the purpose of cash flow statement includes Cash in hand, balances with banks and financial institutions, money at call and money market funds and financial assets with original maturity less than 3 months from the date of acquisition.

3.4 Financial assets and financial liabilities

3.4.1 Recognition

The Bank initially recognizes financial assets or financial liability in the Statement of Financial Position when, and only when, it becomes party to the contractual provisions of the instrument. The Bank initially recognises loan and advances, deposits and debt securities/subordinated liabilities issued on the date that they are originated which is the date that the Bank becomes party to the contractual provisions of the instruments. Investments in equity instruments, bonds, Government securities, NRB bond or deposit auction, reverse repos, outright purchase are recognized on trade date at which the Bank commits to purchase/acquire the financial assets. Regular way purchase and sale of financial assets are recognized on settlement date

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 contractual cash-flow characteristics. Based on these factors, financial assets are classified on following three categories as required by NFRS 9 namely:

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

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.

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 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 reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be provided in the Statement of Profit or Loss. The Management's judgement is extensively used in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and hence actual results may differ, resulting in future changes to the provisions made.

The individual impairment provision applies to financial assets evaluated individually for impairment and is based on Management's best estimate of the present value of the future cash flows that are expected to be received. In estimating these cash flows, Management makes judgements about the number of factors including a borrower's financial situation and the net realisable value of any underlying collateral. Top borrowers and loans classified as non-performing assets as per NRB norms forming part of 25% of the portfolio are tested for individual impairment. Each impaired asset is assessed on its merits to estimate the recoverable amount of cash flows.

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

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

A collective impairment provision is established for:

- groups of homogeneous loans and advances and Investment securities which are held-to-maturity, that are not considered individually significant, and
- groups of assets that are individually significant but that were not found to be individually impaired.

The collective impairment is carried using the statistical modelling such as historical trends of probability of defaults, timings of recoveries, and current economic and market conditions which may warrant for the loss being greater than the suggested by the historical trends.

For the purpose of collective assessment of impairment bank has categorized assets into following broad products as follows:

- Home Loan
- Hire Purchase Loan
- Personal Loan
- Business Loans
- Small & Micro Credit (SMEs)

Carve out adopted for assessment of impairment charge. The Bank has opted to apply carve out on impairment of loans and receivables. Accordingly, individual and collective impairment loss amount calculated as per NFRS is compared with the impairment provision required under NRB directive no. 2, higher of the amount derived from these measures is taken as impairment loss for loans and receivables.

3.5 Trading assets

Financial Assets are classified as trading assets (held for trading) if they have been acquired principally for the purpose of selling in the near term, or form part of the portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit taking. They are recognised on trade date, when the bank enters into contractual arrangements with counterparties, and are normally derecognized when sold. They are initially measured at fair value, with transactions costs taken to profit and loss. Subsequent changes in their fair values are recognised in profit or loss. Bank do not have trading assets during the reporting period.

3.6 Derivatives assets and derivative liabilities

Derivative Instruments include transactions like interest rate swap, currency swap, forward foreign exchange contract etc. held for trading as well as risk management purposes. Derivative financial instruments are initially measured at fair value on the contract date and subsequently remeasured to fair value at each reporting date. Bank do not have any derivative instruments during the reporting period.

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.

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 properties are land or building or both other than those classified as Property, Plant and Equipment under NAS 16- "Property, Plant & Equipment" and assets classified as Non-Current Assets Held for Sale under NFRS 5- "Non-Current Assets Held for Sale and Discontinued Operations" 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 & Building acquired as Non-Banking Assets are recognized as Investment Property as per NRB Directives. The Investment property has been measured at the lower of outstanding amount or fair value of collateral at the date of recognition.

Investment Properties are initially measured at cost, including transaction costs. Subsequently all investment properties are reported at fair value with any gains or losses in fair value reported in the statement of profit and loss as they arise. No depreciation is charged in investment property as they are not intended for the owner-occupied use.

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

a. Deposits

Deposits by banks & customers are financial liabilities of the bank as there is no obligation to deliver cash or financial assets back to the depositing bank or customer and are initially recognised at fair value, plus for those financial liabilities not at fair value through profit and loss. The transaction price is considered as the fair value for measuring the deposits.

b. Debt Securities Issued

Debt securities are initially measured at the fair value less incremental direct cost and subsequently at their amortised cost using effective interest method except where the bank designates liabilities at fair value through profit or loss. Bank do not have any debt securities issued at the reporting period.

c. Subordinated Liabilities

These are the liabilities subordinated, at the event of winding up, to claims of depositors, debt securities issued and other creditors. It shall include redeemable preference shares, subordinated notes issued, borrowings, etc.

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. 20,673,874.31. 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	304,949
Provision for Bank Balance(Crystal Finance)	304,949

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 to the extent that it is possible that the economic benefits will flow to Bank and the consideration can be reliably measured. The following specific recognition criteria shall also be met for revenue recognition.

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 is booked as interest income and regulatory reserve has been created for the same as well.

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 it 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 includes 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

The Bank has applied NFRS 16 Leases for accounting of operating lease from 1st Shrawan 2078 replacing NAS 17 Leases.
As a lessee

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset of the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment in addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its cost of fund rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable under a residual value guarantee, and

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, or if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Bank has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets i.e. not be affected by the size, nature, or circumstances of the lessee.

Bank has subject to adjust the calculation made to Right of Use Assets as well as lease liability calculated under NFRS 16. The adjustment have been made in the respective heads and sub heads as well as retained earnings.

3.17 Foreign Currency Transaction

The financial statements are presented in Nepalese Rupees which is the functional and presentation currency of the Bank.

Transaction in foreign currencies are initially recorded in the relevant 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.

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.

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. NRs. 5,000 has been expensed off as prescribed in the directive in this fiscal year.

Particulars	2078/79	2079/80	2080/81	Remarks
Total amount deposited in Corporate Social Responsibility	9,399	9,399	9,399	9,399
Details of expenses				
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				
Total Expenditure			(5,000)	
Amount owed to Corporate Social Responsibility Fund	9,399	9,399	4,399	4,399

d) Regulatory Reserve

The amount to this reserve has been allocated from profit/retained earnings as per the Directive of NRB for the purpose of implementation of NFRSs and is not regarded as free for distribution of dividend. Details are as presented under:

Regulatory Reserve Comprises of Following

Particulars	Amount
Interest Income On NFRS	281,217
Deferred Tax Assets	38,787,446
Fair Value reserve	976,931
Provision for NBA transferred to Regulatory Reserve	8,997,117
Total	49,042,711

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.

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	2080/81	2079/80
Opening Staff Training Fund	296,288	296,288
3% of the previous year salary and allowances	394,657	560,273
Total amount incurred for employee training and skill	447,305	310,572
Excess/(Deficit) amount incurred for employee training and skill development program	-	-
Staff Skill Development Fund carried forward to next year	296,288	249,701

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	
	No.	Amount (NRs.)
Promoter Kitta	131,998	15,687,575
Public Kitta	13,651	6,022,011
Total	145,649	21,709,586
Face Value of the shares (@100 per kitta)	145,649	14,564,900
Excess transferred to share premium account		7,144,686
Opening share premium amount if any		2,956,688
Closing share premium accounted for the year		10,101,374

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 be presented under this heading. There is no unrealised gain on sale of investment during Ashadh end 2080.

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	304,949
Receivable from Dibya Kumar Shrestha	70,091,173
Total	78,542,979

The outstanding amount associated to crystal finance has been recovered amounting to NRs. 20,368,925.72. Consequently, this provision recognised in the financial statement for this receivable amount has been withdrawn during the reporting period.

3.2 Non-performing assets

The Total non performing loan and advances is Rs. 188,298,498 , and loan loss provision related to the non performing loans and advances is Rs 129,748,920 which is 74 % of NPA and total loan loss provision to NPA is 76%. NPL is 47 %.

Narayani Development Bank Limited

Classification of Loans, Advances & Bills Purchase and Provisioning

At the year ended Ashadh, 2081

Particulars	(Amount NPR in '000)									
	Loans & Advances						Bills Purchased/Discounted			
	Domestic			Foreign	Total	Domestic	Foreign	Total	Total	
	Deprived Sector		Other							
	Insured	Uninsured								
1	2	3	4	5=1+2+3+4	6	7	8=6+7	9=5+8		
1 Performing Loan and Advances	13,389	11,097	193,005	-	217,491	-	-	-	217,491	
1.1 Pass Loan	13,389	8,809	164,477	-	186,675	-	-	-	186,675	
1.1.1 Pass Loan (other than Restructured/Rescheduled Covid Related)										
1.1.2 Pass Loan (Restructured/Rescheduled Covid Related)	13,389	8,809	156,910		179,108			-	179,108	
1.1.3 Pass Loan (Restructured/Rescheduled Other than Covid Related)					-			-	-	
1.2 Watch List		2,288	7,567		7,567			-	-	
2 Non-Performing Loan and Advances	1,613	2,941	184,749	-	189,303	-	-	-	189,303	
2.1 Restructured / Rescheduled					-			-	-	
2.2 Sub-standard	416	423	36,907		37,746			-	37,746	
2.3 Doubtful	1,197	827	40,464		42,488			-	42,488	
2.4 Loss		1,691	107,378		109,069			-	109,069	
3 Total Loan and Advances (1+2)	15,002	14,038	377,754	-	406,794	-	-	-	406,794	
4 Total Loan Loss Provision	863	2,430	141,092	-	144,386	-	-	-	144,386	
4.1 Pass	161	106	1,883		2,149			-	2,149	
4.2 Watch List	-	114	1,426		1,541			-	1,541	
4.3 Restructured / Rescheduled	-	-	946	-	946	-	-	-	946	
4.3.1 Restructured / Rescheduled Covid Related					-			-	-	
4.3.2 Restructured / Rescheduled Others			946		946			-	946	
4.4 Sub-standard	104	106	9,227		9,436			-	9,436	
4.5 Doubtful	599	414	20,232		21,244			-	21,244	
4.6 Loss	-	1,691	107,378		109,069			-	109,069	
4.7 Additional					-			-	-	
4.8 SOL exceed					-			-	-	
4.9 PG & Third party collateral					-			-	-	
5 Total Provision Upto Previous Quarter	-	-	-	-	-	-	-	-	-	
5.1 Pass					-			-	-	
5.2 Watch List					-			-	-	
5.3 Restructured / Rescheduled	-	-	-	-	-			-	-	
5.3.1 Restructured / Rescheduled Covid Related					-			-	-	

(Amount NPR in '000)

Narayani Development Bank Limited
Notes to Financial Statements

Cash and cash equivalent

4.1

Particulars	Current Year	Previous Year
Cash in hand	18,783,923	15,756,710
Balances with B/FIs	245,265,743	112,444,126
Money at call and short notice		-
Other		-
Total	264,049,666	128,200,835

Cash and cash equivalents includes the cash, bank balance at Banks & Financial Institutions and is carried at amortised cost. The cash and balance with BFIs are maintained to manage liquidity at branch level. Cash at vault and cash in transit are adequately secured for physical losses.

Due from Nepal Rastra Bank

4.2

Particulars	Current Year	Previous Year
Statutory balances with NRB	48,488,766	40,879,280
Securities purchased under resale agreement		-
Other deposit and receivable from NRB		-
Total	48,488,766	40,879,280

Statutory balance with NRB represents the balance maintained for regulatory cash reserve ratio required by the Nepal Rastra Bank.

Placements with Bank and Financial Institutions

4.3

Particulars	Current Year	Previous Year
Placement with domestic B/FIs	-	-
Placement with foreign B/FIs	-	-
Less: Allowances for impairment	-	-
Total	-	-

Bank do not have any placements related to Domestic and Foreign Banks & Financial Institutions.

Derivative financial instruments

4.4

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

Other trading assets

4.5

Particulars	Current Year	Previous Year
Treasury bills	-	-
Government bonds	-	-
NRB Bonds	-	-

Narayani Development Bank Limited
Notes to Financial Statements

Domestic Corporate bonds	-	-
Equities	-	-
Other	-	-
Total	-	-
Pledged	-	-
Non-pledged	-	-

Trading Assets are those assets that the bank has acquired for the purpose of selling in the near term, or holds as part of the portfolio that is managed together for short-term profit as presented under this head. Bank do not have any investment under this heading for the reporting period.

Loan and advances to B/FIs

4.6

Particulars	Current Year	Previous Year
Loans to microfinance institutions	-	-
Other	-	-
Less: Allowances for impairment	-	-
Total	-	-

Loans and advances disbursed to Banks & Financial Institutions are presented under this head. Currently, Bank haven't disbursed any loans and advances to Bank & Financial Institutions.

4.6.1: Allowances for impairment

Balance at Sawan 1	Current Year	Previous Year
Impairment loss for the year:		
Opening	-	-
Charge for the year	-	-
Recoveries/reversal	-	-
Amount written off		
Balance at Asar end	-	-

Loans and advances disbursed to banks and financial institutions are presented above. These assets are measured at amortized cost. These are interest bearing advances and the income on these assets is credited to statement of profit or loss under interest income.

Loans and advances to customers

4.7

Particulars	Current Year	Previous Year
Loan and advances measured at amortized cost	408,782,570	552,957,263
Less: Impairment allowances		
Collective impairment	4,635,944	8,642,914
Individual impairment	139,749,612	134,019,982
Net amount	264,397,015	410,294,367
Loan and advances measured at FVTPL		
Total	264,397,015	410,294,367

"Loans and advances disbursed to customers and employees other than banks and financial institutions are presented above. These assets are measured at amortized cost. These are interest bearing advances and the income on these assets is credited to statement of profit or loss under interest income.

Loans and advances are presented net of impairment allowances as per Directive No. 2 issued by Nepal Rastra Bank. Impairment as per NRB directives for each of the above periods is higher than the impairment as per para 5 of the Alternative treatment and its application guideline provided in the carve out for implementation of NFRS 9 by ICAN dated 2079.04.02. Hence, impairment allowance as per NRB Directives is considered in the Financial Statements.

Narayani Development Bank Limited
Notes to Financial Statements

Impairment in loans and advances to BFIs and loans and advances to customer are as per NRB directive no.2 NPR 144,384,872/- which is higher than total impairment as per NFRS 9. As per NFRS 9 impairment are NPR 20,119,568/- for the FY 2080.81.

Provided below is the impairment calculated as per NFRS:

We have selected around 30% 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. 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	Current Year	Previous Year
Individual impairment	17,885,502	10,164,965
Collective impairment	2,234,066	4,626,269
Total	20,119,568	14,791,234

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

Particulars	Current Year	Previous Year
Performing loan	217,490,750	397,988,930
Good	179,107,971	304,230,601
Watchlist	30,815,994	93,758,329
Restructured Loan	7,566,785	-
Non-performing loan	188,299,190	149,604,319
Substandard	37,745,599	18,042,995
Doubtful	42,488,462	6,170,088
Loss	108,065,128	125,391,236
Total	405,789,940	547,593,249
Add: loan to employees	1,003,853	1,032,953
Net AIR	1,988,778	4,331,061
Total loan	408,782,570	552,957,263
<u>Impairment allowance</u>		
Performing loan	4,635,944	8,642,914
Good	2,149,296	3,954,998
Watchlist	1,540,800	4,687,916
Restructured Loan	945,848	-
Non-performing loan	139,749,612	134,019,982
Substandard	9,436,400	4,510,749
Doubtful	21,244,231	3,085,044
Loss	109,068,981	126,424,189
Additional	-	-
Total	144,385,555	142,662,896

Loans and Advances to BFIs as well as to individual borrowers has been carried at amortised cost and includes accrued interest receivable amounting NRs. 3,527,011.

4.7.1 Analysis of Loans and advances By product

Product	Current Year	Previous Year
Term loans	79,651,567	113,140,457
Overdraft	83,728,183	120,119,707
Trust receipt/Import loans	-	-

Narayani Development Bank Limited
Notes to Financial Statements

Demand and other working capital loans	-	-
Personal residential loans	26,022,415	39,250,686
Real estate loans	-	5,245,500
Margin lending loans	-	-
Hire purchase loans	25,586,016	33,779,436
Deprived sector loans	368,836	16,991,489
Bills purchased	-	-
Staff loans	99,102	-
Service Loan	9,908,608	10,023,483
Industrial Loan	-	-
Agriculture Loan	21,294,103	21,636,483
Commercial Loan	152,400,994	171,234,835
Loan Against FDR	2,700,000	7,405,032
Loan Against Share	-	6,044,249
Investment on Sworojgar	2,721,890	2,721,890
Other	1,308,225	-
Sub total	405,789,940	547,593,249
Loans to employees	1,003,853	1,032,953
Accrued Interest receivable	1,988,778	4,331,061
Grand total	408,782,570	552,957,263

4.7.2: Analysis of loan and advances - By Currency

Currency	Current Year	Previous Year
Nepalese rupee	408,782,570	552,957,263
Indian rupee	-	-
United State dollar	-	-
Great Britain pound	-	-
Euro	-	-
Japanese yen	-	-
Chinese yuan	-	-
Other	-	-
Total	408,782,570	552,957,263

4.7.3: Analysis of loan and advances - By Collateral

Collateral	Current Year	Previous Year
<u>Secured</u>		
Movable/immovable assets	406,060,680	513,878,656
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	-	-
Subtotal	408,782,570	516,600,546
<u>Unsecured</u>	-	36,356,718
Grant Total	408,782,570	552,957,263

Narayani Development Bank Limited
Notes to Financial Statements

4.7.4: Allowances for impairment

Particulars	Current Year	Previous Year
<u>Specific allowances for impairment</u>		
Balance at Sawan 1	134,019,982	52,861,762
Impairment loss for the year:	-	-
Charge for the year	5,729,630	81,158,220
Recoveries/reversal during the year	-	-
Write-offs	-	-
Exchange rate variance on foreign currency	-	-
Other movement	-	-
Balance at Asar end	139,749,612	134,019,982
<u>Collective allowances for impairment</u>		
Balance at Sawan 1	8,642,914	4,593,306
Impairment loss for the year:	-	-
Transfer On Merger and Acquisition	-	-
Charge/(reversal) for the year	(4,006,971)	4,049,607.83
Exchange rate variance on foreign currency	-	-
Other movement	-	-
Balance at end	4,635,944	8,642,914
Total allowances for impairment	144,385,555	142,662,896

Investment Securities

4.8

Particulars	Current Year	Previous Year
Investment securities measured at amortized cost	4,000,000	4,000,000
Investment in equity measured at FVTOCI	43,153,554	43,427,610
Total	47,153,554	47,427,610

Investment made by the Bank in financial instruments has been presented under this account head in two categories i.e. investment securities measured at amortized cost and investment in equity measured at fair value through other comprehensive income.

Investment other than those measured at amortized cost is measured at fair value and changes in fair value has been recognized in other comprehensive income. Where income from the investment is received in the form of bonus shares, the valuation of investment is made by increasing the number of shares without changing in the cost of investment.

4.8.1: Investment securities measured at amortized cost

Particulars	Current Year	Previous Year
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	-	-
Total	4,000,000	4,000,000

Government bond consist of Development Bond issued by NRB.

Narayani Development Bank Limited
Notes to Financial Statements

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

Particulars	Current Year	Previous Year
<u>Equity instruments</u>		
Quoted equity securities	43,153,554	43,427,610
Unquoted equity securities	-	-
Total	43,153,554	43,427,610

Narayani Development Bank Limited
Notes to Financial Statements

4.8.3: Information relating to investment in equities

Particulars	Current Year		Previous Year	
	Cost	Fair Value	Cost	Fair Value
Investment in quoted equity				
Prudential Insurance Company Limited - Ordinary Share	54,900	533,448	54,900	535,360
Nepal Insurance Company Limited - Ordinary Share	-	40,480	-	-
Ajod Insurance Company Ltd.	2,039,662	2,227,019	2,039,662	1,751,288
Investment on share Butwal Power Company Ltd.	2,454,608	2,091,880	2,454,608	2,230,214
Lumbini general Insurance Co. Ltd.	-	727	-	748
Global IME Balanced Fund-1 (GIBF1)	15,000,000	13,650,000	15,000,000	14,010,000
Prabhu Smart Fund (PRSF)	10,000,000	9,610,000	10,000,000	9,900,000
Citizen Super 30 Mutual Fund	15,000,000	15,000,000	15,000,000	15,000,000
Total	44,549,170	43,153,554	44,549,170	43,427,610

Statement showing Fair market value of Investment Securities

S.No.	Name of Company	No.of Shares	Per Unit Cost	Market price	No.of Shares	Per Unit Cost	Market price	No.of Shares	Per Unit Cost	Cost price
1	IGI Prudential Insurance Company Limited(IGI)	549	558.00	306,342	549	560	307,440	549	100	54,900
2	IGI Prudential Insurance Company Limited(IGI)	128	558.00	71,424	128	560	71,680	128	-	-
3	IGI Prudential Insurance Company Limited(IGI)	249	558.00	138,942	249	560	139,440	249	-	-
4	IGI Prudential Insurance Company Limited(IGI)(Bonus)	30	558.00	16,740	30	560	16,800	-	-	-
5	Butwal Power Company Limited(BPCL)	98	310.00	30,380	98	331	32,389	98	375	36,771
6	Butwal Power Company Limited(BPCL)	5,000	310.00	1,550,000	5,000	331	1,652,500	5,000	386	1,927,830
7	Butwal Power Company Limited(BPCL)	1,318	310.00	408,580	1,318	331	435,599	1,318	372	490,007
8	Butwal Power Company Limited(BPCL)	11	310.00	3,410	11	331	3,636	11	-	-
9	Butwal Power Company Limited(BPCL)(Bonus)	321	310.00	99,510	321	331	106,091	-	-	-
14	Nepal Insurance Company Limited(NICL)(Bonus)	46	880.00	40,480	-	-	-	-	-	-
15	United Ajod Insurance Company Ltd.(UAIL)	3,721	598.50	2,227,019	3,375	519	1,751,288	4,091	499	2,039,662
16	Sagarmatha Lumbini Insurance Co. Limited (SALICO)	1	727.00	727	1	748	748	1	-	-
17	Global IME Balanced Fund-1 (GIBF1)	1,500,000	9.10	13,650,000	1,500,000	9	14,010,000	1,500,000	10	15,000,000
18	Prabhu Smart Fund (PRSF)	1,000,000	9.61	9,610,000	1,000,000	10	9,900,000	1,000,000	10	10,000,000
19	Citizen Super 30 Mutual Fund	1,500,000	10.00	15,000,000	1,500,000	10	15,000,000	1,500,000	10	15,000,000
	Total	4,011,472		43,153,554	4,011,080		43,427,610	4,011,445		44,549,170

Narayani Development Bank Limited
Notes to Financial Statements

Current tax assets

4.9

Particulars	Current Year	Previous Year
Current tax assets	10,344,772	9,980,040
Current year income tax assets	10,344,772	9,980,040
Tax assets of prior periods	-	-
Current tax liabilities	-	-
Current year income tax liabilities	-	-
Tax liabilities of prior periods	-	-
Total	10,344,772	9,980,040

Current Tax Assets includes Tax Deducted at Source (TDS) by several parties on behalf of the Bank.

Investment in subsidiaries

4.10

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

Narayani Development Bank Limited
Notes to Financial Statements

4.10.1: Investment in quoted subsidiaries

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

4.10.2: Investment in unquoted subsidiaries

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

4.10.3: Information relating to subsidiaries of the Bank

	Current Year		Percentage of ownership held by the Bank	
	Cost	Fair Value	Current Year	Previous Year
.....Ltd. Ltd. Ltd. Ltd.				
Total			-	-

Narayani Development Bank Limited
Notes to Financial Statements

4.10.4: Non controlling interest of the subsidiaries

Particulars	Current Year	Previous Year
Equity interest held by NCI (%)		... Ltd.
Profit/(loss) allocated during the year		
Accumulated balances of NCI as on Asar end		
Dividend paid to NCI		
Particulars	Current Year	Previous Year
Equity interest held by NCI (%)		... Ltd.
Profit/(loss) allocated during the year		
Accumulated balances of NCI as on Asar end		
Dividend paid to NCI		
Particulars	Current Year	Previous Year
Equity interest held by NCI (%)		... Ltd.
Profit/(loss) allocated during the year		
Accumulated balances of NCI as on Asar end		
Dividend paid to NCI		

4.11 Investment in associates

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

Narayani Development Bank Limited
Notes to Financial Statements

4.11.1.1: Investment in quoted associates

Particulars	Current Year		Previous Year	
	Cost	Fair Value	Cost	Fair Value
Total			-	-

4.11.2: Investment in unquoted associates

Particulars	Current Year		Previous Year	
	Cost	Fair Value	Cost	Fair Value
Total			-	-

4.11.3: Information relating to associates of the Bank

Particulars	Current Year		Percentage of ownership held by the Bank	
	Cost	Fair Value	Current Year	Previous Year
Total			-	-

4.11.4: Equity value of associates

Particulars	Current Year	Previous Year

Narayani Development Bank Limited
Notes to Financial Statements

4.12 Investment properties

Particulars	Current Year	Previous Year
Investment properties measured at fair value		
Balance as on Sawan 1, ...		
Addition/disposal during the year		
Net changes in fair value during the year		
Adjustment/transfer		
Net amount		
Investment properties measured at cost		
Balance as on Sawan 1		
Addition during the year	14,281,137	
Disposal during the year		
Adjustment/transfer		
Accumulated depreciation		
Accumulated impairment loss		
Net amount	14,281,137	
Total	14,281,137	

Note 4.12.1: Investment property comprise the following

Own Land		
Non-Banking Assets	14,281,137	
Total	14,281,137	

Note 4.12.2: Details of Non Banking Assets:

Borrower's or Party's Name & Address	Current Year	Previous Year
Raj Kumar Mahato	2,639,637	
Kalika Krishi Machhapalan Tatha Pashupanchi Farm	4,841,500	
Shila Fancy And Cosmetic	6,800,000	
Total	14,281,137	

Narayani Development Bank Limited
Notes to Financial Statements

Property and Equipment			Particulars		Notes to Financial Statements								4.13
Land	Building	Leasehold Properties	Computer & Accessories	Vehicle	Furniture & Fixture	Machinery	Equipments & Others	Right of Use Assets	Total 31st Asar, 2081				

Narayani Development Bank Limited
Notes to Financial Statements

Goodwill and Intangible Assets

4.14

Particulars	Goodwill	Software		Other	Total
		Purchased	Developed		
Cost					
As on Sawan 1, 2079	-	3,931,658	-	-	3,931,658
Addition during the Year					-
Acquisition		-			-
Acquired on business combination					-
Capitalization					-
Disposal during the year					-
Adjustment/Revaluation		8,100,834			8,100,834
Balance as on Asadh end 2080	-	12,032,492	-	-	12,032,492
Addition during the Year					-
Acquisition		-			-
Acquired on business combination					-
Capitalization					-
Disposal during the year					-
Adjustment/Revaluation					-
Balance as on Asadh end, 2081	-	12,032,492	-	-	12,032,492
Amortization and Impairment					
As on Sawan 1, 2079	-	1,277,789	-	-	1,277,789
Amortization charge for the Year					-
Impairment for the year		786,332			786,332
Acquired on business combination					-
Disposals					-
Adjustment					-
As on Asadh end 2080	-	2,064,120	-	-	2,064,120
Amortization charge for the Year					-
Impairment for the year		2,668,545			2,668,545
Acquired on business combination					-
Disposals					-
Adjustment					-
As on Asadh end 2081	-	4,732,666	-	-	4,732,666
Capital Work in Progress					
Net Book Value					
As on Asadh end 2079	-	2,653,869	-	-	2,653,869
As on Asadh end 2080	-	9,968,372	-	-	9,968,372
As on Asadh end 2081	-	7,299,826	-	-	7,299,826

Narayani Development Bank Limited
Notes to Financial Statements

Deferred Tax

Particulars	Current Year			Previous Year		
	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets/(Liabilities)	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets/(Liabilities)
Deferred tax on temporary differences on following items			-			-
Loan and Advance to B/FIs			-			-
Loans and advances to customers	37,183,928		37,183,928	34,504,510		34,504,510
Investment properties	-		-	-		-
Investment securities	418,685		418,685	336,468		336,468
Property & equipment	413,987	-	413,987	-	651,369	(651,369)
Employees' defined benefit plan	1,265,956		1,265,956	1,112,851		1,112,851
Lease liabilities	-	495,109	(495,109)	4,222,567		4,222,567
Provisions			-	-		-
Other temporary differences						-
Deferred tax on temporary differences	39,282,555	495,109	38,787,446	40,176,396	651,369	39,525,027
Deferred tax on carry forward of unused tax losses			-			
Deferred tax due to changes in tax rate			-			
Net Deferred tax (asset)/liabilities as on year end of Asadh 2081	39,282,555	495,109	38,787,446	40,176,396	651,369	39,525,027
Deferred tax (asset)/liabilities as on Shrawan 1, 2080			(39,525,027)			(13,929,844)
Deferred tax assets/(liability) transferred on acquisition						
Origination/(Reversal) during the year						
Deferred tax expense/(income) recognized in profit or loss			819,797			(25,355,998)
Deferred tax expense/(income) recognized in other comprehensive income			(82,217)			(239,185)
Deferred tax expense/(income) recognized in directly in equity						

Narayani Development Bank Limited
Notes to Financial Statements

Other Assets

4.16

Particulars	Current Year	Previous Year
Assets held for sale	-	-
Other non banking assets	-	-
Bills receivable	-	-
Accounts receivable	8,564,162	5,004,823
Accrued income	-	-
Prepayments and deposit	-	-
Income tax deposit	-	-
Deferred employee expenditure	-	-
Prepaid Expenses	1,299,002	519,179
Other	912,436	87,040
Total	10,775,599	5,611,042

Disclosure: Calculation of amount under 4.16

	Current Year	Previous Year
Account Receivables	81,129,290	97,938,877
Provision:		
Provision For Receivable Others (Interest from CWME)	2,134,306	2,134,306
Receivable from Dibya Kumar Shrestha	70,091,173	70,091,173
Receivable from Others	34,699.66	34,700
Provision For Bank Balance(Crystal Finance)	304,949	20,673,874
Total Provision:	72,565,128	92,934,054
Total	8,564,162	5,004,823

Other Assets (Other)		
Other	6,984,448.37	6,553,650
Provision For Advance (Crystal Worldwide Money Transfer)	(6,012,551)	(6,012,551)
Provision for IBT	(59,461)	(454,059)
Net of Other Assets (other)	912,436	87,040

Provision for Advance is deducted from Other Assets(other) and remaining provision amount of Rs 72,565,128 is deducted from Account receivables.

Disclosure: Other Assets also includes following stock held by the Bank as on date:

STATIONERY ITEMS STOCK	150,040
PRINTED MATERIALS STOCK	406,713
Total	556,753

Due to Bank and Financial Institutions

4.17

Particulars	Current Year	Previous Year
Money market deposits	-	-
Interbank borrowing	-	-
Other deposits from BFIs	-	-
Settlement and clearing accounts	-	-
Other deposits from BFIs	-	-
Total	-	-

Narayani Development Bank Limited
Notes to Financial Statements

Due to Nepal Rastra Bank

4.18

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

Derivative financial instruments

4.19

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

Deposits from customers

4.20

Particulars	Current Year	Previous Year
Institutions customers:		
Term deposits	184,702,000	205,740,000
Call deposits	50,252,376	185,417,056
Current deposits	14,114,197	17,750,049
Other	3,980,545	-
Individual customers:		
Term deposits	306,917,943	148,785,900
Saving deposits	71,254,627	75,120,144
Current deposits	299,334	-
Other	-	-
Total	631,521,022	632,813,148

4.20.1: Currency wise analysis of deposit from customers

Particulars	Current Year	Previous Year
Nepalese rupee	631,521,022	632,813,148
Indian rupee	-	-
United State dollar	-	-
Great Britain pound	-	-
Euro	-	-
Japanese yen	-	-
Chinese yuan	-	-
Other	-	-
Total	631,521,022	632,813,148

Narayani Development Bank Limited
Notes to Financial Statements

Borrowing

4.21

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

Provisions

4.22

Particulars	Current Year	Previous Year
Provisions for redundancy	-	-
Provision for restructuring	-	-
Pending legal issues and tax litigation	-	-
Onerous contracts	-	-
Other	-	864,450
Total	-	864,450

4.22.1: Movement in provision

Particulars	Current Year	Previous Year
Balance at Sawan 1	864,450	562,240
Provisions made during the year	-	302,210
Provisions used during the year	(864,450)	-
Provisions reversed during the year	-	-
Unwind of discount	-	-
Balance at Asar end	-	864,450

Provision has been made for the payable amount to internal audit fee and statutory audit fee for FY 2079.80 for an amount of NRs. 158,200 and NRs. 706,250 which is paid during the FY 2080.81 and the same provision is winded up.

Other liabilities

4.23

Particulars	Current Year	Previous Year
Liability for employees defined benefit obligation	2,650,850	2,456,040
Liability for long-service leave	1,569,003	2,189,190
Short-term employee benefits	108,080	-
Staff Welfare Fund	1,380,870	1,380,870
Bills payable	-	-
Creditors and accruals	18,615,498	21,146,734
Interest payable on deposit	339,623	213,364
Interest payable on borrowing	-	-

Narayani Development Bank Limited
Notes to Financial Statements

Liabilities on deferred grant income	-	-
Unpaid Dividend	-	-
Lease Liabilities under NFRS 16	19,160,379	15,173,949
Lease Liabilities under NAS 17	141,149	141,149
Employee bonus payable	-	-
Other	2,744,960	880,781
Total	46,710,411	43,582,077

Under Other consists of amount of NRs. 2,055,224.22 which is the interest suspense of Assets booked under Non Banking Assets which shall be realised as interest income once the assets is realised by the Bank.

4.23.1: Defined benefit obligations

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

Particulars	Current Year	Previous Year
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	Current Year	Previous Year
Equity securities	-	-
Government bonds	-	-
Bank deposit	-	-
Other	-	-
Total	-	-

4.23.3: Movement in the present value of defined benefit obligations

Particulars	Current Year	Previous Year
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	Current Year	Previous Year
Fair value of plan assets at Sawan 1	-	-
Contributions paid into the plan	-	-
Benefits paid during the year	-	-
Actuarial (losses) gains	-	-

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Notes to Financial Statements

Expected return on plan assets	-	-
Fair value of plan assets at Asar end	-	-

4.23.5: Amount recognized in profit or loss

Particulars	Current Year	Previous Year
Current service costs	-	-
Interest on obligation	-	-
Expected return on plan assets	-	-
Total	-	-

4.23.6: Amount recognized in other comprehensive income

Particulars	Current Year	Previous Year
Actuarial (gain)/loss	-	-
Total	-	-

4.23.7: Actuarial assumptions

Particulars	Current Year	Previous Year
Discount rate	-	-
Expected return on plan asset	-	-
Future salary increase	-	-
Withdrawal rate	-	-

Debt securities issued

4.24

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

Subordinated Liabilities

4.25

Particulars	Current Year	Previous Year
Redeemable preference shares	-	-
Irredeemable cumulative preference shares	-	-
Other	-	-
Total	-	-

Share capital

4.26

Particulars	Current Year	Previous Year
Ordinary shares	262,467,600	262,467,600
Convertible preference shares (equity component)	-	-
Irredeemable preference shares (equity component)	-	-
Perpetual debt (equity component only)	-	-
Total	262,467,600	262,467,600

Narayani Development Bank Limited
Notes to Financial Statements

4.26.1: Ordinary shares

Particulars	Current Year	Previous Year
Authorized Capital		
5,300,000 Ordinary share of Rs. 100 each	530,000,000	530,000,000
Issued capital		
26,24,676 Ordinary share of Rs. 100 each	262,467,600	262,467,600
13,12,338 Ordinary share of Rs. 100 each		
Subscribed and paid up capital		
26,24,676 Ordinary share of Rs. 100 each	262,467,600	262,467,600
13,12,338 Ordinary share of Rs. 100 each		
Total	262,467,600	262,467,600

Regulatory capital for the related years are:

Reconciliation of no. of equity shares	Current Year	Previous Year
Opening	2,624,676	2,624,676
Add: issued during the year	-	-
Closing	2,624,676	2,624,676

The shareholders holding 0.5% or more of total paid up capital As at 31.03.2081 are as follows:

Name of Shareholders	No. of Shares	Percentage Holding
Ropa Investment Pvt. Ltd	259,522	9.89%
Anita Shrestha	196,880	7.50%
Arjun Kumar Pokhrel	195,692	7.46%
Uttam Prasad Dwa	105,000	4.00%
Anju Devi Shrestha	94,335	3.59%
Ramkishan Gotame	94,335	3.59%
Ambi Ratna Shakya	84,450	3.22%
Nabaraj Bajgain	80,000	3.05%
Jamuna Krishna Tamrakar	65,628	2.50%
Hema Kumari Lohani	50,042	1.91%
Dhirendra Mainali	49,222	1.88%
Alpana Shrestha	47,261	1.80%
Tek Nath Bhattarai	33,723	1.28%
Rajesh Kumar Karmacharya	32,814	1.25%
Sunil Shrestha	32,814	1.25%
Yashoda Adhikari	30,000	1.14%
Hari Bahadur Bhandari	28,000	1.07%
Tek Nath Dhakal	26,000	0.99%
Tirtha Ram Shrestha	25,431	0.97%
Gopal Prasad Dahal	25,000	0.95%
Rekha Bhattarai	25,000	0.95%
Sujan Duwadi	24,000	0.91%
Deepak Dhital	23,126	0.88%
Krishna Murari Lamichhane	22,814	0.87%
Gopal Karmacharya	19,690	0.75%

Narayani Development Bank Limited
Notes to Financial Statements

Shova Mishra	18,998	0.72%
Prakash Pant	16,626	0.63%
Bijay Bahadur Bajracharya	13,126	0.50%
Hari Bahadur Hamal	13,126	0.50%

4.26.2: Ordinary share ownership

Particulars	Current Year		Previous Year	
	Percent	No. of Shares	Percent	No. of Shares
<u>Domestic ownership</u>				
Nepal Government	-	-	-	-
"A" class licensed institutions	-	-	-	-
Other licensed institutions	-	-	-	-
Other Institutions	-	-	-	-
Public	30%	787,613	-	787,613
Other	70%	1,837,063	30%	1,837,063
<u>Foreign ownership</u>	-	-	70%	-
Total	100%	2,624,676	100%	2,624,676

4.27 Reserves

Particulars	Current Year	Previous Year
Statutory general reserve	108,174,262	108,174,262
Exchange equalization reserve	-	-
Corporate social responsibility reserve	4,399	9,399
Capital adjustment reserve	40,145,045	10,346,145
Regulatory reserve	49,042,711	42,837,432
Investment adjustment reserve	-	-
Capital reserve	-	-
Assets revaluation reserve	-	-
Fair value reserve	(976,931)	(785,092)
Dividend equalization reserve	-	-
Actuarial gain	-	-
Special reserve	-	-
Other Reserves	545,989	296,288
Total	196,935,475	160,878,435

Movement of all reserves is presented below:

Statutory General Reserve

General Reserve shall be maintained as per the regulatory requirements as stated by Bank & Financial Institutions Act, 2073. Bank is required to set aside 20% of the net profit until the reserve is twice of the paid up capital and thereafter 10% of the net profit.

Corporate Social Responsibility Reserve

Corporate Social Responsibility reserve of 1% of net profit after tax is maintained as per Nepal Rastra Bank Directive. The balance in the reserve includes unexhausted balance of previous year which shall be utilized CSR objective in the coming years.

Narayani Development Bank Limited
Notes to Financial Statements

In the current year following expenses have been made in CSR.

Particulars	Amount (NRs.)
As on Sawan 1 2080	9,399
Ghumau Bharatpur Abhiyan "Poem Competition"	5,000
Balance as on Asadh end, 2081	4,399

Details of capital adjustment reserve and other reserves.

Capital adjustment reserve	Current Year	Previous Year
Calls in Advances	33,583,355	3,784,455
Capital Adjustment Reserves	6,561,690	6,561,690
Total	40,145,045	10,346,145

Regulatory Reserve

Regulatory Reserve is created due to the changes in NFRS conversion and adoption with effect in the retained earnings of the bank.

Regulatory Reserve Comprises of Following

Particulars	Current Year	Previous Year
Interest Income On NFRS	281,217	2,527,314
Loss on investment	-	-
Provision on NBA	8,997,117	-
Deferred Tax Assets	38,787,446	39,525,027
Fair Value reserve transferred from Retained earnings	976,931	785,092
Bargain gain	-	-
Actuarial Valuation	-	-
Others	-	-
Total	49,042,711	42,837,432

Fair Value Reserve

The fair value reserve is created against the valuation of the investment of the bank as per the fair valuation of the investment made.

Fair Value Reserve Comprises of Following

Particulars	Current Year	Previous Year
Fair Value as on Previous year	(226,994)	(1,270,157)
Fair Value of Investment Securities Disposed	-	1,043,162
Net change in fair value	-	-
Total	(226,994)	(226,994)

Other Reserves

Other Reserves includes reserve created for the Employee Training Reserve created as per NRB Directive. The allocation to fund is made for deficit amount which cannot be expensed as training expenses in the current Fiscal year. The balance reserve will be utilised for staff training expenses in the coming years.

Staff Training Fund	Current Year	Previous Year
Opening Balance of the Fund	296,288	296,288
Less: Expenses made during the year	-	-
Add: Addition to the reserves	249,701	-
Total	545,989	296,288

Narayani Development Bank Limited
Notes to Financial Statements

Staff Training Expenses

Staff Training Expenses	Current Year
Employee Expenses of Previous FY	18,675,764
3% of employee Expenses	560,273
Training Expenses made during the year	310,572
Excess/(Deficit)	(249,701)

The deficit amount is added to Staff training fund to be utilised in staff training expenses in the coming years.

Contingent liabilities and commitments

4.28

Particulars	Current Year	Previous Year
Contingent liabilities		-
Undrawn and undisbursed facilities	2,985,075	48,867,616
Capital commitment		-
Lease Commitment	19,301,528	15,315,099
Litigation		-
Total	22,286,603	64,182,715

4.28.1: Contingent liabilities

Particulars	Current Year	Previous Year
Acceptance and documentary credit	-	-
Bills for collection	-	-
Forward exchange contracts	-	-
Guarantees	-	-
Underwriting commitment	-	-
Other commitments	-	-
Total	-	-

4.28.2: Undrawn and undisbursed facilities

Particulars	Current Year	Previous Year
Undisbursed amount of loans		-
Undrawn limits of overdrafts	2,985,075	48,867,616
Undrawn limits of credit cards		-
Undrawn limits of letter of credit		-
Undrawn limits of guarantee		-
Total	2,985,075	48,867,616

4.28.3: Capital commitments

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

Particulars	Current Year	Previous Year
Capital commitments in relation to Property and Equipment		
Approved and contracted for	-	-

Narayani Development Bank Limited
Notes to Financial Statements

Approved but not contracted for	-	-
Sub total	-	-
<u>Capital commitments in relation to Intangible assets</u>		
Approved and contracted for	-	-
Approved but not contracted for	-	-
Sub total	-	-
Total	-	-

4.28.4: Lease commitments

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date. The right-of-use asset is subsequently depreciated using the straight-line method

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted the Bank's Cost of fund.

Particulars	Current Year	Previous Year
a. Lease liabilities included in the statement of Financial Position		
Current	2,668,487	2,944,830
Non-Current	16,491,891	12,229,120
Total Lease Liabilities	19,160,379	15,173,949
b. Reconciliation of Right of Use Assets		
Right of Use Assets (ROU)		
ROU as on Shrawan 1st	14,360,205	13,336,261
Addition during the year	6,624,677	7,197,960
Disposal during the year	-	(4,149,987)
Depreciation	(3,474,867)	(2,839,204)
Other Adjustments made	-	815,176
Sub total	17,510,015	14,360,205
c. Reconciliation of Lease Liabilities		
Opening Lease Liabilities 1st Shrawan	15,173,949	13,934,075
Addition during the year	6,624,677	7,197,960
Disposal during the year	-	(3,603,120)
Interest	1,411,098	1,177,489
Lease payment made	(4,049,346)	(3,449,340)
Other Adjustments made	-	(83,114)
Subtotal	19,160,379	15,173,949
Grand total	19,160,379	15,173,949

4.28.5: Litigation

Bank have the following litigations pending the decision.

- 1) Krishna Bhakta Dhuju
- 2) Hacking Case

The Bank doesn't have any other litigation except the cases in the ordinary course of business. The Bank doesn't anticipate any additional Financial Liability in these pending lawsuits.

Narayani Development Bank Limited
Notes to Financial Statements

Interest income

4.29

Particulars	Current Year	Previous Year
Cash and cash equivalent	-	-
Due from Nepal Rastra Bank	-	-
Placement with bank and financial institutions	2,717,187	2,313,351
Loan and advances to bank and financial institutions	-	-
Loans and advances to customers	50,909,478	69,315,276
Investment securities	155,200	155,200
Loan and advances to staff	20,547	38,281
Other	-	-
Total interest income	53,802,411	71,822,108

Disclosure:

Interest income is recognized for all items on accrual basis as per the fair presentation framework of NFRS. Interest accrual till Asadh 2081 which is received till Shrawan 2081 is taken as Interest Income which amounts to NRs. Interest accrual on default party is not recognized as per the guidelines issued by Nepal Rastra Bank. Hence considering the materiality of the transaction cost with respect to the tenure of the loan interest rate charged to customer is considered as effective interest rate to calculate the interest on loans and advances.

Refer Note 13(a) for interest income recognition

Interest expense

4.30

Particulars	Current Year	Previous Year
Due to bank and financial institutions	21,675,147	1,871,115
Due to Nepal Rastra Bank	-	-
Deposits from customers	25,135,756	44,574,414
Borrowing	-	-
Debt securities issued	-	-
Subordinated liabilities	-	-
Other	-	-
Total interest expense	46,810,903	46,445,529

Interest Expenses on all financial liabilities including deposits are recognised in profit or loss using Effective Interest Rate Method.

Fees and Commission Income

4.31

Particulars	Current Year	Previous Year
Loan administration fees	-	-
Service fees	111,500	2,781,100
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	142,734	331,990
Commission on letter of credit	-	-
Commission on guarantee contracts issued	-	-
Commission on share underwriting/issue	-	-
Locker rental	-	-

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Notes to Financial Statements

Other fees and commission income	4,099,843	220,161
Total fees and Commission Income	4,354,077	3,333,251

Fees & Commission Income are generally recognised on an accrual basis when the service has been provided or significant act is performed. Service Income on Loan is recognised by the bank as and when received and is not deferred with tenure of loan.

Fees and commission expense

4.32

Particulars	Current Year	Previous Year
ATM management fees	-	-
VISA/Master card fees	-	-
Guarantee commission	-	-
Brokerage	-	-
DD/TT/Swift fees	-	-
Remittance fees and commission	-	-
Other fees and commission expense	350	19,189
Total fees and Commission Expense	350	19,189

Net trading income

4.33

Particulars	Current Year	Previous Year
Changes in fair value of trading assets	-	-
Gain/loss on disposal of trading assets	-	-
Interest income on trading assets	-	-
Dividend income on trading assets	-	-
Gain/loss foreign exchange transaction	-	-
Other	-	-
Net trading income	-	-

Other operating income

4.34

Particulars	Current Year	Previous Year
Foreign exchange revaluation gain	-	-
Gain/loss on sale of investment securities	-	1,012,375
Fair value gain/loss on investment properties	-	-
Dividend on equity instruments	2,288,271	-
Gain/loss on sale of property and equipment	10,038	1,452
Gain/loss on sale of investment property	-	-
Operating lease income	-	-
Gain/loss on sale of gold and silver	-	-
Locker rent	-	-
Other	-	-
Total	2,298,309	1,013,827

Other Operating Income includes profit/(loss) on sale of Property, Plant & Equipment under the ownership of the bank and dividend amount received on the equity instruments available for sale.

Impairment charge/(reversal) for loan and other losses

4.35

Particulars	Current Year	Previous Year
Impairment charge/(reversal) on loan and advances to B/FIs	-	(21)

Narayani Development Bank Limited
Notes to Financial Statements

Impairment charge/(reversal) on loan and advances to customer	1,722,659	85,207,828
Impairment charge/(reversal) on financial Investment	-	-
Impairment charge/(reversal) on placement with banks and	-	-
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	(20,368,926)	(4,828,501)
Total	(18,646,267)	80,379,306

The impairment charge has been created for the additional impairment loss booked by the Bank which is higher of the impairment as per NRB directive and Incurred Loss Model.

The reversal of impairment charge on other assets amounting to NRs. 20,368,926 is the provision created on the Bank Balance receivables from the Crystal Finance Ltd. Which has been realised in the FY 2080.81.

Personnel Expense

4.36

Particulars	Current Year	Previous Year
Salary	8,935,148	9,002,880
Allowances	10,305,315	9,672,883
Gratuity expense	-	-
Provident fund	618,452	606,621
Uniform	-	580,000
Training & development expense	310,572	447,305
Leave encashment	793,070	865,659
Medical	96,986	-
Insurance	-	-
Employees incentive	-	-
Cash-settled share-based payments	-	-
Contribution To Employee Pension Fund	-	-
Finance expense under NFRS	-	-
Other expenses related to staff	-	2,500
Subtotal	21,059,543	21,177,848
Employees bonus	-	-
Grand total	21,059,543	21,177,848

Provision for staff bonus is a mandatory requirement under the requirement of the Bonus Act, 2074.

All expenses related to employees of a bank has been included under this head. Expenses covered under this head include employees' salary, allowances, pension, gratuity, contribution to provident fund, training expenses, uniform expenses, insurance, staff bonus, finance expense under NFRS, etc. Staff Loans are fair valued using the market rates.

Other operating expense

4.37

Particulars	Current Year	Previous Year
Directors' fee	785,000	953,000
Directors' expense	408,770	872,946
Auditors' remuneration	519,800	557,350
Other audit related expense	169,993	132,750
Professional and legal expense	114,000	399,200
Office administration expense	14,654,111	16,465,802

Narayani Development Bank Limited
Notes to Financial Statements

Operating lease expense	-	-
Operating expense of investment properties	-	-
Corporate social responsibility expense	-	-
Finance cost under lease NFRS 16	1,411,098	1,177,489
Onerous lease provisions	-	-
Technical support Expenses	-	542,960
Total	18,062,772	21,101,497

All operating expenses except Employee Personnel expenses are recognised and presented under this head. The details of the office administration expenses is presented below:

Office administration expenses include the following:	Current Year	Previous Year
Water and electricity	1,177,775	1,157,296
Repair and maintenance		
Leasehold assets	16,605	-
Vehicles	190,035	222,461
Computer and accessories	79,991	134,001
Office equipment and furniture	79,015	283,801
Others	13,312	84,068
Insurance	134,497	472,668
Postage, telex, telephone , fax	100,364	125,194
Printing and stationery	501,925	751,958
Newspaper, books and journal	4,830	45,325
Advertisement	546,146	693,102
Donation	-	25,000
COVID Expenses	-	-
Security	3,531,770	2,957,380
Deposit and loan guarantee premium	233,694	49,387
Travel allowance and expense	387,791	615,388
Entertainment	28,590	182,903
Annual/special general meeting	742,709	555,461
Fuel Expenses	882,114	976,485
Other	3,442,592	5,863,543
Registration Fees And Charges	2,503,200	1,227,230
NCHL and CIC Expenses	57,155	43,153
Total	14,654,111	16,465,802

Disclosure:

Other expenses include the following:	Amount (Rs.)	Amount (Rs.)
Amortization of Share Issue Exp.	50,000	286,591
Business Promotion Expenses	33,735	265,839
Business Exhibition Expenses	-	71,190
Annual Maintenance Contact Exp.	372,406	332,128
Antivirus Expenses	67,800	74,580
Anniversary Expenses	8,700	53,875
Connectivity Expenses	-	27,955
Internet Expenses	176,280	176,280
Intranet Expenses	523,752	449,966
Branch Opening Expenses	-	26,642

Narayani Development Bank Limited
Notes to Financial Statements

Vehicle Tax Expenses	82,035	72,600
Website Design & Dev. Expenses	-	84,750
Sub-Committee Meeting Allowances	120,000	249,520
Bod Secretarial Expenses	7,500	48,000
Other Expenses		
Kitchen	157,452	306,442
Cleaning And Sanitation	46,831	90,944
Small Accessories	32,606	127,717
Cib Report Expenses	5,400	-
Bank Charges	5,316	7,108
Meeting Expenses	37,650	3,755
Internship Expenses	9,600	48,800
Gift And Souvenir	4,095	10,195
Vehicle Parking Expense	250	1,280
Auction Allowance Exp.	-	-
Consultant Fee	67,800	-
Office Exp	151,953	621,665
Festival Expenses	82,095	-
Fine & Penalties	504,330	2,404,800
Misc. Expenses	111,321	20,920
Other Local Tax Expenses	213,750	-
Right Share Expenses	569,935	-
Total	3,442,592	5,863,543

Depreciation & Amortization

4.38

Particulars	Current Year	Previous Year
Depreciation on property and equipment	7,479,337	9,716,207
Depreciation on investment property	-	-
Amortization of intangible assets	2,668,545	786,332
Total	10,147,882	10,502,538

Depreciation is calculated by using the written down value method on cost or valuation of the Property & Equipment other than freehold land and leasehold properties. Depreciation on leasehold properties is calculated by using the straight line method on cost or valuation of the property. Intangible asset contains software which has been amortized over 5 years.

Non operating income

4.39

Particulars	Current Year	Previous Year
Recovery of loan written off	-	-
Bargain gain on acquisition	-	-
Loan write off	-	-
Total	-	-

Non operating expense

4.40

Particulars	Current Year	Previous Year
Loan written off	-	-
Redundancy provision	-	-
Expense of restructuring	-	-
Other expense	-	-
Total	-	-

Narayani Development Bank Limited
Notes to Financial Statements

Income tax expense

4.41

Particulars	Current Year	Previous Year
Current tax expense		-
Current year	-	-
Adjustments for prior years	-	-
Deferred tax expense		25,355,998
Origination and reversal of temporary differences	-	25,355,998
Changes in tax rate	-	-
Recognition of previously unrecognized tax losses	-	-
Total income tax expense	-	25,355,998

4.41.1: Reconciliation of tax expense and accounting profit

Current Year	Current Year	Previous Year
Profit before tax	(16,980,386)	(103,456,721)
Tax amount at tax rate of 30%	(5,094,116)	(31,037,016)
Add: Tax effect of expenses that are not deductible for tax	-	-
Less: Tax effect on exempt income	-	-
Add/less: Tax effect on other items	-	-
Total income tax expense	(5,094,116)	(31,037,016)
Effective tax rate	30%	30%

Narayani Development Bank Limited
Statement of Distributable Profit or Loss
For the year ended Asar 31st, 2081

Particulars	Current Year	Previous Year
Net profit or (loss) as per statement of profit or loss	(17,800,183)	(78,100,723)
Appropriations:	-	-
a. General reserve	-	-
b. Foreign exchange fluctuation fund	-	-
c. Capital redemption reserve	-	-
d. Corporate social responsibility fund	-	-
e. Employees' training fund	(249,701)	-
f. Other	-	-
Profit or (loss) before regulatory adjustment	(18,049,884)	(78,100,723)
Regulatory adjustment :		
a. Interest receivable (-)/previous accrued interest received (+)	2,246,097	(2,162,432)
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 (+)	(8,997,117)	-
e. Deferred tax assets recognized (-)/ reversal (+)	737,580	(25,595,183)
f. Goodwill recognized (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognized (-)/reversal (+)	-	-
h. Actuarial loss recognized (-)/reversal (+)	-	-
i. Other (+/-) Fair Value Gain/(Loss)	(191,839)	766,889
Net Profit for the year ended Asar 31st, 2081 available for distribution	(24,255,162)	(105,091,449)
Opening Retained Earning as on Sawan 1st 2080	(387,783,472)	(282,016,107)
Adjustment(+/-)	-	-
Prior period items-Lease Adjustments	-	367,246
Fair value of Investment securities disposed	-	(1,043,162)
Reversal of Expenses charged in prior periods	529,656	-
Adjusted Retained earnings as on Sawan 1	(387,253,816)	(282,692,024)
Distribution:		
Bonus Shares Issued	-	-
Cash Dividend Paid	-	-
Total Distributable profit or (loss) as on year date	(411,508,978)	(387,783,472)
Annualised Distributable Profit/(Loss) Per share	(6.88)	(29.76)

Reversal of Expenses charged in prior periods includes following:

Personal Nature Expenses reversed by NRB Inspection	400
Personal Nature Expenses reversed by NRB Inspection	2,000
BOD Meeting allowance reversed (27,28,29,29KA,30) by NRB Inspection	21,250
BOD expenses of Director Ganeshman Pradhan reversed by NRB Inspection	11,000
Lodging and Fooding expenses reversed by NRB Inspection	100,409
	135,059
Write back of Provision made for IBT	394,597
Total	529,656

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5 Disclosure and Additional Information

5.1 Financial Risk Management

Introduction and Overview

Risk is inherent in the Bank's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is mainly exposed to;

- 1) Credit Risk
- 2) Liquidity Risk
- 3) Market Risk
- 4) Operational Risk
- 5) Information Technology Risk
- 6) Other Risk

a) Credit Risk

Risk is an inherent aspect of business operations and is a key driver of revenue generation. For banks, effective risk management aims to strike a balance between risk and return to achieve the best possible risk-adjusted return on capital. While maintaining a reasonable return is crucial for business sustainability, chasing excessive risk for higher rewards can jeopardize the business. Hence, effective risk management is critical for achieving long-term success.

Bank has implemented a rigorous risk management framework, supported by policies and processes that have been approved by the Board of Directors. This framework ensures that risks are independently identified, measured, and managed across all areas of banking operations.

In line with NRB directives, the bank has established a Board-level Risk Management Committee responsible for overseeing and ensuring that the bank's risk appetite aligns with its policies. The Chief Risk Officer (CRO) acts as the secretary of this committee, diligently monitoring and reporting on credit-related risks during committee meetings.

b) Market Risk

Market risk refers to the possibility that the value or future cash flows of financial instruments might change due to fluctuations in market variables such as interest rates, foreign exchange rates, commodity prices, and equity prices. The Bank categorizes its market risk exposures into trading and non-trading portfolios, managing each type separately with a dedicated market risk management policy.

Market risks are reviewed by the Asset Liability Management Committee (ALCO) and also discussed. Quarterly reports on these aspects are extensively reviewed by the ALCO, which ensures that operations align with established policies and procedures. The committee also recommends actions to address risks related to interest rate changes, exchange rate fluctuations, and equity price movements.

c) Liquidity Risk

Liquidity risk involves the potential challenge the Bank might face in fulfilling its financial commitments, which require cash or other financial assets. This risk means that the Bank might struggle to meet its payment obligations both under normal conditions and in times of stress. To mitigate this risk, the Bank has diversified its funding sources beyond its core deposit base and follows a policy of managing assets with liquidity considerations in mind. Daily monitoring of future cash flows and liquidity is also part of this approach.

The Bank monitors its liquidity through the Asset Liability Management Committee (ALCO), which reviews and discusses the quarterly Statutory Liquidity Ratio (SLR) report.

To prepare for unforeseen cash flow disruptions, the Bank maintains a portfolio of highly marketable and diverse assets that are expected to be easily liquidated. Additionally, it has committed lines of credit to address liquidity needs. The Bank also holds a statutory deposit with the Nepal Rastra Bank, approximately 7.68% of customer local deposits. As part of its policy, the Bank evaluates and manages its liquidity position under various scenarios, including stress factors both general to the market and specific to the Bank. A key aspect of this management is maintaining the required ratio of liquid assets to liabilities to meet regulatory requirements. Liquid assets include cash, short-term bank deposits, and readily sellable liquid debt securities.

SLR for the month of Asadh 2081 is 50.12%.

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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.

To manage operational risk effectively, the Bank focuses on minimizing losses and customer dissatisfaction due to process failures. This includes scrutinizing product flows and design vulnerabilities that could lead to fraud, analyzing the impacts of technological failures, and developing contingency plans to address external shocks that might disrupt the Bank's operations.

The Branches are dedicated for overseeing operational risk, including compliance with Know Your Customer (KYC) and Anti-Money Laundering (AML) regulations. Branches report directly to the Compliance or Operation Department. The personnel from the department has, has full access to daily reports, operational processes, and the authority to recommend changes. The sub department employee report to the head of this department or Chief Risk Officer or Compliance Officer. The Bank uses Operation Manuals for all its business activities, ensuring operations adhere to these manuals, policies, guidelines, and directives from the central bank. Daily operational functions are reported through a separate line to maintain independence

Processes are periodically reviewed to address any deficiencies and improve accuracy. Centralizing functions such as Credit approval, bill payments, and loan disbursement helps minimize errors due to staff inexperience. Public awareness of the Bank's services and products is maintained through notices on the website, in branches, or through other publications. New staff members receive orientation and are supervised by experienced colleagues until they acquire the necessary skills.

Skill development programs are conducted regularly, with staff receiving opportunities for training, seminars, and workshops. Knowledge sharing is encouraged, allowing trained staff to share insights with peers.

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.

The Core Banking System (CBS) is another area of concern, with growing external threats. The Information and Technology Division reviews and ensures the security aspects align with the Bank's IT Policy.

The Bank has not conducted an Information System Audit to date. However, it has introduced a comprehensive operational risk monitoring and reporting framework and has implemented measures such as daily transaction checks at all branches to mitigate operational risks.

In operations, a maker-checker concept is employed, requiring that transactions be reviewed by two individuals to capture any deviations. The Bank also maintains an online replication Disaster Recovery Site (DRS), which captures transaction records from the Production Server. Both the Production Server and the DRS are housed in secure, shock-resistant buildings. Periodic drills test the functionality of the DRS.

Each desktop is equipped with an E-scan Antivirus Software to prevent unauthorized data transfer or import, ensuring data security. Periodic backups of individual desktop data are stored at the data center to facilitate data recovery if needed.

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.

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Risk Management Framework

The Board of Directors is ultimately responsible for creating and overseeing the Bank's risk management framework. The Chief Risk Officer (CRO) and their team handle the Bank's overall risk management, which involves identifying, assessing, monitoring, and mitigating various business risks—both global and local—that could impact the Bank's objectives and operations. This role also ensures that the Bank adheres to internal policies and external regulations, including legal and contractual obligations, on an ongoing basis. Additionally, the CRO integrates major risks into the capital assessment process. The Bank's risk management policies are designed to identify and evaluate potential risks, establish appropriate limits and controls, and ensure compliance with these limits. These policies and systems are reviewed annually to adapt to changes in market conditions and the Bank's offerings. Through rigorous training and adherence to management standards, the Bank maintains a structured and effective control environment, clearly defining the roles and responsibilities of all employees. The risk management framework is illustrated below



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 2081

Particulars	Classification	Level 1	Level 2	Level 3
Financial Assets				
Cash and cash equivalent				264,049,666
Due from Nepal Rastra Bank	AC			48,488,766
Loans and advances to BFI	AC			-
Loans and advances to customers	AC			264,397,015
Investment securities				
Quoted shares	FVOCI	-		43,427,610
Unquoted shares	FVOCI			-
Other Investment	AC			-
Total Financial Assets		-	-	620,363,057
Financial Liabilities				
Due to Bank and Financial Institutions	AC			-
Due to Nepal Rastra Bank	AC			-
Deposits from customers	AC			631,521,022
Borrowing	AC			-
Other Liabilities	AC			46,710,411
Total Financial Liabilities		-	-	678,231,433

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As at 31 Ashad 2079

Particulars	Classification	Level 1	Level 2	Level 3
Financial Assets				
Cash and cash equivalent				128,200,835
Due from Nepal Rastra Bank	AC			40,879,280
Loans and BFI	AC			-
Loans and advances to customers	AC			410,294,367
Investment securities				
Quoted shares	FVOCI	-		43,427,610
Unquoted shares	FVOCI			-
Other Investment	AC			-
Total Financial Assets		-	-	622,802,091
Financial Liabilities				
Due to Bank and Financial Institutions	AC			-
Due to Nepal Rastra Bank	AC			-
Deposits from customers	AC			632,813,148
Borrowing	AC			-
Other Liabilities	AC			43,582,077
Total Financial Liabilities		-	-	676,395,225

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

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	As at 31.03.2081	As at 31.03.2080
1.1 Risk Weighted Exposure (RWE)		
RWE for Credit Risk	436,733,559	524,191,826
RWE for Operational Risk	22,497,883	7,049,669
RWE for Market Risk	-	-
Total RWE before adjustment under Pillar II	459,231,442	531,241,495
Adjustments under Pillar II		
SRP 6.4a (5) ALM policies & practices are not satisfactory, add 1% of net interest income to RWE	253,766	-
SRP 6.4a (7) Add RWE equivalent to reciprocal of capital charge of 4 % of gross income.	1,188,179	2,285,076
SRP 6.4a (9) Overall risk management policies and procedures are not satisfactory. Add 4% of RWE	18,369,258	21,249,660
SRP 6.4a (10) Desired level of disclosure requirement has not been achieved. Add 2% of RWE	-	10,624,830
Total RWE	479,042,644	565,401,060
1.2 Capital		
A. Core Capital (Tier I)	8,809,368	17,830,900
Paid up Equity Share Capital	262,467,600	262,467,600
Irredeemable Non-cumulative preference shares	-	-
Share Premium	10,101,374	10,101,374
Proposed Bonus Equity Shares	-	-
Call in Advance	33,583,355	3,784,455
Statutory General Reserves	108,174,262	108,174,262
Retained Earnings	(411,508,978)	(388,140,718)
Un-audited current year cumulative profit/(loss)	-	-
Capital Redemption Reserve	-	-
Capital Adjustment Reserve	6,561,690	21,443,927

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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	(569,935)	-
Adjustments under Pillar II		
B. Supplementary Capital (Tier II)	3,657,433	8,642,914
Cumulative and/or Redeemable Preference Share	-	-
Subordinated Term Debt	-	-
Hybrid Capital Instruments	-	-
General Loan Loss Provision	3,657,433	8,642,914
Exchange Equalization Reserve	-	-
Investment Adjustment Reserve	-	-
Assets Revaluation Reserve	-	-
Other Reserves	-	-
Total Capital Fund (Tier I and Tier II)	12,466,800	26,473,814
1.3 Capital Adequacy Ratio		
Tier I Capital to Total RWE	1.84%	3.15%
Total Capital Fund to Total RWE	2.60%	4.68%

The Bank is currently facing challenges in maintaining the minimum capital adequacy ratio as prescribed by Nepal Rastra Bank (NRB). As of the unaudited financial statements for the period ending Poush 2081, the Bank has reported a Tier II Capital Adequacy Ratio of 1.19%, which is below the required threshold. This shortfall indicates a potential gap in the Bank's capital buffer to absorb unforeseen financial shocks and meet regulatory requirements for stability and solvency.

The Bank is closely monitoring its capital position and has implemented a series of corrective measures aimed at improving the capital adequacy ratio. These measures include (but are not limited to) raising additional capital, optimizing risk-weighted assets, and enhancing operational efficiency to strengthen its capital base and ensure compliance with NRB's regulatory framework.

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5.3.3 Risk Exposure

Table of Risk Exposure at the reporting dates (amount in full figure) is as follows:

a) Credit Risk

	As on Ashad 31 2081					
	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures
A. Balance Sheet Exposures	a	b	c	d=a-b-c	e	f=d*e
Cash Balance	18,783,923	-	-	18,783,923	0%	-
Balance With Nepal Rastra Bank	48,488,766	-	-	48,488,766	0%	-
Gold	-	-	-	-	0%	-
Investment in Nepalese Government Securities	4,000,000	-	-	4,000,000	0%	-
All Claims on Government of Nepal	-	-	-	-	0%	-
Investment in Nepal Rastra Bank securities	-	-	-	-	0%	-
All claims on Nepal Rastra Bank	2,721,890	-	-	2,721,890	0%	-
Claims on Foreign Government and Central Bank (ECA 0-1)	-	-	-	-	0%	-
Claims on Foreign Government and Central Bank (ECA -2)	-	-	-	-	20%	-
Claims on Foreign Government and Central Bank (ECA -3)	-	-	-	-	50%	-
Claims on Foreign Government and Central Bank (ECA-4-6)	-	-	-	-	100%	-
Claims on Foreign Government and Central Bank (ECA -7)	-	-	-	-	150%	-
Claims On BIS, IMF, ECB, EC and MDB's recognized by the framework	-	-	-	-	0%	-
Claims on Other Multilateral Development Banks	-	-	-	-	100%	-
Claims on Domestic Public Sector Entities	-	-	-	-	100%	-
Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	20%	-
Claims on Public Sector Entity (ECA 2)	-	-	-	-	50%	-
Claims on Public Sector Entity (ECA 3-6)	-	-	-	-	100%	-
Claims on Public Sector Entity (ECA 7)	-	-	-	-	150%	-
Claims on domestic banks that meet capital adequacy requirements	245,265,743	-	-	245,265,743	20%	49,053,149
Claims on domestic banks that do not meet capital adequacy requirements	-	-	-	-	100%	-
Claims on foreign bank (ECA Rating 0-1)	-	-	-	-	20%	-
Claims on foreign bank (ECA Rating 2)	-	-	-	-	50%	-
Claims on foreign bank (ECA Rating 3-6)	-	-	-	-	100%	-
Claims on foreign bank (ECA Rating 7)	-	-	-	-	150%	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	-	-	-	-	20%	-
Claims on Domestic Corporates (Credit rating score equivalent to AAA)	-	-	-	-	80%	-
Claims on Domestic Corporates (Credit rating score equivalent to AA+ to AA-)	-	-	-	-	85%	-
Claims on Domestic Corporates (Credit rating score equivalent to A+ to A-)	-	-	-	-	90%	-

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5.3.3 Risk Exposure

Claims on Domestic Corporates (Credit rating score equivalent to BBB+ & below)	-	-	-	-	-	100%	-
Claims on Domestic Corporates (Unrated)	4,022,078	2,011,039	-	-	2,011,039	100%	2,011,039
Claims on Foreign Corporates (ECA 0-1)	-	-	-	-	-	20%	-
Claims on Foreign Corporates (ECA 2)	-	-	-	-	-	50%	-
Claims on Foreign Corporates (ECA 3-6)	-	-	-	-	-	100%	-
Claims on Foreign Corporates (ECA 7)	-	-	-	-	-	150%	-
Regulatory Retail Portfolio (Not Overdue)	55,986,399	-	-	-	55,986,399	75%	41,989,799
Claims fulfilling all criterion of regularity retail except granularity	91,932,219	807,886	-	-	91,124,333	100%	91,124,333
Claims secured by residential properties	16,010,312	-	-	-	16,010,312	60%	9,606,187
Claims not fully secured by residential properties	-	-	-	-	-	150%	-
Claims secured by residential properties (Overdue)	10,012,103	4,043,692	-	-	5,968,410	100%	5,968,410
Claims secured by Commercial real estate	691,193	-	-	-	691,193	100%	691,193
Past due Claims (except for Claims secured by residential properties)	151,756,725	120,674,677	-	-	31,082,048	150%	46,623,072
High Risk Claims	62,885,741	12,016,351	-	-	50,869,390	150%	76,304,085
Real Estate loans for land acquisition and development (Other than mentioned in Capital Adequacy framework 2007-point 3.3(j)(1)(i))	-	-	-	-	-	125%	-
Lending against Shares(above Rs.5 Million)	-	-	-	-	-	125%	-
Lending Against Securities (Bonds)	-	-	-	-	-	100%	-
Lending Against Shares(upto Rs. 5 Million)	-	-	-	-	-	100%	-
Real Estate loans for land acquisition and development (For institutions/projects registered/licensed and approved by Government of Nepal for land acquisition and development purposes)	-	-	-	-	-	100%	-
Personal Hirepurchase/Personal Auto Loans	9,771,280	-	-	-	9,771,280	100%	9,771,280
Investments in equity and other capital instruments of institutions listed in stock exchange	47,153,554	-	-	-	47,153,554	100%	47,153,554
Investments in equity and other capital instruments of institutions not listed in the stock exchange	-	-	-	-	-	150%	-
Staff loan secured by residential property	-	-	-	-	-	50%	-
Interest Receivable/claim on government securities	-	-	-	-	-	0%	-
Cash in transit and other cash items in the process of collection	-	-	-	-	-	20%	-
Other Assets (as per attachment)	73,350,458	17,510,015	-	-	55,840,443	100%	55,840,443
TOTAL (A)	842,832,383	157,063,660	-	-	685,768,723		436,136,544
B. Off Balance Sheet Exposures							
Revocable Commitments	-	-	-	-	-	0%	-
Bills Under Collection	-	-	-	-	-	0%	-
Forward Exchange Contract Liabilities	-	-	-	-	-	10%	-
LC Commitments With Original Maturity Upto 6 months domestic counterparty	-	-	-	-	-	20%	-
Foreign counterparty (ECA Rating 0-1)	-	-	-	-	-	20%	-
Foreign counterparty (ECA Rating 2)	-	-	-	-	-	50%	-
Foreign counterparty (ECA Rating 3-6)	-	-	-	-	-	100%	-
Foreign counterparty (ECA Rating 7)	-	-	-	-	-	150%	-

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5.3.3 Risk Exposure

LC Commitments With Original Maturity Over 6 months domestic counterparty						
Foreign counterparty (ECA Rating 0-1)	-	-	-	-	50%	-
Foreign counterparty (ECA Rating 2)	-	-	-	-	20%	-
Foreign counterparty (ECA Rating 3-6)	-	-	-	-	50%	-
Foreign counterparty (ECA Rating 7)	-	-	-	-	100%	-
Bid Bond, Performance Bond and Counter guarantee domestic counterparty	-	-	-	-	150%	-
	-	-	-	-	0.4	-
Foreign counterparty (ECA Rating 0-1)	-	-	-	-	20%	-
Foreign counterparty (ECA Rating 2)	-	-	-	-	50%	-
Foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-
Foreign counterparty (ECA Rating 7)	-	-	-	-	150%	-
Underwriting commitments	-	-	-	-	50%	-
Lending of Bank's Securities or Posting of Securities as collateral	-	-	-	-	100%	-
Repurchase Agreements, Assets sale with recourse	-	-	-	-	100%	-
Advance Payment Guarantee	-	-	-	-	100%	-
Financial Guarantee	-	-	-	-	100%	-
Acceptances and Endorsements	-	-	-	-	100%	-
Unpaid portion of Partly paid shares and Securities	-	-	-	-	100%	-
Irrevocable Credit commitments (short term)	2,985,075	-	-	2,985,075	20%	597,015
Irrevocable Credit commitments (long term)	-	-	-	-	50%	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	-	-	-	-	20%	-
Other Contingent Liabilities	-	-	-	-	100%	-
Unpaid Guarantee Claims	-	-	-	-	200%	-
TOTAL (B)	2,985,075	-	-	2,985,075		597,015
Total RWE for credit Risk Before Adjustment (A) + (B)	845,817,458	157,063,660	-	688,753,798		436,733,559
Adjustments under Pillar II						
SRP 6.4a(3) - Add 10% of the loans & facilities in excess of Single Obligor Limits to RWE						
SRP 6.4a(4) - Add 1% of the contract (sale) value in case of the sale of credit with recourse to RWE						
Total RWE for Credit Risk	845,817,458	157,063,660	-	688,753,798	-	436,733,559

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5.3.3 Risk Exposure

A. Balance Sheet Exposures	As on Ashad 31 2080					
	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures
	a	b	c	d=a-b-c	e	f=d*e
Cash Balance	15,756,710	-	-	15,756,710	0%	-
Balance With Nepal Rastra Bank	40,879,280	-	-	40,879,280	0%	-
Gold	-	-	-	-	0%	-
Investment in Nepalese Government Securities	4,000,000	-	-	4,000,000	0%	-
All Claims on Government of Nepal	-	-	-	-	0%	-
Investment in Nepal Rastra Bank securities	-	-	-	-	0%	-
All claims on Nepal Rastra Bank	-	-	-	-	0%	-
Claims on Foreign Government and Central Bank (ECA 0-1)	-	-	-	-	0%	-
Claims on Foreign Government and Central Bank (ECA -2)	-	-	-	-	20%	-
Claims on Foreign Government and Central Bank (ECA -3)	-	-	-	-	50%	-
Claims on Foreign Government and Central Bank (ECA-4-6)	-	-	-	-	100%	-
Claims on Foreign Government and Central Bank (ECA -7)	-	-	-	-	150%	-
Claims On BIS, IMF, ECB, EC and MDB's recognized by the framework	-	-	-	-	0%	-
Claims on Other Multilateral Development Banks	-	-	-	-	100%	-
Claims on Domestic Public Sector Entities	-	-	-	-	100%	-
Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	20%	-
Claims on Public Sector Entity (ECA 2)	-	-	-	-	50%	-
Claims on Public Sector Entity (ECA 3-6)	-	-	-	-	100%	-
Claims on Public Sector Entity (ECA 7)	-	-	-	-	150%	-
Claims on domestic banks that meet capital adequacy requirements	112,444,126	-	-	112,444,126	20%	22,488,825
Claims on domestic banks that do not meet capital adequacy requirements	-	-	-	-	100%	-
Claims on foreign bank (ECA Rating 0-1)	-	-	-	-	20%	-
Claims on foreign bank (ECA Rating 2)	-	-	-	-	50%	-
Claims on foreign bank (ECA Rating 3-6)	-	-	-	-	100%	-
Claims on foreign bank (ECA Rating 7)	-	-	-	-	150%	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	-	-	-	-	20%	-
Claims on Domestic Corporates (Credit rating score equivalent to AAA)	-	-	-	-	80%	-

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5.3.3 Risk Exposure

Claims on Domestic Corporates (Credit rating score equivalent to AA+ to AA-)	-	-	-	-	-	85%	-
Claims on Domestic Corporates (Credit rating score equivalent to A+ to A-)	-	-	-	-	-	90%	-
Claims on Domestic Corporates (Credit rating score equivalent to BBB+ & below)	-	-	-	-	-	100%	-
Claims on Domestic Corporates (Unrated)	18,142,493	-	-	-	18,142,493	100%	18,142,493
Claims on Foreign Corporates (ECA 0-1)	-	-	-	-	-	20%	-
Claims on Foreign Corporates (ECA 2)	-	-	-	-	-	50%	-
Claims on Foreign Corporates (ECA 3-6)	-	-	-	-	-	100%	-
Claims on Foreign Corporates (ECA 7)	-	-	-	-	-	150%	-
Regulatory Retail Portfolio (Not Overdue)	258,768,830	7,537,510	-	-	251,231,320	75%	188,423,490
Claims fulfilling all criterion of regularity retail except granularity	5,873,057	-	-	-	5,873,057	100%	5,873,057
Claims secured by residential properties	39,250,686	1,878,800	-	-	37,371,886	60%	22,423,132
Claims not fully secured by residential properties	-	-	-	-	-	150%	-
Claims secured by residential properties (Overdue)	-	-	-	-	-	100%	-
Claims secured by Commercial real estate	13,306,724	1,452,168	-	-	11,854,557	100%	11,854,557
Past due claims (except for claims secured by residential properties)	117,656,182	117,656,182	-	-	-	150%	-
High Risk claims	82,091,041	4,589,495	-	-	77,501,546	150%	116,252,319
Lending Against Securities (Bonds)	-	-	-	-	-	100%	-
Lending Against Shares (upto Rs. 2.5 Million)	-	-	-	-	-	100%	-
Investments in equity and other capital instruments of institutions listed in stock exchange	43,427,610	-	-	-	43,427,610	100%	43,427,610
Investments in equity and other capital instruments of institutions not listed in the stock exchange	-	-	-	-	-	150%	-
Staff loan secured by residential property	-	-	-	-	-	50%	-
Interest Receivable/claim on government securities	-	-	-	-	-	0%	-
Cash in transit and other cash items in the process of collection	-	-	-	-	-	20%	-
Other Assets (as per attachment)	95,306,344	-	-	-	95,306,344	100%	95,306,344
TOTAL (A)	846,903,083	133,114,155	-	-	713,788,927		524,191,826
B. Off Balance Sheet Exposures							
Revocable Commitments	-	-	-	-	-	0%	-
Bills Under Collection	-	-	-	-	-	0%	-

Notes to Financial Statements

5.3.3 Risk Exposure

Forward Exchange Contract Liabilities	-	-	-	-	-	10%	-
LC Commitments With Original Maturity Up to 6 months domestic counterparty	-	-	-	-	-	20%	-
Foreign counterparty (ECA Rating 0-1)	-	-	-	-	-	20%	-
Foreign counterparty (ECA Rating 2)	-	-	-	-	-	50%	-
Foreign counterparty (ECA Rating 3-6)	-	-	-	-	-	100%	-
Foreign counterparty (ECA Rating 7)	-	-	-	-	-	150%	-
LC Commitments With Original Maturity Over 6 months domestic counterparty	-	-	-	-	-	50%	-
Foreign counterparty (ECA Rating 0-1)	-	-	-	-	-	20%	-
Foreign counterparty (ECA Rating 2)	-	-	-	-	-	50%	-
Foreign counterparty (ECA Rating 3-6)	-	-	-	-	-	100%	-
Foreign counterparty (ECA Rating 7)	-	-	-	-	-	150%	-
Bid Bond, Performance Bond and Counter guarantee domestic counterparty	-	-	-	-	-	50%	-
Foreign counterparty (ECA Rating 0-1)	-	-	-	-	-	20%	-
Foreign counterparty (ECA Rating 2)	-	-	-	-	-	50%	-
Foreign counterparty (ECA Rating 3-6)	-	-	-	-	-	100%	-
Foreign counterparty (ECA Rating 7)	-	-	-	-	-	150%	-
Underwriting commitments	-	-	-	-	-	50%	-
Lending of Bank's Securities or Posting of Securities as collateral	-	-	-	-	-	100%	-
Repurchase Agreements, Assets sale with recourse	-	-	-	-	-	100%	-
Advance Payment Guarantee	-	-	-	-	-	100%	-
Financial Guarantee	-	-	-	-	-	100%	-
Acceptances and Endorsements	-	-	-	-	-	100%	-
Unpaid portion of Partly paid shares and Securities	-	-	-	-	-	100%	-
Irrevocable Credit commitments (short term)	-	-	-	-	-	20%	-
Irrevocable Credit commitments (long term)	-	-	-	-	-	50%	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	-	-	-	-	-	20%	-
Other Contingent Liabilities	-	-	-	-	-	100%	-
Unpaid Guarantee Claims	-	-	-	-	-	200%	-
TOTAL (B)	-	-	-	-	-	-	-
Total RWE for credit Risk Before Adjustment (A) +(B)	846,903,083	133,114,155	-	-	713,788,927	-	524,191,826
Adjustments under Pillar II							
Total RWE for Credit Risk	846,903,083	133,114,155	-	-	713,788,927	-	524,191,826

Notes to Financial Statements
Eligible Credit Risk Mitigants
At the month end of Ashadh, 2081

Eligible Credit Risk Mitigants Credit exposures	Deposits with Bank	Deposits with other banks/FI	Gold	Govt. & NRB Securities	G'tee of Govt. of Nepal	Sec/G'tee of Other Sovereigns	G'tee of domestic banks	G'tee of MDBs	Sec/G'tee of Foreign Banks	Total
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(c)
Balance Sheet Exposures										
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 Domestic Public Sector Entities										
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										
Claims on Domestic Corporates (Credit rating score equivalent to AAA)										
Claims on Domestic Corporates (Credit rating score equivalent to AA+ to AA-)										
Claims on Domestic Corporates (Credit rating score equivalent to A+ to A-)										
Claims on Domestic Corporates (Credit rating score equivalent to BBB+ & below)										
Claims on Domestic Corporates (Unrated)										
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										
Real Estate loans for land acquisition and development (Other than mentioned in Capital Adequacy framework 2007-point 3.3(i)(1)(11))										
Lending against Shares (above Rs.5 Million)										
Lending Against Securities (Bonds)										
Real Estate loans for land acquisition and development (For institutions/projects registered/licensed and approved by Government of Nepal for land acquisition and development purposes)										

b) Operational Risk

Particulars	Fiscal Year		
	2077/78	2078/79	2079/80
Net Interest Income	(939,963)	9,591,894	25,376,579
Commission and Discount Income			
Other Operating Income	2,131,175	4,508,192	4,327,889
Exchange Fluctuation Income			
Addition/Deduction in Interest Suspense during the period	-	-	-
Gross income (a)	1,191,212	14,100,086	29,704,468
Alfa (b)	15%	15%	15%
Fixed Percentage of Gross Income [c=(a x b)]	178,682	2,115,013	4,455,670
Capital Requirement for operational risk (d) (average of c)			2,249,788
Risk Weight (reciprocal of capital requirement of 10%) in times			10
Equivalent Risk Weight Exposure [f=(d x e)]			22,497,883
Pillar II Adjustments			
If Gross Income for the last three years is negative (6.4 a 8)			
Total Credit and Investment (net of Specific Provision) of related month			-
Capital Requirement for Operational Risk (5% of net credit and			-
Risk Weight (reciprocal of capital requirement of 10%) in times			10
Equivalent Risk Weight Exposure (g)			
Equivalent Risk Weight Exposure [h=f+g]			22,497,883

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
- 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
- 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 2081

Particulars	Province 1	Province 2	Province 3	Gandaki	Province 5	Province 6	Province 7	Total
Revenue from external customers								-
Intersegment revenues								-
Net revenue	-	-	-	-	-	-	-	-
Interest income			53,802,411					53,802,411
Interest expenses			46,810,903					46,810,903
Net interest revenue	-	-	6,991,508	-	-	-	-	6,991,508
Depreciation and amortization			10,147,882					10,147,882
Segment profit/(loss)			(3,156,374)					(3,156,374)

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

There does not exist such difference.

iii) Nature of any differences between the measurements of the reportable segment's assets

There does not exist such difference.

iv) Nature of any changes from prior periods in the measurement methods used to

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

Total revenue for reportable segments	53,802,411
Other revenue	-
Elimination of intersegment revenues	-
Entity's revenue	53,802,411

b) Profit or loss

Total profit or loss for reportable segments	(3,156,374)
Other profit or loss	
Elimination of intersegment profit	
Unallocated amounts:	
Staff bonus	-
Income tax	-
NFRS adjustments	
Profit After income tax	(3,156,374)

c) Assets

Total assets for reportable segments	
Other assets	
Unallocated assets	
Entity's assets	

d) Liabilities

Total liabilities for reportable segments	
Other liabilities	
Unallocated liabilities	
Entity's liabilities	

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:

Domestic:	
------------------	--

Narayani Development Bank Limited
Notes to Financial Statements

Province 1	-
Province 2	-
Province 3	6,991,508
Gandaki	-
Province 5	-
Province 6	-
Province 7	-
Foreign:	-
Total	6,991,508

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

5.7.1 Identified Related Parties

The bank has identified following as Related Parties under:

- 1) Directors
- 2) Key Management Personnel of the Bank &
- 3) Related Parties of the above two

5.7.2 Key management personnel

Key managerial Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. The Board of Directors, Chief Executive Officer (CEO) and Deputy CEO of the bank are identified as KMP of the bank.

Name	Position
Chandra Man Maleku	Chairman, Board of Directors
Tek Nath Dhakal	Member, Board of Directors
Pukar Thapa	Member, Board of Directors
Ganesh Man Pradhan	Member, Board of Directors
Balaram Paudel	Independent Director
Bishnu Regmi	Chief Executive Officer (CEO)

Mr. Bishnu Regmi also serves as the secretary of the BOD.

5.7.3 Transactions with Board of Directors

Board of Directors Meeting Fee/Allowance

Narayani Development Bank Limited
Notes to Financial Statements

Following are the payment made to the BOD in the form of meeting fee/allowances.

Particulars	Sitting Fees (NRs.)
Board Meeting	632,000
Audit Committee Meeting	45,000
Risk Management Committee Meeting	50,000
Karmachari Sewa & Subidha Committee	5,000
AML/CFT Committee	20,000
Total	752,000

Additional Facilities	Amount (NRs.)
Telephone Allowance	58,000.00
Internet Allowance	75,000.00
Newspaper Allowance	20,000.00
Total	153,000.00

b) Chief Executive Officer

Mr. Bishnu Regmi is ser serves as Chief Executive Officer of the Bank. He is provided salary and allowance and benefits as per contract entered on his appointment.

c) Total Transaction with Key Management Personnel

Particulars	CEO	Ex.CEO	Ex. Dy CEO
Salary & Allowances	1,727,784	480,000	1,128,932
Provident Fund			55,578
Other Benefits	100,000	26,100	44,901
Total	1,827,784	506,100	1,229,411

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.

5.10 Events after reporting date

Events after the balance sheet date are those events, favorable and unfavorable, that occur between the balance sheet date and the date when the financial statements are authorized for issue.

Appropriate adjustments in the financial statements and disclosures in notes to accounts have been made for all material and significant events that have occurred between the balance sheet date and date when the financial statements have been authorized for issue.

Where necessary all material events after reporting date have been considered and appropriate adjustments or disclosures have been made in the Financial Statements as per NAS 10.

Dividend Income of NRs. 15 Lakh have been received for the fiscal year 2080/81 by the bank as on 21st October, 2024. The income was for the period of FY 2080/81 which was received after the reporting period but before the date of signing the financial statements. Therefore, non operating income was recognised for the same.

5.11 Additional Disclosures

a) Recovery of Interest after year end and upto Shrawan end, 2081

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.

Additionally, the circular issued by Nepal Rastra Bank as on 2081.04.14 which has relaxed this provision with which Bank may not appropriate such amount in case it is recovered within the end of Shrawan i.e. one month after the year end.

In line with the aforesaid relaxation the gross amount of NPR 4,331,061 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 2081	As on Asadh end 2080
Total Accrued Interest as on date	32,204,646	18,881,212
AIR on Bad Loan	24,472,123	12,769,558
AIR on other NPL	5,649,587	1,780,592
AIR on Restructured Loan	94,158	-
Total Accrued Interest on NPL as on date	30,215,868	14,550,150
AIR on staff loans	-	-
Accrued interest receivable (except for the staff loans)	1,988,778	4,331,061
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	1,542,402	319,452
Amount required to be appropriated to Regulatory Reserves (before staff bonus & tax)	446,376	4,011,609
Gross appropriations to the Regulatory Reserves (before staff bonus & taxes)	281,217	2,527,314
Amount already appropriated to Regulatory Reserves (before staff bonus & tax)	2,527,314	364,881
Net appropriations to the Regulatory Reserves for unrecovered interest	(2,246,097)	2,162,432

5.12 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.

5.13 As per AGM Procedure of NRB Guidelines No.16

Particulars	As of Asadh end 2081	As of Asadh end 2080
	No. of Customers	No. of Customers
Accrued Interest Received after Asadh end 2080 till Shrawan end, 2081	120	56.00
Additional 0.3% Loan Loss Provision created on Pass Loan Portfolio	NA	NA
Extension of moratorium period of loan provided to Industry or Project under Construction	NA	NA
Restructure/Rescheduled Loan with 5% Loan Loss Provision	NA	NA
Enhancement of Working Capital Loan by 20% to COVID affected borrowers	NA	NA
Enhancement of Term Loan by 10% to COVID affected borrowers	NA	NA
Expiry Date of Additional 20% working capital loan (COVID Loan) extended for upto 1 year with 5% provisioning	NA	NA
Expiry Date of Additional 10% Term loan (COVID Loan) extended for upto 1 year with 5% provisioning	NA	NA
Time Extension provided for repayment of Principal and Interest for upto two years as per clause 41 of NRB Directives 2	NA	NA

Table No. 2

Particulars	As of Asadh end 2081	As of Asadh end 2080
	No. of Customers	No. of Customers
Refinance Loan	NA	NA
Business Continuity Loan	NA	NA

Table No. 3

Particulars	As of Asadh end 2081	As of Asadh end 2080
	No. of Customers	No. of Customers
Subsidized Loan	NA	NA

Narayani Development Bank Limited**Other Assets**

At the month end of Ashadh, 2081

(Rs. in '000)

S.No.	Assets	Gross Amount	Specific Provision	Net Balance
1	Current Tax Assets	10,344,772		10,344,772
2	Investment Property	-		-
3	Property and Equipment	37,948,950	17,510,015	20,438,934
4	Assets held for Sale			-
5	Other non-banking assets	14,281,137	-	14,281,137
6	Bills receivable			-
7	Accounts receivable	10,775,599		10,775,599
8	Accrued income			-
9	Prepayment and Deposits			-
10	Income tax deposits			-
11	Deferred Employee Expenditure		-	-
12	Others			-
	TOTAL	73,350,458	17,510,015	55,840,443

5.15 EPS and Net Worth for the year 2080-81

Net worth	As at 31.03.2081	As at 31.03.2080
Total Equity	57,995,470	45,663,936
Less: amount not attributable to shareholders		
CSR		
Training		
Available to shareholders	57,995,470	45,663,936
No. of shares including bonus share	2,624,676	2,624,676
No. of shares excluding bonus share		
Net worth per share	22.10	17.40

EPS	As at 31.03.2081	As at 31.03.2080
Profit for the year	(17,800,183)	(78,100,723)
Wtd. Avg no. of shares	2,624,676	2,624,676
EPS-Basic	(6.78)	(29.76)
EPS_Diluted	(6.78)	(29.76)
Annualized	(6.78)	(29.76)

Statement of Principal Indicators last 5 year

Indicators	Unit	2080-81	2079-80	2078-79	2077-78	2076-77	Remarks
Adequacy of Capital Fund on Risk Weighted Assets							
Core Capital	NPR	8,809,368	17,830,900	120,192,911	76,068,559	31,102,811	
Total Capital Fund	NPR	12,466,800	26,473,814	124,786,217	76,887,740	31,130,030	
Risk Weighted Exposure	NPR	479,042,644	565,401,060	551,536,737	131,489,016	92,845,869	
Earning Per Share (Average share outstanding)	NPR	(6.78)	(30)	(27.56)	(9.10)	(2.05)	
Market Value Per Share	NPR	565	414	380.00	649.00	-	
Book Net Worth Per Share	NPR	22.10	17	45.79	62.67	-	
Net Profit Per Staff	NPR	(434,151)	(1,775,016)	(1,549,948.93)	(542,747.00)	-	
Per Employee Staff Cost	NPR	42,804	40,110	33,135	24,420	-	Per month
Number of Promotor Equity Shares	Nos.	1,837,273	1,837,273	1,837,273	852,690.00	-	
Number of Public Equity Shares	Nos.	787,403	787,403	787,403	459,648.00	-	
Number of Permanent Staffs	Nos.	26	29	19.00	8.00	-	
Number of Branches	Nos.	5	5	5.00	3.00	-	
Number of Extension Counters	Nos.	-	-	-	-	-	
Number of ATM Machines	Nos.	1	1	1.00	1.00	1.00	
Price Earning Ratio	Times	(83.31)	(13.91)	(13.79)	0.10	-	
Capital Adequacy Ratio-(Tier-I)	Percent	1.84%	3.15%	22%	58%	33%	
Capital Adequacy Ratio-(Tier-II)	Percent	2.60%	4.68%	23%	58%	33%	
Dividend (including bonus) on Share Capital	Percent	-	-	-	0%	0%	
Cash Dividend on Share Capital	Percent	-	-	-	0%	0%	
Net Profit / Gross Income	Percent	-255%	-308%	-239%	-527%	-48%	
Net Profit / Loans and Advances	Percent	-4%	-14%	-15%	-13%	-11%	
Return on Total Assets	Percent	-2%	-11%	-11%	-6%	-1%	
Return on Equity	Percent	-31%	-30%	-45%	-15%	-3%	
Interest Income / Loans and Advances	Percent	13%	13%	6%	2%	23%	
Exchange Gain / Total Income	Percent	0%	0%	-	-	-	
Interest Expenses / Total Deposits and Borrowings	Percent	7%	7%	3.90%	3.26%	1.92%	
Total Operating Expenses / Total Assets	Percent	7%	7%	7.73%	2.49%	100.00%	
Staff Expenses / Total Operating Expenses	Percent	43%	40%	29.92%	51.37%	0.0%	
Staff Bonus / Total Staff Expenses	Percent	0%	0%	0%	0%	0%	
Total Credit / Deposits	Percent	65%	87%	104.71%	95.89%	20.59%	
Non-Performing Loans / Total Loans	Percent	46%	27%	14.00%	8.99%	63.60%	
Base Rate	Percent	16.22%	17.46%	24.18%	33.47%	0.75%	
Weighted Average Interest Rate Spread	Percent	3.83%	5.50%	4.19%	7.39%	12.55%	
Weighted Average Interest Rate on Deposit	Percent	7.38%	8.35%	8.89%	6.85%	2.00%	
Weighted Average Interest Rate on Credit	Percent	11.22%	13.85%	13.08%	6.85%	0.00%	
Institutional Deposit/Total Deposit	Percent	34.73%	50.46%	27.00%	58.79%	0.00%	

Note:
The information left blank was prior to the bank declared problematic

5.14 Regulatory Reserve

Item wise movement of regulatory reserve is as follows:

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
2077/78	-	-	-	7,964,249	-	-	-	-	-	-	7,964,249
Transfer From Regulatory Reserve to RE				(2,469,249)							(2,469,249)
Transfer To Regulatory Reserve From RE	14,792				165,728						180,520
2078/79	14,792	-	-	5,495,000	165,728	-	-	-	-	-	5,675,520
Transfer From Regulatory Reserve to RE				(5,495,000)					1,551,981		(5,495,000)
Transfer To Regulatory Reserve From RE	350,089				13,764,116						15,666,187
Total	364,881	-	-	-	13,929,844	-	-	-	1,551,981	-	15,846,707
2079/80	-			-					(766,889)		(766,889)
Transfer From Regulatory Reserve to RE											
Transfer To Regulatory Reserve From RE	2,162,432			-	25,595,183						27,757,615
Total	2,527,314	-	-	-	39,525,027	-	-	-	785,092	-	42,837,432
2080/81											
Transfer From Regulatory Reserve to RE	(2,246,097)	-	-	8,997,117	(737,580)						6,013,439
Transfer To Regulatory Reserve From RE	-			-					191,839		191,839
Total	281,217	-	-	-	38,787,446				976,931		49,042,711



नेपाल राष्ट्र बैंक वित्तीय संस्था सुपरिवेक्षण विभाग



केन्द्रीय कार्यालय
बालुवाटार, काठमाडौं
फोन नं.: ०१-४४१२३०३
Site: www.rnb.org.np
Email: nbfd@rnb.org.np
पोस्ट बक्स: ३३

पत्रसंख्या : वि.सं.सु.वि./गैरस्थलगत/नारायणी/०८०/८१
च.नं. : ३२५

मिति : २०८१/१२/१०

श्री नारायणी डेभलपमेन्ट बैंक लिमिटेड,
रत्ननगर, चितवन ।

विषय : वार्षिक वित्तीय विवरण प्रकाशन गर्न सहमति सम्बन्धमा ।

महाशय,

त्यस संस्थाले पेश गरेको आर्थिक वर्ष २०८०/८१ को लेखापरीक्षण भएको वित्तीय विवरण तथा अन्य प्रतिवेदनहरूका आधारमा गैरस्थलगत सुपरिवेक्षण गर्दा देखिएका कैफियतहरूका सम्बन्धमा देहाय बमोजिमका निर्देशनहरू शेरघर्नीहरूको जानकारीका लागि वार्षिक प्रतिवेदनको छुट्टै पानामा प्रकाशित गर्ने गरी संस्थाको आर्थिक वर्ष २०८०/८१ को लेखापरीक्षण भएको वार्षिक वित्तीय विवरण, नाफा वा नोक्सानको विवरण, विस्तृत आयको विवरण (Statement of Comprehensive Income), नगद प्रवाह विवरण, इक्विटीमा भएको परिवर्तनको विवरण, सोसँग सम्बन्धित अनुसूचीहरू, लेखापरीक्षकको प्रतिवेदन लगायतका वार्षिक वित्तीय विवरणहरू साधारणसभा प्रयोजनको लागि प्रकाशन गर्न सहमति प्रदान गरिएको व्यहोरा निर्णयानुसार अनुरोध गर्दछु ।

१. यस बैंकबाट तोकिएको न्यूनतम चुक्ता पुँजी कायम गर्नुहुन ।
२. कर्जा प्रवाह पश्चात अनिवार्य रूपमा कर्जा सदुपयोगिता सुनिश्चित गर्नुहुन ।
३. यस बैंकबाट सिध्र सुधारात्मक कारवाही हुँदा तोकिएको चुक्ता पुँजी लगायतका शर्तहरू र तत्पश्चात् दिइएका निर्देशनहरूको पालना गर्नुहुन ।
४. निष्क्रिय कर्जालाई यथाशीघ्र न्यूनीकरण गर्न योजना बनाई पेश गर्नहुन ।
५. वित्तीय परिसूचकहरू नियमनकारी सीमा भित्र राख्नुहुन ।
६. संस्थाको संस्थागत सुशासन, सूचना प्रविधि, आन्तरिक लेखापरीक्षण, आन्तरिक नियन्त्रण प्रणाली, समग्र जोखिम व्यवस्थापन, कर्जा प्रवाह र व्यवस्थापन, ग्राहक पहिचान (KYC) तथा अनुपालना लगायतका विषयमा एकीकृत निर्देशन, २०८१ बमोजिमका व्यवस्थाहरू प्रभावकारी रूपमा कार्यान्वयन गर्नुहुन तथा सो सम्बन्धमा आन्तरिक लेखापरीक्षक, बाह्य लेखापरीक्षक र यस बैंकबाट औल्याएका कैफियतहरू पुनः नदोहोरिने व्यवस्था गर्नुहुन ।

भवदीय,


(प्रेमलाल ज्वाली)
उप-निर्देशक

बोधार्थ:

श्री नेपाल राष्ट्र बैंक, बैंक तथा वित्तीय संस्था नियमन विभाग ।

श्री नेपाल राष्ट्र बैंक, वित्तीय संस्था सुपरिवेक्षण विभाग, कार्यान्वयन इकाई ।



नेपाल राष्ट्र बैंकको मिति २०८१/१२/१० को वार्षिक वित्तीय विवरण प्रकाशन गर्न सहमति प्रदान गर्दा दिइएका निर्देशनहरु प्रति संचालक समितिको जवाफ ।

१. यस बैंकबाट तोकिएको न्यूनतम चुक्ता पूँजी कायम गर्नुहुन ।

प्रतिउत्तर: निर्देशानुसार हाल संस्थाको चुक्ता पूँजी रु ४५,३३,६६,४००/- (आक्षेपणी पैतालिस करोड तेत्तिस लाख छैसाठ हजार चार सय मात्र) कायम भएको छ । ५,८०,४२,७००/- (अक्षेपणी पाँच करोड असी लाख बैयालिस हजार सात सय मात्र) को Fit & Proper Test को लागि नेपाल राष्ट्र बैंकमा पेश गरिएकोमा हक हस्तान्तरणको प्रक्रिया नमिलेको जानकारी प्राप्त भएकाले उक्त हकप्रद शेयर तथा प्राविधिक कारणले वितरण हुन नसकेको अन्य १,३५,२६,१००/- गरि जम्मा ७,१५,६८,८००/- नियमकिय स्वीकृति लिई लिलाम बिक्री गरि यस बैंकलाई तोकिएको न्यूनतम चुक्ता पूँजी रु ५० करोड पुरा गर्ने ।

२. कर्जा प्रवाह पश्चात अनिवार्य रुपमा कर्जा सदुपयोगिता सुनिश्चित गर्नुहुन ।

प्रतिउत्तर: कर्जा प्रवाह पश्चात कर्जा सदुपयोगिता सुनिश्चित गर्ने पद्धतीको बिकास गरिएको छ ।

३. यस बैंकबाट शिघ्र सुधारात्मक कारवाही हुदा तोकिएका चुक्ता पूँजी लगाएतका शर्तहरु र तत्पश्चात दिइएका निर्देशनहरु पालना गर्नुहुन ।

प्रतिउत्तर: शिघ्र सुधारात्मक कारवाही हुदा तोकिएका चुक्ता पूँजी लगाएतका शर्तहरु र तत्पश्चात दिइएका निर्देशनहरु क्रमशः पुरा गर्दै लगिएको छ ।

४. निष्क्रिय कर्जाहरुलाई यथाशिघ्र न्यूनिकरण गर्न योजना बनाई पेश गर्नुहुन ।

प्रतिउत्तर: निष्क्रिय कर्जा असुली रणनीति र खराब कर्जा व्यवस्थापन रणनीतिको मस्यौदा तय गरि स्वीकृतिको अन्तिम चरणमा रहेको हुँदा स्वीकृत गरि पेश गरिने व्यहोरा अनुरोध छ ।

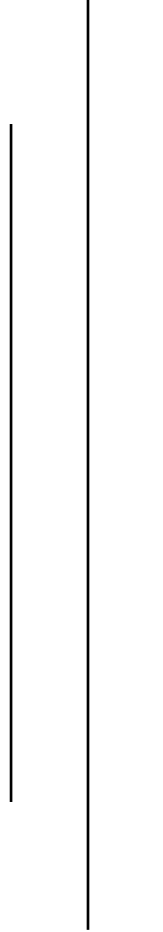
५. वित्तीय परिसूचकहरु नियमनकारी सीमा भित्र राख्नुहुन ।

प्रतिउत्तर: संस्थालाई सुधार गर्दै वित्तीय परिसूचकहरु नियमनकारी सीमा भित्र राखिने व्यहोरा अनुरोध छ ।

६. संस्थाको संस्थागत शुसाशन, सुचना प्रविधि, आन्तरीक लेखापरीक्षण, आन्तरीक नियन्त्रण प्रणाली, जोखिम व्यवस्थापन, कर्जा प्रवाह र व्यवस्थापन, ग्राहक पहिचान तथा अनुपालना लगाएतका बिषयमा एकीकृत निर्देशन २०८१ बमोजिमका व्यवस्थाहरु प्रभावकारी रुपमा कार्यान्वयन गर्नुहुन तथा सो सम्बन्धमा आन्तरीक लेखापरीक्षक, बाह्य लेखापरीक्षक र यस बैंकबाट औल्याईएका कैफियतहरु पुनः नदोहोरिने व्यवस्था गर्नुहुन ।

प्रतिउत्तर: संस्थागत शुसाशन, सुचना प्रविधि, आन्तरीक लेखापरीक्षण, आन्तरीक नियन्त्रण प्रणाली, जोखिम व्यवस्थापन, कर्जा प्रवाह र व्यवस्थापन, ग्राहक पहिचान तथा अनुपालना लगाएतका बिषयमा एकीकृत निर्देशन २०८१ बमोजिमका व्यवस्थाहरु प्रभावकारी रुपमा कार्यान्वयन गर्ने तथा सो सम्बन्धमा आन्तरीक लेखापरीक्षक, बाह्य लेखापरीक्षक र यस बैंकबाट औल्याईएका कैफियतहरु पुनः नदोहोरिने गरि कार्य गरिने छ ।

नारायणी डेभलपमेन्ट बैंक लि.
भरतपुर, चितवन



आर्थिक वर्ष २०८१/०८२
वार्षिक प्रतिवेदन

INDEPENDENT AUDITOR'S REPORT
To The Shareholders of
Narayani Development Bank Limited.
Bharatpur-10, Chitwan

Report on the Audit of the Financial Statements

Qualified Opinion

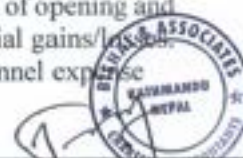
We have audited the Financial Statements of Narayani Development Bank Ltd. (hereinafter referred to as "the Bank") which comprise Statement of Financial Position as at Ashad 32, 2082 (July 16, 2025), Statement of Profit or Loss, Statement of Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended, Notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the 'Basis for Qualified Opinion' section of our report, the accompanying Financial Statements present fairly, in all material respects, the Financial Position of the Bank as at Ashad 32, 2082 (July 16, 2025), its Financial Performance and its Cash Flows for the year then ended in accordance with Nepal Financial Reporting Standards (NFRSs).

Basis for Qualified Opinion

As disclosed in Note 4.23 (Employee Defined Benefit Obligation) to the financial statements, the Bank has not obtained an actuarial valuation of its defined benefit obligations – comprising gratuity and other long-term employee benefits – for the year ended Ashad 32, 2082, as required by Nepal Accounting Standard (NAS) 19 'Employee Benefits'. NAS 19 requires an entity to determine such obligations using the Projected Unit Credit Method, based on actuarial assumptions (including discount rate, expected salary escalation, employee turnover/withdrawal rate and mortality) determined by a qualified actuary, with re-measurement gains and losses recognized in Other Comprehensive Income.

In the absence of an actuarial valuation report, the liability for employees' defined benefit obligation of NPR 2,196,251 and liability for long-service leave of NPR 1,502,444 recognized under 'Other Liabilities' in the Statement of Financial Position as at Ashad 32, 2082, the related personnel expense recognized in the Statement of Profit or Loss, and the re-measurement gains/losses that should have been recognized in Other Comprehensive Income for the year then ended, have not been determined in accordance with NAS 19. Consequently, we were unable to obtain sufficient appropriate audit evidence regarding the completeness, accuracy and valuation of the employees defined benefit obligation and related disclosures required under NAS 19, including the reconciliation of opening and closing obligations, plan assets (if any), current service cost, interest cost, and actuarial gains/losses. We were unable to determine whether any adjustments to these balances, to the personnel expense



and other comprehensive income for the year, and to the consequential effects on deferred tax and retained earnings/reserves as at Ashad 32, 2082 and for the comparative year, were necessary.

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 Handbook of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Nepal (ICAN), and we have fulfilled our other ethical responsibilities in accordance with the ICAN's Handbook of the Code of Ethics for Professional Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Financial Statements.

Emphasis of Matter - Capital Adequacy Ratio, Non-Performing Loan and Subsequent Capital Infusion through Rights Issue

We draw attention to Note 5.3.2 and 4.7 to the financial statements, which indicates that the Bank's Capital Fund (Capital Adequacy Ratio), computed as per applicable Nepal Rastra Bank (NRB) Directives, stood at negative 9.87% as at Ashad 32, 2082, against the minimum regulatory requirement prescribed under NRB Unified Directive No. 1. The Bank's Non-Performing Loan (NPL) ratio also stood at a significantly elevated level of 49% as at the reporting date.

As further explained subsequent to the reporting date, the Bank has issued and received subscription for a 1:1 right share issue, resulting in an infusion of additional capital amounting to NPR 262,467,600. Management has represented that this capital infusion restores the Bank's Capital Fund to a level compliant with, or substantially improving its position against, the minimum regulatory requirement prescribed by NRB.

Based on this development and management's assessment thereof, we concur that no material uncertainty exists that casts significant doubt on the Bank's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the Financial Statements of the current period, which were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon. We do not provide separate opinion on these matters. In addition to the matters described in the Basis for Opinion section, we have determined the matters described below as the key audit matters to be communicated in our report.

The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Financial Statements.



S.N.	Key Audit Matters	Auditor's Response
1.	Interest Income Ref. Note no. 4.29 and accounting policies to the financial statements. The Bank has total interest income of Rs. 36,667,473.00 including Rs. 34,817,891.48 on loans and advances to customers. Interest income of the Bank is recognized in accordance with the Guidance Note on Interest Income Recognition, 2025, issued by Nepal Rastra Bank (NRB). As per the guideline, the interest recognition is based on the stage (Stage 1, 2, or 3) of each financial asset as determined at the previous quarter's end. As per the guideline, for stage 3 financial assets, interest income recognized on an accrual basis (coupon rate or effective rate) shall be adjusted against the movement in accrued interest receivable during the current quarter, and interest suspense at the beginning of the quarter, and only cash-based interest income during the current quarter shall be recognized. Similarly, for Stage 1 and 2 financial assets, interest income is recognized on accrual basis (coupon rate or effective rate) and any interest suspense at the beginning of quarter is also recognized as interest income. The manual intervention is required for the interest recognition process. Hence, it creates risk of improper application of guidelines, in staging financial assets and determination of interest income of the Bank. Therefore, we have considered it as Key Audit Matter.	We applied following procedures in respect of verification of interest income: ➤ Understanding of the core banking software of the Bank how interest rate on loans and advances has been implemented in system. ➤ Whether interest income on advances is automatically generated in the CBS system. ➤ We obtained an understanding of the Bank's process for classifying loans into stages 1-3 as per NRB ECL guidelines. ➤ Review of accrual and recognition interest income whether relevant NFRS and the NRB norms have been followed by the Bank for the same. ➤ Review and verify the transactions relating to manual debit or credit of interest in the system. ➤ Understanding as to how the Bank's management monitors their business, analyze its credit portfolio and the interest income thereon. ➤ Review whether the legal remedies against defaulting borrowers are not adversely affected. ➤ Accounting policies and recognition of interest income has been considered acceptable.



S.N.	Key Audit Matters	Auditor's Response
2.	Investment Securities Valuation Ref. Note no. 4.8 and accounting policies to the financial statements.	
	The Bank has total investment securities of Rs. 39,153,365 as at Ashad 32, 2082 classified into two different categories as investment securities measured at amortized cost and investment in equity measured at fair value through other comprehensive income, which in aggregate represent 7.45% of the total assets of the Bank. Classification of investment into different categories as investment securities measured at amortized cost and investment in equity measured at fair value through other comprehensive income warrant management judgement and it impacts on valuation of investment securities and impairment allowance. Due to the percentage of volume over total assets and the requirement of management judgment for measurement of impairment allowance, hence this has been considered as key audit matter.	We applied following procedures in respect of investment verification: ➤ Review of accounting policies adopted by the Bank based on Nepal Financial Reporting Standards and the Directives issued by NRB and compliance of the same. ➤ Evaluation of management's assessment to categorize investments classified into different categories as investment securities measured at amortized cost and investment in equity measured at fair value through other comprehensive income. ➤ Verification of valuation of investment on sampling basis in reference to its cost and quoted market price as the case may be. ➤ Verification of impairment allowance provided for different investments in commensurate with NFRSs and NRB Directives. ➤ Accounting policies, classification, valuation, and impairment allowances for the investments are considered acceptable.
3.	Impairment of Loans and Advances As per the NFRS 9- Expected Credit Loss Related Guidelines, 2024, BFIs are required to recognize impairment on credit exposures as the higher of: ➤ ECL calculated as per NFRS 9 ➤ And Existing regulatory provisions in Unified Directives. Accordingly, the higher of the above is taken as impairment loss for loans and advances. The Bank's Portfolio of loans and advances amounts to NPR. 320,711,480 on which the Bank has reported the following impairments following the above provision:	Our audit approach included: - Reviewing the overdue status of loans and advances by obtaining data from the system and matching the same with NRB 2.2 report. - Sample credit files were reviewed for the purpose of assuring the utilization of loan & advances for the intended purpose, account movement and account turnover. - Assessed the alignment of the Bank's Impairment for expected credit losses computations and underlying



Impairment	Current Year	Previous Year
Loan & Advance to BFI	-	-
Loan & Advance to Customer		
Collective Impairment	2,313,870	4,635,944
Individual Impairment	133,669,511	139,749,611
Grand Total	135,983,381	144,385,555

The Bank's portfolio of loans and advances is material to the financial statements. Determination of impairment as per NRB ECL guideline involves significant management judgment in assessing staging (Stage 1, Stage 2 and Stage 3), estimation of Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD), and consideration of forward-looking macroeconomic assumptions.

This is a key audit matter due to

- The involvement of significant management judgements, assumptions and level of uncertainty associated with estimating future cash flows to recover such loans and advances; and
- The materiality of the reported amount of expected credit losses.

Key areas of significant judgements, assumptions and estimates made by management in the assessment of expected credit losses for loans and advances include forward-looking macroeconomic scenarios, associated weightages and considerations that indicate significant increase in credit risk. These are subject to inherently heightened levels of estimation uncertainty.

methodology including responses to current economic conditions with its accounting policies, based on the best available information up to the date of our report

d. Evaluated the design, implementation and operating effectiveness of controls over estimation of expected credit losses, which included assessing the level of oversight review and approval of impairment for expected credit losses, policies and procedures by the board and management.

e. Tested the completeness, accuracy and reasonableness of the underlying data used in the expected credit loss computations by agreeing details to relevant source documents and accounting records.

f. Evaluated the reasonableness of credit quality assessments and related stage classifications.

In addition to the above, the following procedures were performed:

g. For loans and advances assessed on an individual basis for impairment:

- Tested the arithmetical accuracy of the underlying individual impairment calculations.

- Evaluated the reasonableness of key inputs used in the impairment for expected credit losses made with economic conditions. Such evaluations were carried out considering the value and timing of cash flow forecasts particularly relating to elevated risk industries and status of recovery actions of the collaterals.

h. For loans and advances assessed on a collective basis for impairment:

- Tested the key inputs and the calculations used in the impairment for expected credit losses.

- Assessed the reasonableness of judgements, estimates used by the Management in the underlying methodology and the management overlays. Our testing included reasonableness of forward-looking information used, economic scenarios



	considered, and probability weighting assigned to each scenario. We applied following procedures in respect of verification of loan loss provision: ➤ Review of borrower's files, which includes evaluation of borrowers' repayment behavior, assessment of financial strength based on the available financial statements, adequacy of security/collateral, obtainment of required legal documents, CIC reports, and compliance with prudential regulations. ➤ Business sites visit of the borrowers on sampling basis. ➤ Review of IT system to provide loan loss provision based on overdue payments. ➤ On sampling basis, verification of accuracy of provision against non-performing loan calculated by the IT system and manual calculation sampling basis. ➤ Evaluation of appropriateness of subjective judgement made by the management for performing loans' borrowers. ➤ Review of Management and Board's evaluation and decisions on loans. ➤ Reviewed the ECL validation report and assessed key assumptions, model methodology, and recommendations provided. Loan loss provision made by the Bank is considered acceptable.
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S.N.	Key Audit Matters	Auditor's Response
4.	Information Technology	
	Considering the nature, complexity and volume of business and transactions, the Bank has used different system including core banking system and management information system (MIS) based on information technology. Transactions of the Bank have been electronically carried out and its data and information of the Bank has been digitally stored. It has to ensure strong internal control relating to IT and MIS. Various reports including the financial statements are highly dependent on such digitally stored data and other related system. We have considered this as a key audit matter as any lapses in the control system including input, processing and output or any wrong extractions of data may result in the wrong reporting of the data to the management, shareholders, and regulators.	We applied following procedures in respect of information technology: ➤ Review of control relating to the information system of the Bank whether it is as required by the relevant NRB guidelines. ➤ Understanding controls over input, processing and output of the existing IT system. ➤ Review of accuracy and correctness of information/reports generated by the relevant system on sampling basis. ➤ Review of report of Information System Audit and implementation status of recommendations thereon. Based on the above audit procedures performed, control over the information technology prevailing in the Bank has been considered adequate.

Information Other than the Financial Statements and Auditors' Report Thereon

The Bank's Management is responsible for the other information. The other information comprises the information included in the Management Report, the Board of Directors, and Chairman's Statement but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover other information and we do not express any form of assurance conclusion thereon.

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 our audit or otherwise appears to be materially misstated. As the other information documents are in the process of completion, the management has provided written representation that the final version of the documents will be provided when available thus we have nothing to report in this regard.

Responsibilities of Management and Those Charged With Governance for the Financial Statements

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is 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 decisions of users taken on the basis of these financial statements. As part of an audit in accordance with NSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the 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 omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor'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.
- 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.

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

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

Report on Other Legal and Regulatory Requirements

We have determined to communicate following matters in accordance with the requirements of NRB Directives, Companies Act, 2063, BAFIA, 2073 and other regulatory requirements:

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of audit.
- ii. Most of the books of accounts and records of the Bank have been maintained as required by law.



- iii. Statement of Financial Position, Statement of Profit or Loss, Statement of Other Comprehensive Income, Statement of Cash Flows, and Statement of Changes in Equity dealt with by this report are in agreement with the books of accounts maintained by the Bank.
- iv. Except for Capital fund, the risk bearing fund and the provision for possible impairment of assets of the Bank are adequate as per the Directives issued by Nepal Rastra Bank.
- v. In our opinion and to the best of our information and according to the explanations given to us, the Board of Directors, the representative or any employee of the Bank has not acted contrary to the provision of law relating to accounts nor caused direct loss or damage to the Bank deliberately or acted in a manner that would jeopardize the interest and security of the Bank.

However, during the course of our audit, we became aware of the following matters involving the then Branch Manager of Yagyapuri Branch:

- We noted an alleged misappropriation involving a cheque amounting to NPR 4,000,000 which remained outstanding for a period of approximately seven months and fifteen days. The alleged incident relates to the fiscal year 2080. We further noted that no appropriate investigation or disciplinary action had been initiated by the Bank's management during the reporting period.
- We also noted that a loan borrower had submitted a written complaint alleging that the then Branch Manager had misappropriated loan installment amounts received from the borrower. As of the date of our audit report, no formal investigation had been conducted by the Bank's management into the allegations, and the matter remained unresolved.
- vi. The Bank has not acted in a manner to jeopardize the interest and security of the depositors and investors.
- vii. The Bank has a centralized core accounting system and details received from branches of the Bank though the statements are not independently audited, were adequate for our audit, and
- viii. We have not come across any fraud in the accounts except as noted in paragraph (v) above, so far as it appeared from our examination of the books of account.



Bishal Baral, FCA
Principal

Bishal & Associates
Chartered Accountants

UDIN: 260726CA01385PS227

Date: 2083/04/10
Place: Kathmandu

Narayani Development Bank Limited
Statement of Financial Position
As at 32nd Ashadh, 2082

Particulars	Note	As at 32.03.2082	As at 31.03.2081
Assets			
Cash and cash equivalent	4.1	94,264,515	264,049,666
Due from Nepal Rastra Bank	4.2	58,147,270	48,488,766
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	-	-
Loans and advances to customers	4.7	187,845,771	264,397,015
Investment securities	4.8	39,153,365	47,153,554
Current tax assets	4.9	2,241,573	10,344,772
Investment in subsidiaries	4.10	-	-
Investment in associates	4.11	-	-
Investment property	4.12	36,132,137	14,281,137
Property and equipment	4.13	40,763,038	30,649,124
Goodwill and Intangible assets	4.14	4,737,501	7,299,826
Deferred tax assets	4.15	47,182,985	38,787,446
Other assets	4.16	15,506,667	10,775,599
Total Assets		525,974,824	736,226,906
Liabilities			
Due to Bank and Financial Institutions	4.17	-	-
Due to Nepal Rastra Bank	4.18	-	-
Derivative financial instruments	4.19	-	-
Deposit from customers	4.20	449,675,444	631,521,022
Borrowings	4.21	-	-
Current Tax Liabilities	4.9	-	-
Provisions	4.22	-	-
Deferred tax liabilities	4.15	-	-
Other liabilities	4.23	51,039,555	46,710,411
Debt securities issued	4.24	-	-
Subordinated Liabilities	4.25	-	-
Total liabilities		500,714,999	678,231,434
Equity			
Share capital	4.26	262,467,600	262,467,600
Share premium		10,101,374	10,101,374
Retained earnings		(468,543,224)	(411,508,978)
Reserves	4.27	221,234,075	196,935,475
Total equity attributable to equity holders		25,259,825	57,995,470
Non-controlling interest			
Total equity		25,259,825	57,995,470
Total liabilities and equity		525,974,824	736,226,906
Contingent liabilities and commitment	4.28	46,004,982	22,145,454
Net assets value per share		9.62	22.10

As per our report of even date

SD
Arjun Subedi
Head-Finance

SD & Stamp
Pashupati Poudel
Chief Executive Office

SD
Chandra Man Maleku
Chairman

SD & Stamp
CA Bishal Baral
For Bishal & Associates
Chartered Accountants

SD
Teknath Dhakal
Director

SD
Ganesh Man Pradhan
Director

SD
Ek Narayan Kafle
Director

SD
Ramhari Poudel
Independent Director

Date:

Narayani Development Bank Limited
Statement of Profit or Loss
As at 32nd Ashadh, 2082

Particulars	Note	As at 32.03.2082	As at 31.03.2081
Interest income	4.29	36,667,473	53,802,411
Interest expense	4.30	36,017,650	46,810,903
Net interest income		649,823	6,991,508
Fees and commission income	4.31	566,456	4,354,077
Fees and commission expense	4.32	36,019	350
Net fee and commission income		530,437	4,353,727
Net interest, fee and commission income		1,180,260	11,345,235
Net trading income	4.33	-	-
Other operating income	4.34	5,984,252	2,298,309
Total operating income		7,164,512	13,643,544
Impairment charge/(reversal) for loans and other losses	4.35	627,025	(18,646,267)
Net operating income		6,537,487	32,289,811
<u>Operating expense</u>			
Personnel expenses	4.36	19,755,235	21,059,543
Other operating expenses	4.37	18,635,078	18,062,772
Depreciation & Amortization	4.38	11,033,446	10,147,882
Operating Profit		(42,886,271)	(16,980,386)
Non operating income	4.39	-	-
Non operating expense	4.40	4,960,147	-
Profit before income tax		(47,846,418)	(16,980,386)
Income tax expense	4.41		
Current Tax expense			
Deferred Tax expense/(income)		9,510,049	(819,797)
Profit for the period		(38,336,369)	(17,800,183)

Profit attributable to:			
Equity holders of the Bank		(38,336,369)	(17,800,183)
Non-controlling interest			
Profit for the period		(38,336,369)	(17,800,183)

Earnings per share			
Basic earnings per share		(14.61)	(6.78)
Diluted earnings per share		(14.61)	(6.78)

As per our report of even date

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Independent Director

Date:

Narayani Development Bank Limited
Statement of Comprehensive Income
As at 32nd Ashadh, 2082

Particulars	As at 32.03.2082	As at 31.03.2081
Profit for the period	(38,336,369)	(17,800,183)
Other comprehensive income, net of income tax		
a) Items that will not be reclassified to profit or loss		
Gains/(losses) from investments in equity instruments measured at fair value	3,715,034	(274,056)
Gains/(losses) on revaluation		
Actuarial gains/(losses) on defined benefit plans		
Income tax relating to above items	(1,114,510)	82,217
Net other comprehensive income that will not be reclassified to profit or loss	2,600,524	(191,839)
b) Items that are or may be reclassified to profit or loss		
Gains/(losses) on cash flow hedge		
Exchange gain/(losses) (arising from translating financial assets of foreign operation)		
Income tax relating to above items		
Reclassify to profit or loss		
Net other comprehensive income that are or may be reclassified to profit or loss		
c) Share of other comprehensive income of associate accounted as per equity method		
Other comprehensive income for the period, net of income tax	2,600,524	(191,839)
Total comprehensive income for the period	(35,735,845)	(17,992,022)
Total comprehensive income attributable to:		
Equity holders of the Bank	(35,735,845)	(17,992,022)
Non-controlling interest		
Total comprehensive income for the period	(35,735,845)	(17,992,022)

As per our report of even date

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Ramhari Poudel
Independent Director

Date:

Statement of Changes in Equity
Narayani Development Bank Limited
Statement of change in Equity
As at 32nd Ashadh, 2082

Particulars	Attributable to Equity holders of the Bank								Non-Controlling Interest	Total
	Share Capital	Proposed Bonus Share	Share Premium	General Reserve	Exchange Equalization Reserve	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve		
Balance at Ashadh end 2080	262,467,600	-	10,101,374	108,174,262	-	42,837,432	(785,092)	-	-	47,703,524
Adjustment/Restatement										529,656
Adjusted/Restated balance										-
Comprehensive income for the year										-
Profit for the year							(191,839)			(17,992,022)
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 NBA transferred to regulatory reserve						6,205,278				-
Transfer to Corporate Social responsibility reserve										-
Transfer to Staff Training Fund										-
Addition in calls in advance										-
Transactions with owners, directly recognized in equity										29,793,900
Right share issued										-
Dividends to equity holders										-
Bonus shares issued										-
Cash dividend paid										-
Total contributions by and distributions										-
Balance at Ashadh end 2081	262,467,600	-	10,101,374	108,174,262	-	49,042,711	(976,931)	-	-	57,995,470
Balance at Shrawan 1st, 2081	262,467,600	-	10,101,374	108,174,262	-	49,042,711	(976,931)	-	-	57,995,470
Adjustment/Restatement							286,392			-
Adjusted/Restated balance										-
Comprehensive income for the year										-
Profit for the year										-
Other comprehensive income, net of tax										(38,336,369)
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										-

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For Bishal & Associates
Chartered Accountants

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Teknath Dhakal
Director
Date:

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Ganesh Man Pradhan
Director

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Ek Narayan Kafle
Director

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Ramhari Poudel
Independent Director

Particulars	Attributable to Equity holders of the Bank										Non-Controlling Interest	Total Equity
	Share Capital	Proposed Bonus Share	Share Premium	General Reserve	Exchange Equalization Reserve	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning	Other Reserve	Total	
Total comprehensive income for the year											-	-
Transfer of equity on merger and acquisition											-	-
Transfer to reserve during the year						9,011,893					9,011,893	9,011,893
Transfer from reserve during the year									(9,011,893)		(9,011,893)	(9,011,893)
Provision for NBA transferred to regulatory reserve						8,985,848			(8,985,848)		-	-
Transfer to Corporate Social responsibility reserve											-	-
Transfer to Staff Training Fund									(413,743)	413,743	-	-
Addition in calls in advance										3,000,200	3,000,200	3,000,200
Transactions with owners, directly recognized in equity											-	-
Right share issued											-	-
Dividends to equity holders											-	-
Bonus shares issued											-	-
Cash dividend paid											-	-
Total contributions by and distributions											-	-
Balance at Ashadh end, 2082	262,467,600	-	10,101,374	108,174,262	-	67,040,452	1,909,984	-	(468,543,224)	44,109,376	25,259,825	25,259,825

As per our report of even date

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Narayani Development Bank Limited
Statement of Cash Flow
For the year ended on 32nd Asadh 2082

Particulars	Note	As at 32.03.2082	As at 31.03.2081
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		35,422,581	51,658,434
Fees and other income received		566,456	4,354,077
Dividend received		-	-
Receipts from other operating activities		26,800	10,038
Interest paid		(36,017,650)	(46,810,903)
Commission and fees paid		(36,609)	(350)
Cash payment to employees		(19,755,235)	(21,059,543)
Other expense paid		(26,723,129)	(26,312,240)
Operating cash flows before changes in operating assets and liabilities		(46,516,785)	(38,160,488)
(Increase)/Decrease in operating assets			-
Due from Nepal Rastra Bank		(9,658,503)	7,609,487
Placement with bank and financial institutions		-	-
Other trading assets		(21,851,000)	(14,281,137)
Loan and advances to bank and financial institutions		-	-
Loans and advances to customers		84,953,419	144,174,693
Other assets		(4,858,989)	5,164,557
Increase/(Decrease) in operating liabilities			-
Due to bank and financial institutions		-	-
Due to Nepal Rastra Bank		-	-
Deposit from customers		(181,845,578)	(1,292,126)
Borrowings		-	-
Other liabilities		(1,870,482)	976,470
Net cash flow from operating activities before tax paid		(181,647,919)	104,191,456
Income taxes paid		(1,053,486)	(364,732)
Net cash flow from operating activities		(182,701,405)	103,826,724
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment securities		(616,883)	-
Receipts from sale of investment securities		15,753,831	-
Purchase or Sale of debenture/bond		-	-
Purchase of property and equipment		(6,336,905)	(621,928)
Receipt from the sale of property and equipment		182,176	156,962
Purchase of intangible assets		(132,775)	-
Receipt from the sale of intangible assets		-	-
Purchase/sale of investment properties		-	-
Receipt from the sale of investment properties		-	-
Interest received		292,848.36	155,200
Dividend received		782,353.81	2,288,271
Net cash used in investing activities		9,924,645	1,978,505
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt from issue of debt securities		-	-
Repayment of debt securities		-	-
Receipt from issue of subordinated liabilities		-	-
Repayment of subordinated liabilities		-	-
Receipt from issue of shares		-	-
Dividends paid		-	-
Interest paid		-	-
Other receipt/payment		2,991,610	30,043,601
Net cash from financing activities		2,991,610	30,043,601
Net increase (decrease) in cash and cash equivalents		(169,785,151)	135,848,830
Cash and Cash Equivalent From Acquisition		-	-
Opening balance of cash and cash equivalents		264,049,666	128,200,835
Effect of exchange rate fluctuations on cash and cash equivalents held		-	-
Closing Cash and Cash Equivalent		94,264,515	264,049,666

As per our report of even date

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Independent Director

Date:

Narayani Development Bank Limited
Notes to Financial Statements

Statement of Distributable Profit or Loss

Particulars	As at 32.03.2082	As at 31.03.2081
Net profit or (loss) as per statement of profit or loss	(38,336,369)	(17,800,183)
Appropriations:		
a. General reserve		-
b. Foreign exchange fluctuation fund		-
c. Capital redemption reserve		-
d. Corporate social responsibility fund		-
e. Employees' training fund	(413,743)	(249,701)
f. Other		-
Profit or (loss) before regulatory adjustment	(38,750,113)	(18,049,884)
Regulatory adjustment :		
a. Interest receivable (-)/previous accrued interest received (+)	(774,721)	2,246,097
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 (+)	(8,985,848)	(8,997,117)
e. Deferred tax assets recognized (-)/ reversal (+)	(9,214,103)	737,580
f. Goodwill recognized (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognized (-)/reversal (+)	-	-
h. Actuarial loss recognized (-)/reversal (+)	-	-
i. Other (+/-) Fair Value Gain/(Loss)	976,931	(191,839)
Distributable profit or (loss)	(56,747,854)	(24,255,162)
Opening Retained Earning as on Srawan 1st 2081	(411,508,979)	(387,783,472)
Adjustment(+/-)	-	-
Prior period items-Lease Adjustments	-	-
Fair value reserve of Investment securities disposed	(286,392)	-
Reversal of Expenses charged in prior periods	-	529,656
Adjusted Retained earnings as on Srawan 1	(411,795,370)	(387,253,816)
Distribution:		
Bonus Shares Issued	-	-
Cash Dividend Paid	-	-
Total Distributable profit or (loss) as on year date	(468,543,224)	(411,508,979)
Annualised Distributable Profit/(Loss) Per share	(14.76)	(6.88)

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Independent Director

Date:

Narayani Development Bank Limited
Notes to Financial Statements
For the year ended on 32nd Asadh, 2082

1 Reporting entity

1.1 General

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 Bharatpur-10, 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.

1.2 Financial Statements

The Financial Statements of the Bank for the year ended on July 16, 2025 comprises Statement of Financial Position, Statement of Profit or Loss, Statement of Other Comprehensive Income, Statement of Change in Equity, Statement of Cash Flows and Notes to the Financial Statement comprising summary of Significant Accounting Policies and explanatory notes.

1.3 Principal activities and operations of the Bank

The Bank is providing comprehensive range of financial services including acceptance of deposits, corporate and retail credit, hire purchase financing, micro credit. Trade financing, personal and corporate banking, issuing of debit/credit cards, internet banking, mobile banking, remittance facilities, dealing in government securities and treasury related products, agency service and other ancillary services permitted by Banking and Financial Institution Act 2073.

2 Basis of Preparation

2.1 Statement of Compliance

The financial statements have been prepared on a going concern basis and under historical cost conventions except where the standards require otherwise. The financial statements of the group have been prepared in accordance with Nepal Financial Reporting Standards (NFRS) developed by the Accounting Standards Board, Nepal (ASB Nepal) and pronounced for application by the Institute of Chartered Accountants of Nepal (ICAN).

The Financial Statements comprise of Statement of Financial Position, Statement of Profit or Loss, Statement of Other Comprehensive Income, Statement of Change in Equity, Statement of Cashflows and Notes to Accounts on the format prescribed by NRB Directive No. 4 of Unified Directives, 2081.

These policies have been consistently applying to all the years presented except otherwise stated.

2.2 Reporting Period and Approval of Financial Statements

Reporting Period:

The Bank follows the Nepalese Financial year based on Nepali Calendar starting from 1st of Shrawan, 2081 and ending as on 32nd Asadh, 2082. (16th of July, 2024 to 16th of July, 2025).

Approval of Financial Statements

The accompanied financial statements have been approved and authorised for issue by the Board of Directors in its meeting held on _____ of _____, 2083 and have been recommended for approval by shareholders in the Annual General Meeting.

2.3 Functional and Presentation Currency

The financial statements are presented in Nepalese Rupee, which is also the functional and presentation currency of the Bank. Figures are rounded off to nearest Rupee, except, where otherwise stated.

2.4 Use of Estimates, Assumptions and Judgments

The management of the Bank, makes accounting judgments, estimates and assumptions which have an impact on the reported amounts of assets, liabilities, income and expenses on the financial statements. NFRS requires the Bank to exercise judgment in making accounting estimates. The management believes that these estimates and assumptions are reasonable and prudent. These estimates and assumptions are reviewed on an ongoing basis. The significant accounting policies that relate to the financial statements along with the judgments made are described herein. Revisions to accounting estimates are recognized prospectively.

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

2.5 Changes in Accounting Policies

The Bank is required to adopt and apply the accounting policies in conformity with NFRS, the accounting policies are applied consistently; changes, if any, are disclosed with the financial impact to the extent possible.

The Bank under NFRS, is required to apply accounting policies to most appropriately suit its circumstances and operating environment. Further, the Bank is required to make judgments in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the financial statements. This may later be determined that a different choice could have been more appropriate. The accounting policies have been included in the relevant notes for each item of the financial statements and the effect and the nature of changes, if any, have been disclosed

2.6 New Standards in issue that has become effective from this year

NFRS 9 Financial Instruments replaces NAS 39 Financial Instruments: Recognition and Measurement.

NFRS 9 also replaces the existing incurred loss impairment approach with an expected credit loss approach, resulting in earlier recognition of credit losses. The NFRS 9 impairment model has three stages. Entities are required to recognize a 12-month expected loss allowance on initial recognition based on the basis of probability of default (PD) of the remaining maturity period of the instrument (Stage 1) and a lifetime expected loss allowance when there has been a significant increase in credit risk (Stage 2). The assessment of whether a significant increase in credit risk has occurred is a key aspect of the NFRS 9 methodology and involves quantitative measures, such as forward-looking probabilities of default, and qualitative factors and therefore requires considerable management judgment. Stage 3 requires objective evidence of impairment, which is similar to the guidance on incurred losses in previously existing NAS 39. NFRS 9 requires the use of more forward-looking information including reasonable and supportable forecasts of future economic conditions. The need to consider multiple economic scenarios and how they could impact the loss allowance is a very subjective feature of the NFRS 9 impairment model. Loan commitments and financial guarantees not measured at fair value through profit or loss are also in scope.

The Bank prepares its financial statements in accordance with Nepal Financial Reporting with effect from FY 2074/75. Impairment of financial assets is assessed using the Expected Credit Loss (ECL) model under NFRS 9, in line with guidelines issued by Nepal Rastra Bank (NRB). This replaces the earlier incurred loss model under NAS 39.

Scope

ECL provisions are recognized on the following financial instruments:

- Financial assets measured at amortized cost
- Financial assets measured at fair value through other comprehensive income (FVOCI)
- Lease receivables
- Contract assets
- Loan commitments (except those measured at FVTPL)
- Financial guarantee contracts

ECL Measurement

ECL represents a probability-weighted estimate of credit losses (present value of expected cash shortfalls) and is determined using the following three key parameters:

- Probability of Default (PD): likelihood of default over a specified horizon: minimum prudential floor of 2.5% is applied.
- Loss Given Default (LGD): proportion of exposure not expected to be recovered in case of default: minimum of 45% is applied where models are not available. Collateral valuations are adjusted for prescribed haircuts.
- Exposure at Default (EAD): expected exposure at the time of default, including on-balance and off-balance sheet exposures, with Credit Conversion Factors (CCFs) applied.

Guidance for computation of Expected Credit Loss (based on PD, LGD and EAD)

In view of the fact that most ECL models require the determination of Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD), BFIs are required to take following factors into account:

$$\text{ECL} = \text{PD} * \text{LGD} * \text{EAD}$$

Staging of Financial Assets

Financial assets are categorized into three stages based on changes in credit risk since initial recognition:

Stage 1: 12-month ECL is recognized.

Stage 2: (Significant Increase in Credit Risk - SICR): Lifetime ECL is recognized.

Stage 3: (Credit-impaired): Lifetime ECL is recognized: interest income is recognized on a cash basis

Indicators of significant increase in credit risk (SICR)

The Bank determines SICR based on both quantitative and qualitative factors, including but not limited to:

- i. More than one month past due
- ii. Absolute Lifetime PD is 5% or more
- iii. Relative Lifetime PD is increased by 100% or more
- iv. Risk rating (internal or external) downgraded by 2 notches since initial recognition
- v. Risk rating downgraded to non-investment grade by external credit rating agency (BB+ or below) or by bank's internal credit rating system
- vi. Deterioration of relevant determinants of credit risk (eg future cash flows) for an individual obligor (or pool of obligors)
- vii. Expectation of forbearance or restructuring due to financial difficulties
- viii. Deterioration of prospects for sector or industries within which a borrower operates
- ix. Borrowers affected by macroeconomic conditions based on reasonable and supportable forecasts.
- x. Modification of terms resulting in restructuring/rescheduling
- xi. Credit Quality Indicators determined as per internal credit assessment of performing loans which are subject to individual monitoring and review, are weaker than that in the initial recognition
- xii. Management decision to strengthen collateral and/or covenant requirements for credit exposures because of changes in the credit risk of those exposures since initial recognition.

Initial recognition is done as stage 1 unless it is purchased or credit impaired financial assets. Assets with no SICR and with low credit risk at reporting date are also stage 1. Financial assets with overdue upto 1 months are also stage 1 assets.

Financial instruments are classified under Stage 2 when there is a significant increase in credit risk since initial recognition.

This includes exposures with contractual payments overdue for more than 1 months but not exceeding 3 months, and loans categorized as 'Watchlist' as per NRB prudential directives. Loans without approved credit lines or those with credit lines revoked by the bank are also included. Further, loans that have been restructured or rescheduled but are not yet classified as non-performing fall under this stage, except in cases where changes arise from prepayments or adjustments in instalments due to floating interest rate changes. Additionally, exposures to non-investment grade financial instruments, i.e. those rated BB+ or below, are also categorized under Stage 2.

Financial instruments are classified under Stage 3 when contractual payments are overdue for more than 3 months or when the Bank and Financial Institution (BFI) assesses that the borrower is unlikely to meet its credit obligations in full without realization of security. Indicators of unlikelihood to pay include loans placed on non-accrual status, distressed restructurings involving material concessions, bankruptcy filings by either the borrower or the bank, sale of exposures at a significant credit-related loss, or evidence that repayment is dependent on collateral realization. Additionally, loans classified as non-performing under NRB prudential directives and other credit-impaired instruments showing objective evidence of impairment are included. Such evidence may consist of significant financial difficulty of the borrower, breaches of contract such as default, concessions granted due to financial distress, high probability of bankruptcy or financial reorganization, disappearance of an active market due to credit concerns, or origination/purchase of assets at a deep discount reflecting incurred credit losses.

For the purpose of ECL calculation, portfolio has been classified as in addition to staff loans, investment and off balance sheet items:

- Business Loans
- Retail Loans
- Microfinance Loans
- Government Receivable
- Micro Loans

2.7 Discounting

The Bank determines amortized cost of a financial asset or a financial liability using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of a financial asset or a financial liability to the net carrying amount of the financial asset or liability. If expected life cannot be determined reliably, then the contractual life is used.

In case where the Group assesses that the transaction amount of a financial asset or a financial liability does not represent its fair value, the related future cash flows are discounted at prevailing interest rate to determine the initial fair value

2.8 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. In making this assessment, the Board of Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources

2.9 Limitation of NFRS implementation

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

3 Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements, unless otherwise indicated

3.1 Basis of Measurement:

The Financial Statements of the Bank have been prepared under historical cost convention modified to include the fair valuation to the extent required or permitted under NFRS as set out in the relevant accounting policies, financial information recorded and reported to comply with the Directive of Nepal Rastra Bank and relevant business practices followed by the Bank are disclosed separately, where there have been deviations with recognition and presentation criteria of NFRS.

Item	Basis of Measurement
Investment Securities through SOCI	Fair Value
Employee Defined Benefit Obligation	Accrued Amount as of reporting date.
Non-Banking Assets	Cost
Loans to Employees	Amortised 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 comprise short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value and carried at amortized cost.

The cash and cash equivalents for the purpose of cash flow statement include cash in hand, balances with banks, money at call and money market funds and financial assets with original maturity less than 3 months from the date of acquisition.

3.4 Financial assets and financial liabilities

A Recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognized on the trade date i.e. the date that the Bank becomes a party to the contractual provisions of the instrument. Investments in equity instruments, bonds, debenture, Government securities, NRB bond or deposit auction, reverse repos, outright purchase are recognized on trade date at which the Bank commits to purchase/acquire the financial assets. Regular way purchase and sale of financial assets are recognized on trade date at which the Bank commits to purchase or sell the asset

B Classification

I Financial Assets:

The Bank classifies the financial assets as subsequently measured at amortized cost or fair value on the basis of the Bank's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets

Financial assets are classified under three categories as required by NFRS 9, namely:

i) **At amortized cost:** Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows that are solely payments of principal and interest, are subsequently measured at amortized cost using the effective interest rate (EIR) method less impairment, if any. The amortization of EIR and loss arising from impairment, if any is recognized in the Statement of Profit and Loss.

The Bank classifies a financial asset measured at amortized cost if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

ii) At fair value through profit or loss: Financial assets are classified at fair value through profit or loss if they are held for trading or designated at fair value through profit or loss. Any other financial asset not classified as either amortized cost or FVTOCI, is classified as FVTPL

iii) At fair value through other comprehensive income: Financial assets that are held within a business model whose objective is achieved by both, selling financial assets and collecting contractual cash flows that are solely payments of principal and interest, are subsequently measured at fair value through other comprehensive income. Fair value movements are recognized in the other comprehensive income (OCI).

II Financial liabilities: Financial liabilities are classified under two categories under two categories as required by NFRS 9, namely:

i) At Amortized Cost

ii) At Fair Value through Profit or Loss (FVTPL)

i) At amortized cost: All financial liabilities other than measured at fair value through profit or loss are classified as subsequently measured at amortized cost using effective interest method.

ii) At fair value through profit or loss: Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Upon initial recognition, transaction cost directly attributable to the acquisition are recognized in statement of profit or loss as incurred. Subsequent changes in fair value is recognized at profit or loss.

C Measurement

I Initial Measurement

A financial asset or financial liability is measured initially at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Transaction cost in relation to financial assets and liabilities at fair value through profit or loss are recognized in Statement of Profit or Loss.

II Subsequent Measurement

Financial assets and liabilities designated at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value taken directly to the statement of profit or loss. Interest and dividend income or expense is recorded in revenue according to the terms of the contract, or when the right to payment has been established.

Available-for-sale financial assets are subsequently carried at fair value, with gains and losses arising from changes in fair value taken to Other Comprehensive Income. The Bank irrevocable election to route fair value changes through Other Comprehensive Income. Gain/Loss on equity instruments classified as fair value through other comprehensive income is charged directly to equity and impact of re-measurement is shown in OCI.

Loans and receivables and held-to-maturity financial assets are subsequently measured at amortized cost. Within this category loans and advances to the customers have been recognized at amortized cost using the method that very closely approximates effective interest rate method. The losses arising from impairment of such investments are recognized in the income statement within credit loss expense. If the Bank were to sell or reclassify more than an insignificant amount of held-to-maturity investments before certain specific maturity (other than in circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale.

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

D De-recognition

Financial Assets

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

Financial Liabilities

Financial liabilities are derecognized when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss

E Determination of fair value

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of liability reflects its non performance risk.

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

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

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

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

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis

If a market for a financial instrument is not active, the Bank establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analysis. The best evidence of the fair value of a financial instrument at initial recognition is the transaction price – i.e. the fair value of the consideration given or received. However, in some cases, the fair value of a financial instrument on initial recognition may be different to its transaction price. If such fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognized in profit or loss on initial recognition of the instrument. In other cases, the difference is not recognized in profit or loss immediately but is recognized over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable. All unquoted equity investments are recorded at cost. Promoter shares are valued at the last traded price of reporting date of such shares and if information is not available then promoter shares are valued at 50% of market price of public shares as on reporting date.

F Impairment OF Loan and Advances

Impairment of loans and advances is done as per ECL provision of NRFS 9 and NFRS 9- Expected Credit Loss Related Guidelines, 2024 issued by NRB. The details related to the same is outlined in 2.6.

As per Loan Loss Provision of Nepal Rastra Bank Loan loss provisions in respect of non-performing loans and advances are based on management's assessment of the degree of impairment of the loans and advances, subject to the minimum provisioning level prescribed in relevant NRB guideline, Provision is made for possible losses on loans and advances including bills purchased at 1.00% to As 100% on the basis of classification of loans and advances, overdraft and bills purchased in accordance with NRB directives.

Policy Adopted

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 ECL provision of NFRS 9 and NFRS 9- Expected Credit Loss Related Guidelines, 2024 issued by NRB.

G Impairment of financial investment- available for sale

The Bank also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost along with the historical share price movements, duration and extent up to which the fair value of an investment is less than its cost.

3.5 Trading assets

Financial assets are classified as trading assets (held for trading) if they have been acquired principally for the purpose of selling in the near term, or form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short- term profit taking. They are recognized on trade date, when the bank enters into contractual arrangements with counterparties, and are normally derecognized when sold. They are initially measured at fair value, with transaction costs taken to profit or loss. Subsequent changes in their fair values are recognized in profit or loss

3.6 Derivatives assets and derivative liabilities

A derivative is a financial instrument whose value changes in response to the change in an underlying variable such as an interest rate, commodities, bond, stocks, currencies, and index; that requires no initial investment, or one that is smaller than would be required for a contract with similar response to changes in market factors; and that is settled at a future date.

Derivative instruments include transactions like interest rate swap, currency swap, forward foreign exchange contract etc. held for trading as well as risk management purposes. Derivative financial instruments are initially measured at fair value on the contract date and are subsequently re-measured to fair value at each reporting date. The Group does not have any derivative instrument during the reporting period

3.7 Property, Plant and Equipment

Recognition

Property, Plant and Equipment are tangible items that are held for use in the production or supply of services, for rental to others or for administrative purposes and are expected to be used during more than one period. The Bank applies the requirements of the Nepal Accounting Standard - NAS 16 (Property, Plant and Equipment) in accounting for these assets. Property and Equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably

Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to, replace part of an item of property, plant & equipment. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of computer equipment. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment

Cost Model:

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met

Revaluation Model:

The Bank has not measured the any property and plant at revaluation model and at fair value

Subsequent Cost:

Subsequent expenditure is capitalized if it is probable that the future economic benefits from the expenditure will flow to the Bank. Ongoing repairs and maintenance to keep the assets in working condition are expensed as incurred. Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized within other income in profit or loss.

Depreciation

The Bank depreciates Property and equipment over the estimated useful life on a declining balance method basis from the date the assets are ready for intended use. Assets acquired under finance lease and leasehold improvements are amortized over the lower of estimated useful life and lease term. The estimated useful lives of assets for the current and comparative period of significant items of Property and equipment are as follows

ASSET GROUP	Percentage
Computer & Accessories	25%
Furniture & Fixtures	25%
Machineries	15%
Equipments & Others	25%
Vehicles	20%
Leasehold Properties	15%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. The value of the assets fully depreciated but continued to be in use is considered not material. Assets having acquisition cost less than 10,000 have been written off as an expense in the Statement of Profit or Loss.

3.8 Goodwill and Intangible assets**A. Goodwill**

Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired in Business Combination is recognized as goodwill. Goodwill is measured at cost less any accumulated impairment losses. The Group follows the partial goodwill method for the computation of goodwill in business combinations. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

B. Acquired Intangible Assets

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

C. INTANGIBLE ASSETS:

Intangible assets are recognized when the cost of the asset can be measured reliably, there is control over the asset as a result of past events, future economic benefits are expected from the asset. These intangible assets are recognized at historical cost less impairment less amortization over their estimated useful life. Amortization of the intangible assets is calculated using the straight-line method over the useful life of 5 years.

D. Computer Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with the development of software are capitalized where it is probable that it will generate future economic benefits in excess of its cost. Software is amortized on a straight line basis in profit or loss over its estimated useful life, from the date that it is available for use. The estimated useful life of software for the current and comparative periods is five years. Costs associated with maintaining software are recognized as an expense as incurred. At each reporting date, these assets are assessed for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Subsequent Expenditure

Expenditure incurred on software is capitalized only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. All other expenditure is expensed as incurred. Goodwill is measured at cost less accumulated impairment losses.

Amortization of Intangible Assets

Intangible Assets, except for goodwill, are amortized on a straight-line basis in the Statement of Profit or Loss from the date when the asset is available for use, over the best of its useful economic life based on a pattern in which the asset's economic benefits are consumed by the bank. Amortization methods, useful lives, residual values are reviewed at each financial year end and adjusted if appropriate. The Bank assumes that there is no residual value for its intangible assets.

De-recognition of Intangible Assets

The carrying amount of an item of intangible asset is derecognized on disposal or when no future economic benefits are expected from its use. The gain or loss arising on derecognition of an item of intangible assets is included in the Statement of Profit or Loss when the item is derecognized.

3.9 Investment Property and Non-Current Assets held for sale**A. Investment Property**

As per the provisions of NAS-40, Investment properties are land or building or both other than those classified as property and equipment under NAS 16 – "Property, Plant and Equipment"; and assets classified as non-current assets held for sale under NFRS 5 – "Non-Current Assets Held for Sale and Discontinued Operations". Land and Building acquired by the Bank as non-banking assets but not sold as on the reporting date

The Bank holds investment property that has been acquired through enforcement of security over the loans and advances. Accordingly, Investment properties include the assets obtained as security for loans & advances and subsequently taken over by the Bank in the course of loan recovery.

Measurement

Investment property is accounted for under Cost Model in the Financial Statements. Accordingly, after recognition as an asset, the property is carried at its cost, less impairment losses. If any property is reclassified to investment property due to changes in its use, fair value of such property at the date of reclassification becomes its cost for subsequent accounting.

De-recognition

Investment properties are derecognized when they are disposed off or permanently withdrawn from use since no future economic benefits are expected. Transfers are made to and from investment property only when there is a change in use. When the use of a property changes such that it is reclassified as Property, Plant and Equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

B. Assets held for Sale and discontinued Operation

Land or Land and Building other than those classified as property and equipment and investment property under relevant accounting standard are presented under this account head. The Non-Banking Assets acquired by the Bank is classified as assets held for sale only if there is intention to sale with identification of prospective buyer has been identified. The bank doesn't have any Land or building classified under Asset held for sale and Discontinued operation.

3.10 Income tax

The accounting for taxes on income is as per NAS 12, Provision for current income tax is made in accordance with the provisions of the prevailing Income Tax Act, 2058 and Rules including amendments thereon. Tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation. Income Tax expense is recognized in the statement of Profit or Loss, except to the extent it relates to items recognized directly in equity or other comprehensive income in which case it is recognized in equity or in other comprehensive income. The Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to tax authorities.

Tax expenses comprises of current tax and deferred tax.

A. Current Tax

Current tax is the income tax expense recognized in the statement of Profit or Loss, except to the extent it relates to items recognized directly in equity or other comprehensive income in which case it is recognized in equity or in other comprehensive income. Current tax is the amounts expected or paid to Inland Revenue Department in respect of the current year, using the tax rates and tax laws enacted or substantively enacted on the reporting date and any adjustment to tax payable in respect of prior years.

Income tax rate applicable for Bank is 30% .

B. Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realized or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, by the balance sheet date. Deferred tax assets and liabilities are offset when they arise in the same tax reporting group and relate to income taxes levied by the same taxation authority, and when the group has a legal right to offset.

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

Deposits, debt securities issued and subordinated liabilities are the Bank's sources of funding.

A. Deposits

Deposits include non-interest bearing deposits, saving deposits, term deposits, call deposits and margin deposits. Deposits by banks & customers are financial liabilities of the bank as there is an obligation to deliver cash or financial assets back to the depositing bank or customer and are initially recognized at fair value, plus for those financial liabilities not at fair value through profit and loss. The transaction price is considered as the fair value for measuring the deposits.

B. Debt Securities Issued

Debt Securities are initially measured at the fair value less incremental direct transaction cost and subsequently measured at their amortized cost using effective interest method except where the bank designates liabilities at fair value through profit or loss.

C. Subordinated Liabilities

Subordinated liabilities are those liabilities which at the event of winding up are subordinate to the claims of depositors, debt securities issued and other creditors. The bank does not have any of such subordinated liabilities.

3.12 Provisions, Contingent Liabilities and Commitments

A. Provisions

As per the provisions of NAS 37, "Provisions, Contingent Liabilities and Contingent Assets" A provision is recognized if, as a result of a past event, the Bank 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. The amount recognized is the best estimate of the consideration required to settle the present obligation at the reporting date, taking in to account the risks and uncertainties surrounding the obligation at that date.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is determined based on the present value of those cash flows. A provision for onerous contracts is recognized when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured as the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Provision is not recognized for future operating losses.

Before a provision is established, the Bank recognizes any impairment loss on the assets associated with that contract. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

The institution had deposit in Crystal Finance Limited amounting to Rs. 20,673,874.31. 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	304,949
Provision for Bank Balance(Crystal Finance)	304,949

B. Contingent Liabilities and Commitments

Contingent Liabilities:

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

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

Commitments:

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

Litigation:

Litigations are anticipated in the context of business operations due to the nature of the transactions involved. The Bank is involved in various such legal actions in the normal course of business and the controls have been established to deal with such legal claims. There are pending litigations existing as at the end of the reporting period against the Bank, resulting through normal business operations.

3.13 Revenue Recognition

Revenue is the gross inflow of economic benefits during the period arising from the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants. Revenue is recognized to the extent it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. Revenue is not recognized during the period in which its recoverability of income is not probable. The Bank's revenue comprises of -

- Interest income
- Fees and Commission Dividend Income
- Net Trading Income
- Net income from other financial instrument at fair value through Profit or Loss

A. Interest Income

Considering the technical challenges related to implementation of expected credit loss in initial years including that of effective interest rate, guidance note on Interest Income Recognition, 2025 has been issued by NRB in order to streamline interest income recognition practices across the banking industry

Paragraph 5.4.1 of NFRS 9 requires an entity to apply the effective interest rate to the amortised cost of a creditimpaired financial asset in subsequent reporting periods. Paragraph BC5.74 of IFRS 9- 'Basis for Conclusions' explains that if a financial asset is credit-impaired at the reporting date, an entity should change the interest revenue calculation at the beginning of the following reporting period.

Similarly, Paragraph 5.4.2 of NFRS 9 requires an entity to calculate interest revenue, in subsequent reporting periods, by applying effective interest method to gross carrying amount if the credit risk on the financial instrument improves so that the financial asset is no longer credit-impaired.

Interest income recognition for each quarter shall be based on stage of financial assets as on previous quarter end. (not on current quarter end).

Financial assets are classified into Stage 1, Stage 2, or Stage 3 based on their credit risk and expected credit loss assessment. For assets existing at the previous quarterend, the stage is determined as per their classification at that date. For new financial assets recognized during the quarter, the stage is determined at initial recognition. Interest income for each financial asset for the quarter is computed based on the identified stage, in accordance with the transitional arrangement plan prescribed.

Under transitional arrangement plan for FY 81/82 and 82/83, interest income on financial assets is recognized based on their stage classification. For Stage 1 and Stage 2 financial assets, interest income is recognized on an accrual basis using the coupon rate or effective interest rate, and any interest suspense at the beginning of the quarter is also included in interest income for the current quarter. For Stage 3 financial assets, interest income is adjusted against the movement in accrued interest receivable during the current quarter and the interest suspense at the beginning of the quarter, and only cashbased interest received during the quarter is recognized as income.

B. Fee and commission income

Fees earned for the provision of services over a period of time are accrued over that period. These fees include Service fees, Loan administrative fees and Commission income. Fees and Commission Income being the transaction costs is integral to the effective interest rate on financial asset. However, as per the Carve out issued by ICAN regarding the treatment of fee and commission in EIR rate, fees to be considered for EIR computation unless it is impracticable to determine reliably. Since, such transaction costs are not identifiable for separate customer and therefore being impracticable, they have not been considered when computing EIR. They have been booked on accrual basis except commission on guarantees issued by the bank which is recognized as income over the period of the guarantee. Other fee and commission income are recognized on accrual basis.

C. Dividend income

Dividend incomes are recognized on actual receive basis. Usually this is the ex-dividend date for equity securities. Dividends are presented in net trading income, net income from other financial instruments at fair value through profit or loss or other revenue based on the underlying classification of the equity investment.

D. Net trading income

Net trading income comprises gains less losses relating to trading assets and liabilities, and includes all realized interest, dividend and foreign exchange differences as well as unrealized changes in fair value of trading assets and liabilities.

E. Net income from other financial instrument at fair value through Profit or Loss

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

3.14 Interest expense

For financial liabilities measured at amortized cost using the rate that closely approximates effective interest rate, interest expense is recorded using such rate. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of

3.15 Employees Benefits

Employee benefits include:

A. Short term employee benefits

These are employee benefits which fall due wholly within twelve months in which the employees render the related service. Such as the following:

- i. Wages, salaries and social security contributions,
- ii. Festival Allowances, rewards and other incentives,
- iii. Paid annual leave and paid sick leave
- iv. Profit-sharing and bonuses and
- v. Non-monetary benefits

Short term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonus or profit sharing plans if the Bank has present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably

B. Long term employee benefits

Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which a Bank pays fixed contribution into a separate Bank (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods, as defined in Nepal Accounting Standards - NAS 19 (Employee Benefits).

The contribution payable by the employer to a defined contribution plan in proportion to the services rendered to Bank by the employees and is recorded as an expense under 'Personnel expense' as and when they become due. Unpaid contribution is recorded as a liability under 'Other Liabilities'.

Bank contributed 10% on the salary of each employee to the Employees' Provident Fund. The above expenses are identified as contributions to 'Defined Contribution Plans' as defined in Nepal Accounting Standards-NAS 19 (Employee Benefits).

Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Accordingly, leave encashment and gratuity has been considered as defined benefit plans as per NAS 19 (Employee Benefits). Net Obligation in DBP is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting that benefit to determine its present value and then deducting the fair value of any plan assets. Bank recognizes all actuarial gains and losses arising from DBP in the Other Comprehensive Income and expenses related to DBP under personnel expense in the Statement of Profit or Loss.

Note

The entity has not obtained an actuarial valuation report for its Defined Benefit Liability for the financial year 2081/82.

Gratuity

Bank's obligation in respect of defined benefit obligation is calculated by estimating the amount of future benefit that employees have earned for their service in the current and prior periods and discounting that benefit to determine its present value, then deducting the fair value of any plan assets to determine the net amount to be shown in the Statement of Financial Position. The value of a defined benefit asset is restricted to the present value of any economic benefits available in the form of refunds from the plan or reduction on the future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirement that apply to any plan in Bank. An economic benefit is available to Bank if it is realizable during the life of the plan, or on settlement of the plan liabilities.

Bank has to determine the interest expense on the defined benefit liability by applying the discount rate used to measure the defined benefit liability at the beginning of the annual period to the defined benefit liability at the beginning of the annual period. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating to the terms of Bank's obligations.

Bank has not carried out actuarial valuation of the gratuity and other benefits.

Other Long term Employee benefits

Other long term employee benefits are all employee benefits other than short term employee benefits, post-employment benefits and terminal benefits.

Employee Bonus

Employee bonus shall be calculated at the rate of 10% of Profit before bonus and tax.

3.16 Finance and Operating Leases:

The determination of whether an arrangement is a lease, or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. NFRS 16 'Leases' is effective for annual periods beginning on or after 1st Shrawan 2078. A lessee is required to recognize a right-of-use asset (ROU) representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The main reason for this change is that this approach will result in a more comparable representation of a lessee's assets and liabilities in relation to other companies and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed. The standard permits a lessee to choose either a full retrospective or a modified retrospective transition approach. The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

Average base rate of commercial banks published by Nepal Rastra Bank for the relevant financial year has been considered as its incremental borrowing rate i.e. 6.25%.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable under a residual value guarantee, and
- The exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Bank presents right-of-use assets under property and equipment (Note 4.13) and lease liabilities under other liabilities (Note 4.23) in the Statement of Financial Position. The interest expenses on lease liability, depreciation charges on right of use assets and short term lease payment has been presented under interest expenses (4.29) and depreciation and amortization (4.38) respectively in the statement of profit or loss.

Simplified approach permitted by Standard for Low Value Leases:

The Bank has elected to recognize right-of-use assets and lease liabilities for all the leases including low value leases.

3.17 Foreign Currency Transaction

All foreign currency transactions are translated into the functional currency, which is Nepalese Rupees, using the exchange rates prevailing at the dates when the transactions were affected.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Nepalese Rupees using the spot foreign exchange rate ruling at that date and all differences arising on nontrading activities are taken to 'Other Operating Income' in the Statement of Profit or Loss. The foreign currency gains or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the rates of exchange prevailing at the end of the reporting period.

Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items in foreign currency measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange differences arising on the settlement or reporting of monetary items at rates different from those which were initially recorded are dealt with in the Statement of Profit or Loss. However, foreign currency differences arising on available-for sale equity instruments are recognized in other comprehensive income. Forward exchange contracts are valued at the forward market rates ruling on the reporting date.

3.18 Financial guarantee and loan commitment

Financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due. Financial guarantee contracts may have various legal forms, such as a guarantee, some types of letter of credit, etc.

Where the bank has confirmed its intention to provide funds to a customer or on behalf of a customer in the form of loans, overdrafts, etc. whether cancellable or not and the bank had not made payments at the reporting date, those instruments are included in these financial statements as commitments.

3.19 Share Capital and Reserves

A. Share Capital

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

Dividends on ordinary shares classified as equity are recognized in equity in the period in which they are declared.

The share issue expenses which can be avoided for the issue was charged in the year of issue directly through equity and disclosed in statement of changes in equity. Tax impact is also disclosed.

B. Reserves

The reserves include regulatory and free reserves.

a) Retained Earning

The bank has to appropriate different reserves from retained earnings. Retained earnings comprises of current Fiscal Year profit and any non-distributed profit of preceding Fiscal Years.

b) General Reserve

The Bank is required to appropriate a minimum 20% of current year's net profit into this heading each year until it becomes double of paid up capital and then after a minimum 10% of profit each year. This reserve is not available for distribution to shareholders in any form and requires specific approval of the central bank for any transfers from this heading.

c) Exchange Equalization Reserve

The Bank is required to appropriate 25% of current year's total revaluation gain (except gain from revaluation of Indian Currency) into this heading.

d) 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 value and tax consequences of revaluation. The Bank has followed cost model therefore no assets revaluation reserve is created.

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. are presented under this heading.

f) Special Reserve

Any special reserve that is created as per the specific requirement of NRB directive or special instruction of NRB are represented as special reserve. The amount allocated to this reserve by debiting retained earning account are presented under this heading.

g) Corporate Social Responsibility Fund

The Bank is required to appropriate an amount equivalent to 1% of net profit into this fund annually. The fund is created towards funding the Bank's corporate social responsibility expenditure during the subsequent year. Balance in this fund is directly reclassified to retained earnings in the subsequent year to the extent of payments made under corporate social responsibility activities.

h) Debenture Redemption Reserve

The Bank is required to maintain a redemption reserve in respect of borrowing raised through debenture issuance. As per the terms of NRB approval relating to the Bank's debenture issuance, the Bank is annually required to transfer 16.67% of the debenture's face value to redemption reserve. such provision shall not be applicable in the year of issue.

i) Employee Training Fund

The Bank is required to incur expenses towards employee training and development for an amount that is equivalent to at least 3% of the preceding year's salary and allowance. Any shortfall amount in meeting this mandatory expense requirement in the current year will have to be transferred to this reserve fund through appropriation of net profit and the amount shall accumulate in the fund available for related expenses in the subsequent year. Balance in this fund is directly reclassified to retained earnings in the subsequent year to the extent of expenses made for employees training related activities.

j) Investment Adjustment Reserve

Investment Adjustment Reserve Directive No 8. Of Nepal Rastra Bank's Unified Directives requires, the bank has to create the investment reserve of an amount equivalent to the investment in equity shares if the shares remained unquoted for 3 years from the date of investment.

K) Regulatory Reserve

This is a non-free statutory reserve and is a requirement as prescribed in NRB directive. In the transition to NFRS from previous GAAP the Bank is required to reclassify all amounts that are resultant of re-measurement adjustments and that are recognized in retained earnings into this reserve heading. The amount reclassified to this reserve includes:

Re-measurement adjustments such as interest income recognized against interest receivables i.e. Accrued Interest Receivable after considering effect of bonus and income tax .

- Amount equals to deferred tax assets,
- Actuarial loss recognized in other comprehensive income,
- Amount of goodwill recognized under NFRS.
- Non-Banking assets after taking effect of bonus and income tax

I) Regulatory Reserve Comprises of Following

Particulars	Amount
Interest Income On NFRS	1,055,938
Deferred Tax Assets	48,001,550
Fair Value reserve	-

Provision for NBA transferred to Regulatory Reserve	17,982,965
Total	67,040,452

m) Fair Value Reserve

Assets that are not classified as Fair Value through Profit and Loss, held to maturity and Loans and Receivables are categorized as Available for Sale (AFS) financial instruments. The Bank has under regulatory provisions a requirement to appropriate the upward movements in fair value under AFS reserve. The accounting of gain or loss in the fair value movement of AFS Financial Assets is done through other comprehensive income.

n) Actuarial Gain/(Loss) Reserve

Actuarial Gain/ loss Reserve has been created to record the Actuarial gain or loss occurring due to change in actuarial assumption under NAS 19. The gain or loss has been disclosed under this reserve after presentation through Other Comprehensive Income.

l) Capital Redemption Reserve

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

m) 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.

n) 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.

o) Capital Adjustment/ Equalization 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.

p) 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	2081/82	2080/81
Opening Staff Training Fund	545,989	413,743
3% of the previous year salary and allowances	577,214	560,273
Total amount incurred for employee training and skill	163,471	310,572
Excess/(Deficit) amount incurred for employee training and skill development program	413,743	249,701
Staff Skill Development Fund carried forward to next year	413,743	249,701

3.20 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	2081.82	
	No.	Amount (NRs.)
Promoter Kitta	131,998	15,687,575
Public Kitta	13,651	6,022,011
Total	145,649	21,709,586
Face Value of the shares (@100 per kitta)	145,649	14,564,900
Excess transferred to share premium account		7,144,686
Opening share premium amount if any		2,956,688
Closing share premium accounted for the year		10,101,374

3.21 Earning per share including diluted

Bank presents basic and diluted Earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit and loss attributable to ordinary equity holders of Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting both the profit and loss attributable to the ordinary equity holders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, if any.

Earnings per share is calculated and presented in consolidated statement of profit or loss.

3.22 Segment reporting

The Bank's segmental reporting is in accordance with NFRS 8 Operating Segments. Operating segments are reported in a manner consistent with the internal reporting provided to the bank's management, which is responsible for allocating resources and assessing performance of the operating segments. Income and expenses directly associated with each segment are included in determining

3.23 Dividend on Ordinary Shares

Dividend on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim Dividend is deducted from equity when they are declared and no longer at the discretion of the Bank. Dividend for the year that is approved after the reporting date is disclosed as an event after the reporting date.

3.24 Cash Flow Statement

The cash flow statement has been prepared whereby gross cash receipts and gross cash payments of operating activities, finance activities and investing activities have been recognized.

3.25 Comparative Figure

The comparative figures and phrases have been rearranged wherever necessary to conform to the current year's presentation.

3.26 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.

3.27 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	304,949
Receivable from Dibya Kumar Shrestha	70,091,173
Total	78,542,979

Narayani Development Bank Limited
Notes to Financial Statements

Cash and cash equivalent

4.1

Particulars	As at 32.03.2082	As at 31.03.2081	As at 31.03.2080
Cash in hand	18,282,713	18,783,923	15,756,710
Balances with B/FIs	75,981,802	245,265,743	112,444,126
Money at call and short notice	-	-	-
Other	-	-	-
Total	94,264,515	264,049,666	128,200,835

Cash and cash equivalents includes the cash, bank balance at Banks & Financial Institutions and is carried at amortised cost. The cash and balance with BFIs are maintained to manage liquidity at branch level. Cash at vault and cash in transit are adequately secured for physical losses.

Due from Nepal Rastra Bank

4.2

Particulars	As at 32.03.2082	As at 31.03.2081	As at 31.03.2080
Statutory balances with NRB	58,147,270	48,488,766	40,879,280
Securities purchased under resale agreement	-	-	-
Other deposit and receivable from NRB	-	-	-
Total	58,147,270	48,488,766	40,879,280

Statutory balance with NRB represents the balance maintained for regulatory cash reserve ratio required by the Nepal Rastra Bank.

Placements with Bank and Financial Institutions

4.3

Particulars	As at 32.03.2082	As at 31.03.2081	As at 31.03.2080
Placement with domestic B/FIs	-	-	-
Placement with foreign B/FIs	-	-	-
Less: Allowances for impairment	-	-	-
Total	-	-	-

Bank do not have any placements related to Domestic and Foreign Banks & Financial Institutions.

Derivative financial instruments

4.4

Particulars	As at 32.03.2082	As at 31.03.2081	As at 31.03.2080
Held for trading	-	-	-
Interest rate swap	-	-	-
Currency swap	-	-	-
Forward exchange contract	-	-	-
Others	-	-	-
Held for risk management	-	-	-
Interest rate swap	-	-	-
Currency swap	-	-	-
Forward exchange contract	-	-	-
Other	-	-	-
Total	-	-	-

Other trading assets

4.5

Particulars	As at 32.03.2082	As at 31.03.2081	As at 31.03.2080
Treasury bills	-	-	-
Government bonds	-	-	-
NRB Bonds	-	-	-
Domestic Corporate bonds	-	-	-
Equities	-	-	-
Other	-	-	-
Total	-	-	-
Pledged	-	-	-
Non-pledged	-	-	-

Trading Assets are those assets that the bank has acquired for the purpose of selling in the near term, or holds as part of the portfolio that is managed together for short-term profit as presented under this head. Bank do not have any investment under this heading for the reporting period.

Loan and advances to B/FIs

4.6

Particulars	As at 32.03.2082	As at 31.03.2081	As at 31.03.2080
Loans to microfinance institutions	-	-	-
Other	-	-	-
Less: Allowances for impairment	-	-	-
Total	-	-	-

Narayani Development Bank Limited
Notes to Financial Statements

Loans and advances disbursed to Banks & Financial Institutions are presented under this head. Currently, Bank haven't disbursed any loans and advances to Bank & Financial Institutions.

4.6.1: Allowances for impairment

Balance at Sawan 1	As at 32.03.2082	As at 31.03.2081	As at 31.03.2080
Impairment loss for the year:			
Opening	-	-	-
Charge for the year	-	-	-
Recoveries/reversal	-	-	-
Amount written off			
Balance at Asar end	-	-	-

Loans and advances disbursed to banks and financial institutions are presented above. These assets are measured at amortized cost. These are interest bearing advances and the income on these assets is credited to statement of profit or loss under interest income.

Loans and advances to customers

4.7

Particulars	As at 32.03.2082	As at 31.03.2081	As at 31.03.2080
Loan and advances measured at amortized cost	323,829,151	408,782,570	552,957,263
Less: Impairment allowances			
Collective impairment	2,313,870	4,635,944	8,642,914
Individual impairment	133,669,511	139,749,612	134,019,982
Net amount	187,845,771	264,397,015	410,294,367
Loan and advances measured at FVTPL			
Total	187,845,771	264,397,015	410,294,367

"Loans and advances disbursed to customers and employees other than banks and financial institutions are presented above. These assets are measured at amortized cost. These are interest bearing advances and the income on these assets is credited to statement of profit or loss under interest income.

Loans and advances are presented net of impairment allowances as per ECL guidelines 2024 issued by Nepal Rastra Bank. Impairment allowance is considered higher of total impairment charge calculated under ECL provision as per NFRS 9 and as per existing regulatory provisions as per NRB directive. Impairment in loans and advances to BFIs and loans and advances to customer as per NRB directive no.2 is NPR 135,983,380.53/- which is higher than total impairment as per NFRS 9 NPR 120,605,971/-.

Particulars	As at 32.03.2082	As at 31.03.2081	As at 31.03.2080
Individual impairment	133,669,511	17,885,502	10,164,965
Collective impairment	2,313,870	2,234,066	4,626,269
Total	135,983,381	20,119,568	14,791,234

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

Particulars	As at 32.03.2082	As at 31.03.2081	As at 31.03.2080
Performing loan	163,298,086	217,491,442	397,988,930
Good	146,275,865	179,108,662	304,230,601
Watchlist	17,022,221	30,815,994	93,758,329
Restructured Loan	-	7,566,785	-
Non-performing loan	157,413,394	188,298,498	149,604,319
Substandard	13,732,460	37,745,599	18,042,995
Doubtful	28,629,077	42,488,462	6,170,088
Loss	115,051,858	108,064,436	125,391,236
Total	320,711,480	405,789,940	547,593,249
Add: loan to employees	870,000	1,003,853	1,032,953
Net AIR	2,247,671	1,988,778	4,331,061
Total loan	323,829,151	408,782,570	552,957,263
Impairment allowance			
Performing loan	2,313,870	4,635,944	8,642,914
Good	1,462,759	2,149,296	3,954,998
Watchlist	851,111	1,540,800	4,687,916
Restructured Loan	-	945,848	-
Non-performing loan	133,669,511	139,749,612	134,019,982
Substandard	3,433,115	9,436,400	4,510,749
Doubtful	14,314,538	21,244,231	3,085,044
Loss	115,921,858	109,068,981	126,424,189
Additional	-	-	-
Total	135,983,381	144,385,555	142,662,896

Loans and Advances to BFIs as well as to individual borrowers has been carried at amortised cost and includes accrued interest receivable amounting NRs. 2,247,671.42

Narayani Development Bank Limited
Notes to Financial Statements

4.7.1 Analysis of Loans and advances By product

Product	As at 32.03.2082	As at 31.03.2081	As at 31.03.2080
Term loans	70,623,606	79,651,567	113,140,457
Overdraft	48,964,872	83,728,875	120,119,707
Trust receipt/Import loans	-	-	-
Demand and other working capital loans	-	-	-
Personal residential loans	23,420,234	26,022,415	39,250,686
Real estate loans	-	-	5,245,500
Margin lending loans	-	-	-
Hire purchase loans	17,446,113	25,586,016	33,779,436
Deprived sector loans	16,858	368,836	16,991,489
Bills purchased	-	-	-
Staff loans	-	99,102	-
Service Loan	9,758,926	9,908,608	10,023,483
Industrial Loan	-	-	-
Agriculture Loan	18,675,629	21,294,103	21,636,483
Commercial Loan	96,833,173	152,400,302	171,234,835
Loan Against FDR	29,102,530	2,700,000	7,405,032
Loan Against Share	-	-	6,044,249
Investment on Sworojgar	2,721,890	2,721,890	2,721,890
Other	3,147,649	1,308,225	-
Sub total	320,711,480	405,789,940	547,593,249
Loans to employees	870,000	1,003,853	1,032,953
Accrued Interest receivable	2,247,671	1,988,778	4,331,061
Grand total	323,829,151	408,782,570	552,957,263

4.7.2: Analysis of loan and advances - By Currency

Currency	As at 32.03.2082	As at 31.03.2081	As at 31.03.2080
Nepalese rupee	323,829,151	408,782,570	552,957,263
Indian rupee	-	-	-
United State dollar	-	-	-
Great Britain pound	-	-	-
Euro	-	-	-
Japanese yen	-	-	-
Chinese yuan	-	-	-
Other	-	-	-
Total	323,829,151	408,782,570	552,957,263

4.7.3: Analysis of loan and advances - By Collateral

Collateral	As at 32.03.2082	As at 31.03.2081	As at 31.03.2080
Secured			
Movable/immovable assets	321,107,261	406,060,680	513,878,656
Gold and silver	-	-	-
Guarantee of domestic B/FIs	-	-	-
Government guarantee	2,721,890	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	-	-	-
Subtotal	323,829,151	408,782,570	516,600,546
Unsecured	-	-	36,356,718
Grant Total	323,829,151	408,782,570	552,957,263

4.7.4: Allowances for impairment

Particulars	As at 32.03.2082	As at 31.03.2081	As at 31.03.2080
Specific allowances for impairment			
Balance at Shrawan 1	139,749,612	134,019,982	52,861,762
Impairment loss for the year:	-	-	-
Charge for the year	(6,080,101)	5,729,630	81,158,220
Recoveries/reversal during the year	-	-	-
Write-offs	-	-	-
Exchange rate variance on foreign currency	-	-	-

Narayani Development Bank Limited
Notes to Financial Statements

Other movement			
Balance at Asar end	133,669,511	139,749,612	134,019,982
<u>Collective allowances for impairment</u>			
Balance at Shrawan 1	4,635,944	8,642,914	4,593,306
Impairment loss for the year:	-	-	-
Transfer On Merger and Acquisition	-	-	-
Charge/(reversal) for the year	(2,322,074)	(4,006,971)	4,049,607.83
Exchange rate variance on foreign currency	-	-	-
Other movement	-	-	-
Balance at end	2,313,870	4,635,944	8,642,914
Total allowances for impairment	135,983,381	144,385,555	142,662,896

Investment Securities

4.8

Particulars	As at 32.03.2082	As at 31.03.2081	As at 31.03.2080
Investment securities measured at amortized cost	4,000,000	4,000,000	4,000,000
Investment in equity measured at FVTOCI	35,153,365	43,153,554	43,427,610
Total	39,153,365	47,153,554	47,427,610

Investment made by the Bank in financial instruments has been presented under this account head in two categories i.e. investment securities measured at amortized cost and investment in equity measured at fair value through other comprehensive income.

Investment other than those measured at amortized cost is measured at fair value and changes in fair value has been recognized in other comprehensive income. Where income from the investment is received in the form of bonus shares, the valuation of investment is made by increasing the number of shares without changing in the cost of investment.

4.8.1: Investment securities measured at amortized cost

Particulars	As at 32.03.2082	As at 31.03.2081	As at 31.03.2080
Debt securities	-	-	-
Government bonds	4,000,000	4,000,000	4,000,000
Government treasury bills	-	-	-
Nepal Rastra Bank bonds	-	-	-
Nepal Rastra Bank deposits instruments	-	-	-
Other	-	-	-
Less: specific allowances for impairment	-	-	-
Total	4,000,000	4,000,000	4,000,000

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 32.03.2082	As at 31.03.2081	As at 31.03.2080
<u>Equity instruments</u>			
Quoted equity securities	35,153,365	43,153,554	43,427,610
Unquoted equity securities	-	-	-
Total	35,153,365	43,153,554	43,427,610

4.8.3: Information relating to investment in equities

Particulars	As at 32.03.2082		As at 31.03.2081		As at 31.03.2080	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
Investment in quoted equity						
Prudential Insurance Company Limited - Ordinary Share		54,900	532,482	533,448	54,900	535,360
Nepal Insurance Company Limited - Ordinary Share		-	44,517	40,480	-	-
Ajod Insurance Company Ltd.		-	-	2,039,662	2,039,662	1,751,288
Butwal Power Company Ltd.		-	-	2,454,608	2,454,608	2,230,214
Sagarmatha Lumbini general Insurance Co. Ltd.		-	726.09	727	-	748
Global IME Balanced Fund-1 (GIBF1)	7,656,916	8,305,238	15,000,000	13,650,000	15,000,000	14,010,000
Prabhu Smart Fund (PRSF)	9,782,000	11,219,954	10,000,000	9,610,000	10,000,000	9,900,000
Citizen Super 30 Mutual Fund	14,931,000	15,050,448	15,000,000	15,000,000	15,000,000	15,000,000
Total	32,424,816	35,153,365	44,549,170	43,153,554	44,549,170	43,427,610

Statement showing Fair market value of Investment Securities

S.No.	Name of Company	No. of Shares	Per Unit MP	Market price	No. of Shares	Per Unit MP	Market price	No. of Shares	Per Unit Cost	Cost price
1	IGI Prudential Insurance Company Limited(IGI)	549	556.99	305,788	549	558.00	306,342	549	100	54,900
2	IGI Prudential Insurance Company Limited(IGI)	128	556.99	71,295	128	558.00	71,424	128	-	-
3	IGI Prudential Insurance Company Limited(IGI)	249	556.99	138,691	249	558.00	138,942	249	-	-
4	IGI Prudential Insurance Company Limited(IGI)(Bonus)	30	556.99	16,710	30	558.00	16,740	-	-	-
5	Butwal Power Company Limited(BPCL)			-	98	310.00	30,380	98	375	36,771
6	Butwal Power Company Limited(BPCL)			-	5,000	310.00	1,550,000	5,000	386	1,927,830
7	Butwal Power Company Limited(BPCL)			-	1,318	310.00	408,580	1,318	372	490,007
8	Butwal Power Company Limited(BPCL)(Bonus)			-	11	310.00	3,410	11	-	-
9	Butwal Power Company Limited(BPCL)(Bonus)			-	321	310.00	99,510	-	-	-
10	Nepal Insurance Company Limited(NICL)(Bonus)	69	645.18	44,517	46	880.00	40,480	-	-	-
11	United Ajod Insurance Company Ltd.(UAIL)	-	0	-	3,721	598.50	2,227,019	4,091	499	2,039,662
12	Sagarmatha Lumbini Insurance Co. Limited (SALICO)	1	726.09	726	1	727.00	727	1	-	-
13	Global IME Balanced Fund-1 (GIBF1)	761,250	10.91	8,305,238	1,500,000	9.10	13,650,000	1,500,000	10	15,000,000
14	Prabhu Smart Fund (PRSF)	978,200	11.47	11,219,954	1,000,000	9.61	9,610,000	1,000,000	10	10,000,000
15	Citizen Super 30 Mutual Fund	1,493,100	10.08	15,050,448	1,500,000	10.00	15,000,000	1,500,000	10	15,000,000
Total		3,233,576		35,153,365		6,016	43,153,554	4,011,445		44,549,170

Narayani Development Bank Limited
Notes to Financial Statements

Current tax assets

4.9

Particulars	As at 32.03.2082	As at 31.03.2081
Current tax assets	11,013,997	10,344,772
Current year income tax assets	11,013,997	10,344,772
Tax assets of prior periods	-	-
Less: Advance tax not allowed to claim as per Income Tax Annexure -10	8,772,424.41	
Current tax liabilities	-	-
Current year income tax liabilities	-	-
Tax liabilities of prior periods	-	-
Total	2,241,573	10,344,772

Current Tax Assets includes Tax Deducted at Source (TDS) by several parties on behalf of the Bank.

Investment in subsidiaries

4.10

Particulars	As at 32.03.2082	As at 31.03.2081
Investment in quoted subsidiaries	-	-
Investment in unquoted subsidiaries	-	-
Total investment	-	-
Less: Impairment allowances	-	-
Net carrying amount	-	-

Narayani Development Bank Limited
Notes to Financial Statements

4.10.1: Investment in quoted subsidiaries

	As at 32.03.2082		As at 31.03.2081	
	Cost	Fair Value	Cost	Fair Value
.....Ltd. shares of Rs. each				
.....Ltd. shares of Rs. each				
Total			-	-

4.10.2: Investment in unquoted subsidiaries

	As at 32.03.2082		As at 31.03.2081	
	Cost	Fair Value	Cost	Fair Value
.....Ltd. shares of Rs. each				
.....Ltd. shares of Rs. each				
Total			-	-

4.10.3: Information relating to subsidiaries of the Bank

	As at 32.03.2082		Percentage of ownership held by the Bank	
	Cost	Fair Value	As at 32.03.2082	As at 31.03.2081
.....Ltd.				
.....Ltd.				
.....Ltd.				
.....Ltd.				
Total			-	-

Narayani Development Bank Limited
Notes to Financial Statements

4.10.4: Non controlling interest of the subsidiaries

Particulars	As at 32.03.2082	As at 31.03.2081
Equity interest held by NCI (%)		... Ltd.
Profit/(loss) allocated during the year		
Accumulated balances of NCI as on Asar end		
Dividend paid to NCI		
Particulars	As at 32.03.2082	As at 31.03.2081
Equity interest held by NCI (%)		... Ltd.
Profit/(loss) allocated during the year		
Accumulated balances of NCI as on Asar end		
Dividend paid to NCI		
Particulars	As at 32.03.2082	As at 31.03.2081
Equity interest held by NCI (%)		... Ltd.
Profit/(loss) allocated during the year		
Accumulated balances of NCI as on Asar end		
Dividend paid to NCI		

4.11 Investment in associates

Particulars	As at 32.03.2082	As at 31.03.2081
Investment in quoted associates		
Investment in unquoted associates		
Total investment		-
Less: Impairment allowances		
Net carrying amount	-	-

Narayani Development Bank Limited
Notes to Financial Statements

4.11.1: Investment in quoted associates

Particulars	As at 32.03.2082		As at 31.03.2081	
	Cost	Fair Value	Cost	Fair Value
Total			-	-

4.11.2: Investment in unquoted associates

Particulars	As at 32.03.2082		As at 31.03.2081	
	Cost	Fair Value	Cost	Fair Value
Total			-	-

4.11.3: Information relating to associates of the Bank

Particulars	As at 32.03.2082		Percentage of ownership held by the Bank	
	Cost	Fair Value	As at 32.03.2082	As at 31.03.2081
Total			-	-

4.11.4: Equity value of associates

Particulars	As at 32.03.2082	As at 31.03.2081

Narayani Development Bank Limited
Notes to Financial Statements

4.12 Investment properties

Particulars	As at 32.03.2082	As at 31.03.2081
Investment properties measured at fair value		
Balance as on Srawan 1, 2081		
Addition/disposal during the year		
Net changes in fair value during the year		
Adjustment/transfer		
Net amount		
Investment properties measured at cost		
Balance as on Srawan 1, 2081	14,281,137	
Addition during the year	26,692,500	14,281,137
Disposal during the year	(4,841,500)	
Adjustment/transfer		
Accumulated depreciation		
Accumulated impairment loss		
Net amount	36,132,137	14,281,137
Total	36,132,137	14,281,137

Note 4.12.1: Investment property comprise the following

Own Land		
Non-Banking Assets	36,132,137	14,281,137
Total	36,132,137	14,281,137

Note 4.12.2: Details of Non Banking Assets:

Borrower's or Party's Name & Address	As at 32.03.2082	As at 31.03.2081
Raj Kumar Mahato	2,639,637	2,639,637
Kalika Krishi Machhapalan Tatha Pashupanchi Farm	-	4,841,500
Shila Fancy And Cosmetic	6,800,000	6,800,000
Nilam Yatayat Pvt. Ltd.	7,717,500	
Sumi Furniture Udhyog	11,025,000	
Hira Khadyanna	-	
Sumina and Sujana Krishi Firm	7,950,000	
Total	36,132,137	14,281,137

Narayani Development Bank Limited
Notes to Financial Statements

4.13

Property and Equipment Particulars	Land	Building	Leasehold Properties	Computer & Accessories	Vehicle	Furniture & Fixture	Machinery	Equipments & Others	Right of Use Assets	Total
Cost										
Balance as on Asadh end 2080	-	-	3,973,941	16,678,534	8,806,473	8,333,244	962,920	3,241,858	19,349,777	61,346,747
Addition during the Year										-
Acquisition				33,200		135,838		452,890	6,624,677	7,246,605
Acquired on business combination										-
Capitalization										-
Disposal during the year		-	(5,417)	(1,939)	-	(95,442)	-	(54,163)		(156,962)
Adjustment/Revaluation			556,812	(447,329)		(325,018)	2,098	213,437		-
Balance as on Asadh end, 2081	-	-	4,525,335	16,262,466	8,806,473	8,048,621	965,018	3,854,022	25,974,454	68,436,390
Addition during the Year										-
Acquisition			4,371,611			861,533	21,995	1,081,766	29,777,726.23	36,114,632
Acquired on business combination										-
Capitalization										-
Disposal during the year			(473,522)	-	(7,545)	(149,574)	(27,315)	(110,786)	(16,893,628)	(17,662,371)
Adjustment/Revaluation										-
Balance as on Ashadh end, 2082	-	-	8,423,424	16,262,466	8,798,927	8,760,580	959,698	4,825,002	38,858,552	86,888,650
Depreciation & Impairment										
As on Asadh end 2079	-	-	(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			(744,227)	(3,681,680)	(1,085,483)	(765,264)	(29,198)	(571,150)	(2,839,204)	(9,716,207)
Accu. Depreciation on assets acquired on business combination										-
Disposals										-
Adjustment									-	-
As on Asadh end 2080	-	-	(1,352,996)	(11,865,984)	(4,389,375)	(5,969,621)	(664,132)	(1,078,027)	(4,989,571)	(30,309,707)
Impairment for the year										-
Depreciation charge for the Year			(961,516)	(1,003,666)	(883,420)	(510,547)	(45,133)	(600,188)	(3,474,867)	7,479,337
Accu. Depreciation on assets acquired										-
Disposals										-
Adjustment				1,779						1,779
As on Asadh end, 2081	-	-	(2,314,512)	(12,867,872)	(5,272,795)	(6,480,168)	(709,265)	(1,678,215)	(8,464,439)	(37,787,265)
Impairment for the year										-
Depreciation charge for the Year			(1,001,302)	(758,270)	(705,955)	(488,308)	(82,990)	(659,788)	(4,641,732)	(8,338,345)
Accu. Depreciation on assets acquired on business combination										-
Disposals										-
Adjustment										-
As on Ashadh end, 2082	-	-	(3,315,814)	(13,626,142)	(5,978,749)	(6,968,476)	(792,255)	(2,338,003)	(13,106,171)	(46,125,611)
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	31,584,005
Balance as on Asadh 31, 2080	-	-	2,620,945	4,812,550	4,417,098	2,363,623	298,788	2,163,830	14,360,205	31,037,039
Balance as on Asadh 31, 2081	-	-	2,210,823	3,394,594	3,533,678	1,568,453	255,753	2,175,807	17,510,015	30,649,124
Balance as on Asadh 32, 2082	-	-	5,107,610	2,636,324	2,820,178	1,792,104	167,442	2,486,998	25,752,381	40,763,038

Narayani Development Bank Limited
Notes to Financial Statements

Goodwill and Intangible Assets

4.14

Particulars	Goodwill	Software		Other	Total
		Purchased	Developed		
Cost					
Balance as on Asadh end 2080	-	12,032,492	-	-	12,032,492
Addition during the Year					-
Acquisition		-			-
Acquired on business combination					-
Capitalization					-
Disposal during the year					-
Adjustment/Revaluation					-
Balance as on Asadh end, 2081	-	12,032,492	-	-	12,032,492
Addition during the Year					-
Acquisition		132,775			132,775
Acquired on business combination					-
Capitalization					-
Disposal during the year		-			-
Adjustment/Revaluation					-
Balance as on Ashadh end, 2082	-	12,165,267	-	-	12,165,267
Amortization and Impairment					
As on Asadh end 2080	-	2,064,120	-	-	2,064,120
Impairment for the year					-
Amortization charge for the Year		2,668,545			2,668,545
Acquired on business combination					-
Disposals					-
Adjustment					-
As on Asadh end 2081	-	4,732,666	-	-	4,732,666
Impairment for the year					-
Amortization charge for the Year		2,695,100			2,695,100
Acquired on business combination					-
Disposals					-
Adjustment					-
Balance as on Ashadh end, 2082	-	7,427,766	-	-	7,427,766
Capital Work in Progress					
Net Book Value					
As on Asadh end 2081	-	7,299,826	-	-	7,299,826
As on Ashadh, 2082	-	4,737,501	-	-	4,737,501

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with the development of software are capitalized where it is probable that it will generate future economic benefits in excess of its cost. Computer software costs are amortized on the basis of expected useful life. Costs associated with maintaining software are recognized as an expense as incurred. Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date that it is available for use. The estimated useful life of software for the current and comparative periods is five years.

Narayani Development Bank Limited
Notes to Financial Statements

Deferred Tax

Particulars	As at 32.03.2082		
	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets/(Liabilities)
Deferred tax on temporary differences on following items			
Loan and Advance to B/FIs	-		-
Loans and advances to customers	-		-
Investment properties	-		-
Investment securities	-	(818,565)	(818,565)
Property & equipment	346,854		346,854
Employees' defined benefit plan	1,109,609		1,109,609
Lease liabilities	423,742	-	423,742
Provisions			-
Other temporary differences			-
Deferred tax on temporary differences	1,880,205	(818,565)	1,061,640
Deferred tax on carry forward of unused tax losses	46,121,344.79		46,121,344.79
Deferred tax due to changes in tax rate			
Net Deferred tax asset/(liabilities) as on year end of Asadh 2082	48,001,550	(818,565)	47,182,985
Recognized in profit or loss			48,001,550
Recognized in Other Comprehensive Income			(818,565)
Recognized directly in equity			-
Deferred tax (asset)/liabilities as on Shrawan 1, 2081			(38,787,446)
Origination/(Reversal) during the year			8,395,539
Deferred Tax (expense)/income recognized in profit or loss			9,510,049
Deferred Tax (expense)/income recognized in other comprehensive income			(1,114,510)
Deferred tax expense/(income) recognized in directly in equity			

Narayani Development Bank Limited
Notes to Financial Statements

Deferred Tax

Particulars	As at 31.03.2081		
	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets/(Liabilities)
Deferred tax on temporary differences on following items			-
Loan and Advance to B/FIs			-
Loans and advances to customers	37,183,928		37,183,928
Investment properties	-		-
Investment securities	418,685		418,685
Property & equipment	413,987	-	413,987
Employees' defined benefit plan	1,265,956		1,265,956
Lease liabilities	-	495,109	(495,109)
Provisions			-
Other temporary differences			
Deferred tax on temporary differences	39,282,555	495,109	38,787,446
Deferred tax on carry forward of unused tax losses			-
Deferred tax due to changes in tax rate			-
Net Deferred tax asset/(liabilities) as on year end of Asadh 2081	39,282,555	495,109	38,787,446
Recognized in profit or loss			38,368,762
Recognized in Other Comprehensive Income			418,685
Recognized directly in equity			
Deferred tax (asset)/liabilities as on Shrawan 1, 2080			(39,525,027)
Deferred tax assets/(liability) transferred on acquisition			
Origination/(Reversal) during the year			(737,580)
Deferred Tax (expense)/income recognized in profit or loss			819,797
Deferred Tax (expense)/income recognized in other comprehensive income			(82,217)
Deferred tax expense/(income) recognized in directly in equity			-

Narayani Development Bank Limited
Notes to Financial Statements

Other Assets

Particulars	As at 32.03.2082	As at 31.03.2081
Assets held for sale	-	-
Other non banking assets	-	-
Bills receivable	-	-
Accounts receivable	11,440,904	8,564,162
Accrued income	-	-
Prepayments and deposit	-	-
Income tax deposit	-	-
Deferred employee expenditure	-	-
Prepaid Expenses	1,543,737	1,299,002
Other	2,522,026	912,436
Total	15,506,667	10,775,599

Disclosure: Provisions are made for Account Receivables as Follows:

	As at 32.03.2082	As at 31.03.2081
Receivable from Dibya Kumar Shrestha	70,091,173	70,091,173
Receivable from Others	1,066,941.92	3,013,422
Provision for Sundry Debtors (including Dibya kumar shrestha)	70,125,873	70,125,873
	As at 32.03.2082	As at 31.03.2081
Receivable from Crystal Worldwide Money Transfer	6,012,551	6,012,551
Provision For Advance	6,012,551	6,012,551
	As at 32.03.2082	As at 31.03.2081
Receivable from Crystal Finance	304,949	304,949
Provision for Bank Balance(Crystal Finance)	304,949	304,949
Net	-	-
Net Of Account receivables		
	As at 32.03.2082	As at 31.03.2081
Account Receivables	84,262,807	81,129,290
Total Provision less Provision For advance	(72,821,903)	(72,565,128)
Total	11,440,904	8,564,162
Net of Other Assets (other)		
Other	7,022,489	6,984,448.37
Provision For Advance	(6,012,551)	(6,012,551)
Provision for IBT	(59,461)	(59,461)
Net of Other Assets (other)	950,476	912,436

Provision for Advance is deducted from Other Assets(other) and remaining provision amount of Rs 72,821,903 is deducted from Account receivables.

Disclosure: Provisions

Particulars	As at 32.03.2082	As at 31.03.2081
Provision For Receivable Others	2,134,306	2,134,306
Provision For Receivables Dibya Kumar Shrestha	70,125,873	70,125,873
PROVISION FOR ADVANCE	6,012,551	6,012,551
Provision For Bank Balance(Crystal Finance)	304,949	304,949
Provision for IBT	59,461	59,461
Provision for Receivable DRT Legal File	256,775	-
Total	78,893,916	78,637,141

Dislosure: Other Assets

STATIONERY ITEMS STOCK	65,722	150,040
PRINTED MATERIALS STOCK	356,475	406,713
Total	422,197	556,753

Narayani Development Bank Limited
Notes to Financial Statements

Due to Bank and Financial Institutions

Particulars	As at 32.03.2082	As at 31.03.2081
Money market deposits	-	-
Interbank borrowing	-	-
Other deposits from BFIs	-	-
Settlement and clearing accounts	-	-
Other deposits from BFIs	-	-
Total	-	-

Due to Nepal Rastra Bank

Particulars	As at 32.03.2082	As at 31.03.2081
Refinance from NRB	-	-
Standing Liquidity Facility	-	-
Lender of last resort facility from NRB	-	-
Securities sold under repurchase agreements	-	-
Other payable to NRB	-	-
Total	-	-

Derivative financial instruments

Particulars	As at 32.03.2082	As at 31.03.2081
<u>Held for trading</u>		
Interest rate swap	-	-
Currency swap	-	-
Forward exchange contract	-	-
Others	-	-
<u>Held for risk management</u>		
Interest rate swap	-	-
Currency swap	-	-
Forward exchange contract	-	-
Others	-	-
Total	-	-

Deposits from customers

Particulars	As at 32.03.2082	As at 31.03.2081
<u>Institutions customers:</u>		
Term deposits	70,000,000	184,702,000
Call deposits	68,656,767	50,252,376
Current deposits	25,389,162	14,114,197
Other	1,378,341	3,980,545
<u>Individual customers:</u>		
Term deposits	197,563,661	306,917,943
Saving deposits	86,202,237	71,254,627
Current deposits	485,278	299,334
Other		
Total	449,675,444	631,521,022

Narayani Development Bank Limited
Notes to Financial Statements

4.20.1: Currency wise analysis of deposit from customers

Particulars	As at 32.03.2082	As at 31.03.2081
Nepalese rupee	449,675,444	631,521,022
Indian rupee	-	-
United State dollar	-	-
Great Britain pound	-	-
Euro	-	-
Japanese yen	-	-
Chinese yuan	-	-
Other	-	-
Total	449,675,444	631,521,022

Borrowing

Particulars	As at 32.03.2082	As at 31.03.2081
Domestic Borrowing	-	-
Nepal Government	-	-
Other Institutions	-	-
Other	-	-
Sub total	-	-
Foreign Borrowing	-	-
Foreign Bank and Financial Institutions	-	-
Multilateral Development Banks	-	-
Other Institutions	-	-
Sub total	-	-
Total	-	-

Provisions

Particulars	As at 32.03.2082	As at 31.03.2081
Provisions for redundancy	-	-
Provision for restructuring	-	-
Pending legal issues and tax litigation	-	-
Onerous contracts	-	-
Other	8,772,424	-
Total	8,772,424	-

4.22.1: Movement in provision

Particulars	As at 32.03.2082	As at 31.03.2081
Balance at Sawan 1	-	864,450
Provisions made during the year	8,772,424	-
Provisions used during the year	-	(864,450)
Provisions reversed during the year	-	-
Unwind of discount	-	-
Balance at Asar end	8,772,424	-

Narayani Development Bank Limited
Notes to Financial Statements

Other liabilities

Particulars	As at 32.03.2082	As at 31.03.2081
Liability for employees defined benefit obligation	2,196,251	2,650,850
Liability for long-service leave	1,502,444	1,569,003
Short-term employee benefits	27,692	108,080
Staff Welfare Fund	1,380,870	1,380,870
Bills payable	-	-
Creditors and accruals	17,561,627	18,615,498
Interest payable on deposit	237,530	339,623
Interest payable on borrowing	-	-
Liabilities on deferred grant income	-	-
Unpaid Dividend	-	-
Liabilities under Finance Lease	27,556,968	19,301,528
Loan under Finance Lease	-	-
Employee bonus payable	-	-
Other	576,172	2,744,960
Total	51,039,555	46,710,411

Liabilities relating to employees benefits like liabilities for defined benefit obligation gratuity, leave liabilities, short-term employee benefits etc. Creditors and accruals, unearned income, unpaid dividend etc. are presented under this account head of other liabilities.

4.23.1: Defined benefit obligations

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

Particulars	As at 32.03.2082	As at 31.03.2081
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 32.03.2082	As at 31.03.2081
Equity securities	-	-
Government bonds	-	-
Bank deposit	-	-
Other	-	-
Total	-	-

Actual return on plan assets

4.23.3: Movement in the present value of defined benefit obligations

Particulars	As at 32.03.2082	As at 31.03.2081
Defined benefit obligations at Sawan 1	-	-
Actuarial losses	-	-
Benefits paid by the plan	-	-
Current service costs and interest	-	-
Defined benefit obligations at Asar end	-	-

Narayani Development Bank Limited

Notes to Financial Statements

4.23.4: Movement in the fair value of plan assets

Particulars	As at 32.03.2082	As at 31.03.2081
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	-	-

4.23.5: Amount recognized in profit or loss

Particulars	As at 32.03.2082	As at 31.03.2081
Current service costs	-	-
Interest on obligation	-	-
Expected return on plan assets	-	-
Total	-	-

4.23.6: Amount recognized in other comprehensive income

Particulars	As at 32.03.2082	As at 31.03.2081
Actuarial (gain)/loss	-	-
Total	-	-

4.23.7: Actuarial assumptions

Particulars	As at 32.03.2082	As at 31.03.2081
Discount rate	-	-
Expected return on plan asset	-	-
Future salary increase	-	-
Withdrawal rate	-	-

Debt securities issued

Particulars	As at 32.03.2082	As at 31.03.2081
Debt securities issued designated as at fair value through profit or loss	-	-
Debt securities issued at amortized cost	-	-
Total	-	-

Subordinated Liabilities

Particulars	As at 32.03.2082	As at 31.03.2081
Redeemable preference shares	-	-
Irredeemable cumulative preference shares	-	-
Other	-	-
Total	-	-

Narayani Development Bank Limited
Notes to Financial Statements

Share capital

Particulars	As at 32.03.2082	As at 31.03.2081
Ordinary shares	262,467,600	262,467,600
Convertible preference shares (equity component)	-	-
Irredeemable preference shares (equity component)	-	-
Perpetual debt (equity component only)	-	-
Total	262,467,600	262,467,600

4.26.1: Ordinary shares

Particulars	As at 32.03.2082	As at 31.03.2081
Authorized Capital		
5,300,000 Ordinary share of Rs. 100 each	530,000,000	530,000,000
Issued capital		
26,24,676 Ordinary share of Rs. 100 each	262,467,600	262,467,600
13,12,338 Ordinary share of Rs. 100 each		
Subscribed and paid up capital		
26,24,676 Ordinary share of Rs. 100 each	262,467,600	262,467,600
13,12,338 Ordinary share of Rs. 100 each		
Total	262,467,600	262,467,600

Regulatory capital for the related years are:

Reconciliation of no. of equity shares	As at 32.03.2082	As at 31.03.2081
Opening	2,624,676	2,624,676
Add: issued during the year	-	-
Closing	2,624,676	2,624,676

Reserves

Particulars	As at 32.03.2082	As at 31.03.2081
Statutory general reserve	108,174,262	108,174,262
Exchange equalization reserve	-	-
Corporate social responsibility reserve	399	4,399
Capital adjustment reserve	43,149,245	40,145,045
Regulatory reserve	67,040,452	49,042,711
Investment adjustment reserve	-	-
Capital reserve	-	-
Assets revaluation reserve	-	-
Fair value reserve	1,909,984	(976,931)
Dividend equalization reserve	-	-
Actuarial gain	-	-
Special reserve	-	-
Other Reserves	959,732	545,989
Total	221,234,075	196,935,475

Statutory General Reserve

General Reserve shall be maintained as per the regulatory requirements as stated by Bank & Financial Institutions Act, 2073. Bank is required to set aside 20% of the net profit until the reserve is twice of the paid up capital and thereafter 10% of the net profit.

Narayani Development Bank Limited
Notes to Financial Statements

Corporate Social Responsibility Reserve

Corporate Social Responsibility reserve of 1% of net profit after tax is maintained as per Nepal Rastra Bank Directive. The balance in the reserve includes unexhausted balance of previous year which shall be utilized CSR objective in the coming years.

In the current year there was no expenses made in CSR.

Regulatory Reserve

Regulatory Reserve is created due to the changes in NFRS conversion and adoption with effect in the retained earnings of the bank.

Regulatory Reserve Comprises of Following

Particulars	As at 32.03.2082	As at 31.03.2081
Interest Income On NFRS	1,055,938	281,217
Loss on investment		-
Provision on NBA	17,982,965	8,997,117
Deferred Tax Assets	48,001,550	38,787,446
Fair Value reserve transferred from Retained earnings	-	976,931
Bargain gain		-
Actuarial Valuation		-
Others		-
Total	67,040,452	49,042,711

Fair Value Reserve

The fair value reserve is created against the valuation of the investment of the bank as per the fair valuation of the investment made.

Fair Value Reserve Comprises of Following

Particulars	As at 32.03.2082	As at 31.03.2081
Fair Value as on Previous year	(976,931)	(785,092)
Fair Value of Investment Securities Disposed	286,391.51	-
Net change in fair value	2,600,524	(191,839)
Total	1,909,984	(976,931)

Details of capital adjustment reserve and other reserves.

Capital adjustment reserve	As at 32.03.2082	As at 31.03.2081
Calls in Advances	36,587,555.00	33,583,355
Capital Adjustment Reserves	6,561,690.00	6,561,690
Total	43,149,245	40,145,045

Other Reserves

Other Reserves includes reserve created for the Employee Training Reserve created as per NRB Directive. The allocation to fund is made for deficit amount which cannot be expensed as training expenses in the current Fiscal year. The balance reserve will be utilised for staff training expenses in the coming years.

Staff Training Fund	As at 32.03.2082	As at 31.03.2081
Opening Balance of the Fund	545,989	296,288
Less: Expenses made during the year		-
Add: Addition to the reserves	413,743	249,701
Total	959,732	545,989

Narayani Development Bank Limited
Notes to Financial Statements

Staff Training Expenses

Staff Training Expenses	As at 32.03.2082	As at 31.03.2081
Employee Expenses of Previous FY	19,240,463	18,675,764
3% of employee Expenses	577,214	560,273
Training Expenses made during the year	163,471	310,572
Excess/(Deficit)	(413,743)	(249,701)

The deficit amount is added to Staff training fund to be utilised in staff training expenses in the coming years.

Contingent liabilities and commitments

Particulars	As at 32.03.2082	As at 31.03.2081
Contingent liabilities	15,397,999.59	
Undrawn and undisbursed facilities	3,442,128	2,985,075
Capital commitment		
Lease Commitment	27,164,855	19,160,379
Litigation		
Total	46,004,982	22,145,454

Citizen Investment Trust has claimed total of NPR 15,397,999.59 regarding the unsettled principal and interest against Narayani Development Bank through letter dated 2082.03.29. Bank has not accepted the claim and is under dispute. Disputed amount of NPR 15,397,999.59 is shown under contingent liability.

4.28.1: Contingent liabilities

Particulars	As at 32.03.2082	As at 31.03.2081
Acceptance and documentary credit		-
Bills for collection		-
Forward exchange contracts		-
Guarantees		-
Underwriting commitment		-
Other commitments		-
Total		-

4.28.2: Undrawn and undisbursed facilities

Particulars	As at 32.03.2082	As at 31.03.2081
Undisbursed amount of loans		
Undrawn limits of overdrafts	3,442,127.85	2,985,075
Undrawn limits of credit cards		
Undrawn limits of letter of credit		
Undrawn limits of guarantee		
Total	3,442,128	2,985,075

4.28.3: Capital commitments

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

Narayani Development Bank Limited
Notes to Financial Statements

Particulars	As at 32.03.2082	As at 31.03.2081
<u>Capital commitments in relation to Property and Equipment</u>		
Approved and contracted for	-	-
Approved but not contracted for	-	-
Sub total	-	-
<u>Capital commitments in relation to Intangible assets</u>		
Approved and contracted for	-	-
Approved but not contracted for	-	-
Sub total	-	-
Total	-	-

4.28.4: Lease commitments

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date. The right-of-use asset is subsequently depreciated using the straight-line method

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted the Bank's Cost of fund.

Particulars	As at 32.03.2082	As at 31.03.2081
<u>a. Lease liabilities included in the statement of Financial Position</u>		
Current	5,978,445	2,668,487
Non-Current	21,186,410	16,491,891
Total Lease Liabilities	27,164,855	19,160,379
<u>b. Reconciliation of Right of Use Assets</u>		
Right of Use Assets (ROU)		
ROU as on Shrawan 1st	17,510,015	14,360,205
Addition during the year	29777726.23	6,624,677
Disposal during the year	(16,893,628.33)	-
Depreciation	(4,641,732.18)	(3,474,867)
Other Adjustments made	0	-
Sub total	25,752,381	17,510,015
<u>c. Reconciliation of Lease Liabilities</u>		
Opening Lease Liabilities 1st Shrawan	19,160,378.60	15,173,949
Addition during the year	29,777,726.23	6,624,677
Disposal during the year	(18,645,346.83)	-
Interest	1,905,584.71	1,411,098
Lease payment made	(5,033,488.18)	(4,049,346)
Other Adjustments made		-
Subtotal	27,164,855	19,160,379
Grand total	27,164,855	19,160,379

4.28.5: Litigation

Bank have the following litigations pending the decision.

- 1) Hacking Case
- 2) Bank has filed the cases in Debt Recovery Tribunal.

The Bank doesn't have any other litigation except the cases in the ordinary course of business. The Bank doesn't anticipate any additional Financial Liability in these pending lawsuits.

Narayani Development Bank Limited
Notes to Financial Statements

Interest income

4.29

Particulars	As at 32.03.2082	As at 31.03.2081	As at 31.03.2080
Cash and cash equivalent			-
Due from Nepal Rastra Bank			-
Placement with bank and financial institutions	1,517,183	2,717,187	2,313,351
Loan and advances to bank and financial institutions			-
Loans and advances to customers	34,817,891.48	50,909,478	69,315,276
Investment securities	292,848	155,200	155,200
Loan and advances to staff	39,550	20,547	38,281
Other			-
Total interest income	36,667,473	53,802,411	71,822,108

Disclosure:

Interest income is recognized for all items on accrual basis as per the fair presentation framework of NFRS. Interest accrual till Asadh 2082 which is received till Shrawan 15, 2082 is taken as Interest Income which amounts to NRs. 126,036.16. Interest accrual on default party is not recognized as per the guidelines issued by Nepal Rastra Bank. Hence considering the materiality of the transaction cost with respect to the tenure of the loan interest rate charged to customer is considered as effective interest rate to calculate the interest on loans and advances.

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

Interest expense

4.30

Particulars	As at 32.03.2082	As at 31.03.2081	As at 31.03.2080
Due to bank and financial institutions	11,385,269	21,675,147	1,871,115
Due to Nepal Rastra Bank	-	-	-
Deposits from customers	24,632,381	25,135,756	44,574,414
Borrowing	-	-	-
Debt securities issued	-	-	-
Subordinated liabilities	-	-	-
Other	-	-	-
Total interest expense	36,017,650	46,810,903	46,445,529

Interest Expenses on all financial liabilities including deposits are recognised in profit or loss using Effective Interest Rate Method.

Fees and Commission Income

4.31

Particulars	As at 32.03.2082	As at 31.03.2081	As at 31.03.2080
Loan administration fees		-	-
Service fees	212,960	111,500	2,781,100
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	52,775	142,734	331,990
Commission on letter of credit	-	-	-
Commission on guarantee contracts issued	-	-	-
Commission on share underwriting/issue	-	-	-
Locker rental	-	-	-
Other fees and commission income	300,721	4,099,843	220,161
Total fees and Commission Income	566,456	4,354,077	3,333,251

Fees & Commission Income are generally recognised on an accrual basis when the service has been provided or significant act is performed. Service Income on Loan is recognised by the bank as and when received and is not deferred with tenure of loan.

Fees and commission expense

4.32

Particulars	As at 32.03.2082	As at 31.03.2081	As at 31.03.2080
ATM management fees	-	-	-
VISA/Master card fees	-	-	-
Guarantee commission	-	-	-
Brokerage	-	-	-
DD/TT/Swift fees	-	-	-
Remittance fees and commission	-	-	-
Other fees and commission expense	36,019	350	19,189
Total fees and Commission Expense	36,019	350	19,189

Net trading income

4.33

Particulars	As at 32.03.2082	As at 31.03.2081	As at 31.03.2080
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	-	-	-
Net trading income	-	-	-

Narayani Development Bank Limited
Notes to Financial Statements

Other operating income

4.34

Particulars	As at 32.03.2082	As at 31.03.2081	As at 31.03.2080
Foreign exchange revaluation gain	-	-	-
Gain/loss on sale of investment securities	3,421,075	-	1,012,375
Fair value gain/loss on investment properties	-	-	-
Dividend on equity instruments	782,354	2,288,271	-
Gain/loss on sale of property and equipment	1,794	10,038	1,452
Gain/loss on sale of investment property	510	-	-
Gain on disposal of lease	1,751,719	-	-
Gain/loss on sale of gold and silver	-	-	-
Locker rent	-	-	-
Other	26,800	-	-
Total	5,984,252	2,298,309	1,013,827

Other Operating Income includes profit/(loss) on sale of Property, Plant & Equipment under the ownership of the bank and dividend amount received on the equity instruments available for sale.

Impairment charge/(reversal) for loan and other losses

4.35

Particulars	As at 32.03.2082	As at 31.03.2081	As at 31.03.2080
Impairment charge/(reversal) on loan and advances to B/FIs	-	-	(21)
Impairment charge/(reversal) on loan and advances to customer	(8,402,175)	1,722,659	85,207,828
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	9,029,199	(20,368,926)	(4,828,501)
Impairment charge/(reversal) on FORMER STAFF	-	-	-
Total	627,025	(18,646,267)	80,379,306

Accrued Interest Receivable on loans have been considered under Loans and Advances measured at Amortized Cost. Loan to employees provided according to the Employee Bylaws of the bank is presented under this head, which is also measured at amortized cost.

Personnel Expense

4.36

Particulars	As at 32.03.2082	As at 31.03.2081	As at 31.03.2080
Salary	8,120,508	8,935,148	9,002,880
Allowances	9,625,671	10,305,315	9,672,883
Gratuity expense	121,214	-	-
Provident fund	556,962	618,452	606,621
Uniform	429,000	-	580,000
Training & development expense	163,471	310,572	447,305
Leave encashment	599,317	793,070	865,659
Medical	120,000	96,986	-
Insurance	19,092	-	-
Employees incentive	-	-	-
Cash-settled share-based payments	-	-	-
Contribution To Employee Pension Fund	-	-	-
Finance expense under NFRS	-	-	-
Other expenses related to staff	-	-	2,500
Subtotal	19,755,235	21,059,543	21,177,848
Employees bonus	-	-	-
Grand total	19,755,235	21,059,543	21,177,848

Provision for staff bonus is a mandatory requirement under the requirement of the Bonus Act, 2074.

All expenses related to employees of a bank has been included under this head. Expenses covered under this head include employees' salary, allowances, pension, gratuity, contribution to provident fund, training expenses, uniform expenses, insurance, staff bonus, finance expense under NFRS, etc. Staff Loans are fair valued using the market rates.

Other operating expense

4.37

Particulars	As at 32.03.2082	As at 31.03.2081	As at 31.03.2080
Directors' fee	728,500	785,000	953,000
Directors' expense	351,534	408,770	872,946
Auditors' remuneration	536,750	519,800	557,350
Other audit related expense	209,500	169,993	132,750
Professional and legal expense	124,759	114,000	399,200
Office administration expense	14,778,450	14,654,111	16,465,802
Operating lease expense	-	-	-
Operating expense of investment properties	-	-	-
Corporate social responsibility expense	-	-	-
Finance cost under lease NFRS 16	1,905,585	1,411,098	1,177,489
Onerous lease provisions	-	-	-
Technical support Expenses	-	-	542,960
Total	18,635,078	18,062,772	21,101,497

Narayani Development Bank Limited

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All operating expenses except Employee Personnel expenses are recognised and presented under this head. The details of the office administration expenses is presented below:

Office administration expenses include the following:	As at 32.03.2082	As at 31.03.2081	As at 31.03.2080
Water and electricity	1,234,601.15	1,177,775	1,157,296
Repair and maintenance			
Leasehold assets	1,500.00	16,605	-
Vehicles	138,519.08	190,035	222,461
Computer and accessories	140,935.00	79,991	134,001
Office equipment and furniture	160,578.52	79,015	283,801
Others	24,649.00	13,312	84,068
Insurance	308,576.44	134,497	472,668
Postage, telex, telephone , fax	109,985.00	100,364	125,194
Printing and stationery	749,066.83	501,925	751,958
Newspaper, books and journal	20,200.00	4,830	45,325
Advertisement	650,539.60	546,146	693,102
Donation	-	-	25,000
Security Expenses	3,482,027.20	3,531,770	2,957,380
Deposit and loan guarantee premium	218,898.92	233,694	49,387
Travel allowance and expense	392,022.89	387,791	615,388
Entertainment	47,460.00	28,590	182,903
Annual/special general meeting	-	742,709	555,461
Fuel Expenses	677,915.50	882,114	976,485
Other	4,771,396	3,442,592	5,863,543
Registration Fees And Charges	1,624,745.32	2,503,200	1,227,230
NCHL and CIC Expenses	21,625.95	57,155	43,153
Total	14,775,242	14,654,111	16,465,802

Disclosure:

Other expenses include the following:	Amount (Rs.)	Amount (Rs.)	Amount (Rs.)
Amortization of Share Issue Exp.		50,000	286,591
Business Promotion Expenses	27,418.70	33,735	265,839
Business Exhibition Expenses		-	71,190
Annual Maintenance Contact Exp.	428,721.00	372,406	332,128
Antivirus Expenses	334,115.07	67,800	74,580
Anniversary Expenses		8,700	53,875
Connectivity Expenses	773,083.62	-	27,955
Internet Expenses	198,406.98	176,280	176,280
Intranet Expenses	497,693.02	523,752	449,966
Branch Opening Expenses	23,915.00	-	26,642
Vehicle Tax Expenses	76,615.00	82,035	72,600
Website Design & Dev. Expenses	21,261.96	-	84,750
Sub-Committee Meeting Allowances	95,000.00	120,000	249,520
Bod Secretarial Expenses		7,500	48,000
Other Expenses			
Kitchen	122,981.00	157,452	306,442
Cleaning And Sanitation	85,946.43	46,831	90,944
Small Accessories	6,135.00	32,606	127,717
Cib Report Expenses	7,910.00	5,400	-
Bank Charges	19,205.73	5,316	7,108
Meeting Expenses	18,244.86	37,650	3,755
Internship Expenses		9,600	48,800
Gift And Souvenir		4,095	10,195
Vehicle Parking Expense	240.00	250	1,280
Auction Allowance Exp.	6,000.00	-	-
Consultant Fee	766,138.00	67,800	-
Office Exp	413,843.13	151,953	621,665
Festival Expenses	22,464.98	82,095	-
Fine & Penalties	50,455.07	504,330	2,404,800
Misc. Expenses	634,147.25	111,321	20,920
Other Local Tax Expenses	95,710.00	213,750	-
Right Share Expenses	45,744.14	569,935	-
Total	4,771,396	3,442,592	5,863,543

Depreciation & Amortization

4.38

Particulars	As at 32.03.2082	As at 31.03.2081	As at 31.03.2080
Depreciation on property and equipment	8,338,345	7,479,337	9,716,207
Depreciation on investment property			-
Amortization of intangible assets	2,695,100	2,668,545	786,332
Total	11,033,446	10,147,882	10,502,538

Depreciation is calculated by using the written down value method on cost or valuation of the Property & Equipment other than freehold land and leasehold properties. Depreciation on leasehold properties is calculated by using the straight line method on cost or valuation of the property. Intangible asset contains software which has been amortized over 5 years.

Narayani Development Bank Limited
Notes to Financial Statements

Non operating income		4.39		
Particulars	As at 32.03.2082	As at 31.03.2081	As at 31.03.2080	
Recovery of loan written off	-	-	-	
Bargain gain on acquisition	-	-	-	
Loan write off	-	-	-	
Total	-	-	-	

Non operating expense		4.40		
Particulars	As at 32.03.2082	As at 31.03.2081	As at 31.03.2080	
Loan written off	4,960,147	-	-	
Redundancy provision	-	-	-	
Expense of restructuring	-	-	-	
Other expense	-	-	-	
Total	4,960,147	-	-	

Income tax expense		4.41		
Particulars	As at 32.03.2082	As at 31.03.2081	As at 31.03.2080	
Current tax expense			-	
Current year	-	-	-	
Adjustments for prior years	-	-	-	
Deferred tax expense			-	
Origination and reversal of temporary differences	(9,510,049)	-	-	
Changes in tax rate	-	-	-	
Recognition of previously unrecognized tax losses	-	-	-	
Total income tax expense	(9,510,049)	-	-	

4.41.1: Reconciliation of tax expense and accounting profit

Current Year	As at 32.03.2082	As at 31.03.2081	As at 31.03.2080
Profit before tax	(47,846,418)	(16,980,386)	(103,456,721)
Tax amount at tax rate of 30%		(5,094,116)	-
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	-	(5,094,116)	-
Effective tax rate	0%	30%	-

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5 Disclosure and Additional Information

5.1 Risk Management

Risk Management structure of the Bank has set clear separation between businesses function and risk management function. Accordingly, the Bank has set up a separate Risk Management & Compliance Department. The department oversees the risk that arise out of daily business operation as well as on periodic basis and are put to the oversight of Top Management, Risk Management Committee and the Board to discuss the reports thereon and issue instructions as appropriate.

5.1.1 RISK MANAGEMENT COMMITTEE

Board of Directors is the apex and supreme authority of the Bank and is responsible to frame and implement robust policies and framework for effective compliance of regulation and direction issued by the regulatory authority. The board understands the nature of risk of the bank, and periodically reviews reports on risk management, including policies and standards, stress testing, liquidity and capital adequacy through the reporting by the Risk Management Committee and the Asset- Liabilities Management Committee. Pursuant to the NRB directive on corporate governance, the Bank has established Risk Management Committee with well-defined terms of reference in line the NRB directive. The committee supervises overall risk management of the Bank broadly classified as liquidity risk, market risk, operational risk and credit risk.

5.1.2 RISK GOVERNANCE

Bank has prepared and implemented policies and procedures to mitigate the risk at enterprises level arising to the bank and has inculcated risk culture among the employees by establishing ownership mentality, capacity building programs, well defined job responsibilities and inhabiting good ethical culture. Through its Risk Management Framework, the Bank seeks to efficiently manage credit, market and liquidity risks which arise directly through the Bank's commercial activities as well as operational, regulatory and reputational risks which arise as a normal consequence of any business undertaking. The Assets and Liabilities Committee is responsible for the management of capital and establishment of, and compliance with, policies relating to balance sheet management, including management of liquidity, capital adequacy and structural foreign exchange and interest rate exposure and tax exposure.

The bank's risk governance structure is such that the responsibility for maintaining risk within the banks risk blanket is cascaded down from the Board to the appropriate functional, client business, senior management and committees. Information regarding material risk issues and compliance with policies and standards is communicated through the business, functional, senior management and committees.

5.1.3 INTERNAL CONTROL

The Board is responsible for ensuring the Bank has appropriate internal control framework in place that supports the achievement of the strategies and objectives. The various functions of the Bank should be looked upon with a view to establish a proper control mechanism is in place during expansion and growth which enables it to maximize profitable business opportunities, avoid or reduce risks which can cause loss or reputational damage, ensure compliance with applicable laws and regulations and enhance resilience to external events. The effectiveness of the Company's internal control system is reviewed regularly by the Board, its Committees, Management and Internal Auditors. The Internal Audit monitors compliance with policies/ standards and the effectiveness of internal control structures across the Bank through regular audit, special audit, information system audit, Off Site review. The audit observations are reported to the Management for initiating immediate corrective measures. Internal Audit reports are periodically forwarded to the Audit Committee for review and the committee issues appropriate corrective action in accordance with the issue involved to the management.

Introduction and Overview

Risk is inherent in the Bank's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is mainly exposed to;

- 1) Credit Risk
- 2) Liquidity Risk
- 3) Market Risk
- 4) Operational Risk
- 5) Information Technology Risk
- 6) Other Risk

a) Credit Risk

Risk is an inherent aspect of business operations and is a key driver of revenue generation. For banks, effective risk management aims to strike a balance between risk and return to achieve the best possible risk-adjusted return on capital. While maintaining a reasonable return is crucial for business sustainability, chasing excessive risk for higher rewards can jeopardize the business. Hence, effective risk management is critical for achieving long-term success.

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Bank has implemented a rigorous risk management framework, supported by policies and processes that have been approved by the Board of Directors. This framework ensures that risks are independently identified, measured, and managed across all areas of banking operations.

In line with NRB directives, the bank has established a Board-level Risk Management Committee responsible for overseeing and ensuring that the bank's risk appetite aligns with its policies. The Chief Risk Officer (CRO) acts as the secretary of this committee, diligently monitoring and reporting on credit-related risks during committee meetings.

b) Market Risk

Market risk refers to the possibility that the value or future cash flows of financial instruments might change due to fluctuations in market variables such as interest rates, foreign exchange rates, commodity prices, and equity prices. The Bank categorizes its market risk exposures into trading and non-trading portfolios, managing each type separately with a dedicated market risk management policy.

Market risks are reviewed by the Asset Liability Management Committee (ALCO) and also discussed. Quarterly reports on these aspects are extensively reviewed by the ALCO, which ensures that operations align with established policies and procedures. The committee also recommends actions to address risks related to interest rate changes, exchange rate fluctuations, and equity price movements.

c) Liquidity Risk

Liquidity risk involves the potential challenge the Bank might face in fulfilling its financial commitments, which require cash or other financial assets. This risk means that the Bank might struggle to meet its payment obligations both under normal conditions and in times of stress. To mitigate this risk, the Bank has diversified its funding sources beyond its core deposit base and follows a policy of managing assets with liquidity considerations in mind. Daily monitoring of future cash flows and liquidity is also part of this approach.

The Bank monitors its liquidity through the Asset Liability Management Committee (ALCO), which reviews and discusses the quarterly Statutory Liquidity Ratio (SLR) report.

To prepare for unforeseen cash flow disruptions, the Bank maintains a portfolio of highly marketable and diverse assets that are expected to be easily liquidated. Additionally, it has committed lines of credit to address liquidity needs. The Bank also holds a statutory deposit with the Nepal Rastra Bank. As part of its policy, the Bank evaluates and manages its liquidity position under various scenarios, including stress factors both general to the market and specific to the Bank. A key aspect of this management is maintaining the required ratio of liquid assets to liabilities to meet regulatory requirements. Liquid assets include cash, short-term bank deposits, and readily sellable liquid debt securities.

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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.

To manage operational risk effectively, the Bank focuses on minimizing losses and customer dissatisfaction due to process failures. This includes scrutinizing product flows and design vulnerabilities that could lead to fraud, analyzing the impacts of technological failures, and developing contingency plans to address external shocks that might disrupt the Bank's operations.

The Branches are dedicated for overseeing operational risk, including compliance with Know Your Customer (KYC) and Anti-Money Laundering (AML) regulations. Branches report directly to the Compliance or Operation Department. The personnel from the department has, has full access to daily reports, operational processes, and the authority to recommend changes. The sub department employee report to the head of this department or Chief Risk Officer or Compliance Officer. The Bank uses Operation Manuals for all its business activities, ensuring operations adhere to these manuals, policies, guidelines, and directives from the central bank. Daily operational functions are reported through a separate line to maintain independence from business generation and credit risk, ensuring proper checks and controls.

Processes are periodically reviewed to address any deficiencies and improve accuracy. Centralizing functions such as Credit approval, bill payments, and loan disbursement helps minimize errors due to staff inexperience. Public awareness of the Bank's services and products is maintained through notices on the website, in branches, or through other publications. New staff members receive orientation and are supervised by experienced colleagues until they acquire the necessary skills.

Skill development programs are conducted regularly, with staff receiving opportunities for training, seminars, and workshops. Knowledge sharing is encouraged, allowing trained staff to share insights with peers.

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.

The Core Banking System (CBS) is another area of concern, with growing external threats. The Information and Technology Division reviews and ensures the security aspects align with the Bank's IT Policy.

The Bank has not conducted an Information System Audit to date. However, it has introduced a comprehensive operational risk monitoring and reporting framework and has implemented measures such as daily transaction checks at all branches to mitigate operational risks.

In operations, a maker-checker concept is employed, requiring that transactions be reviewed by two individuals to capture any deviations. The Bank also maintains an online replication Disaster Recovery Site (DRS), which captures transaction records from the Production Server. Both the Production Server and the DRS are housed in secure, shock-resistant buildings. Periodic drills test the functionality of the DRS.

Each desktop is equipped with an E-scan Antivirus Software to prevent unauthorized data transfer or import, ensuring data security. Periodic backups of individual desktop data are stored at the data center to facilitate data recovery if needed.

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.

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5 Disclosure and Additional Information

Risk Management Framework

The Board of Directors is ultimately responsible for creating and overseeing the Bank's risk management framework. The Chief Risk Officer (CRO) and their team handle the Bank's overall risk management, which involves identifying, assessing, monitoring, and mitigating various business risks—both global and local—that could impact the Bank's objectives and operations. This role also ensures that the Bank adheres to internal policies and external regulations, including legal and contractual obligations, on an ongoing basis. Additionally, the CRO integrates major risks into the capital assessment process. The Bank's risk management policies are designed to identify and evaluate potential risks, establish appropriate limits and controls, and ensure compliance with these limits. These policies and systems are reviewed annually to adapt to changes in market conditions and the Bank's offerings. Through rigorous training and adherence to management standards, the Bank maintains a structured and effective control environment, clearly defining the roles and responsibilities of all employees. The risk management framework is illustrated below.



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 32 Ashad 2082

Particulars	Classification	Level 1	Level 2	Level 3
Financial Assets				
Cash and cash equivalent				94,264,515
Due from Nepal Rastra Bank	AC			58,147,270
Loans and advances to BFI	AC			-
Loans and advances to customers	AC			187,845,771
Investment securities				
Quoted shares	FVOCI	-		35,153,365
Unquoted shares	FVOCI			-
Other Investment	AC			4,000,000
Total Financial Assets		-		379,410,921
Financial Liabilities				
Due to Bank and Financial Institutions	AC			
Due to Nepal Rastra Bank	AC			
Deposits from customers	AC			449,675,444
Borrowing	AC			
Other Liabilities	AC			51,039,555
Total Financial Liabilities		-		500,714,999

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5 Disclosure and Additional Information

As at 31 Ashadh 2081

Particulars	Classification	Level 1	Level 2
Financial Assets			
Cash and cash equivalent			264,049,666
Due from Nepal Rastra Bank	AC		48,488,766
Loans and BFI	AC		
Loans and advances to customers	AC		264,397,015
Investment securities			
Quoted shares	FVOCI	-	43,153,554
Unquoted shares	FVOCI		
Other Investment	AC		4,000,000
Total Financial Assets		-	624,089,001
Financial Liabilities			
Due to Bank and Financial Institutions	AC		
Due to Nepal Rastra Bank	AC		
Deposits from customers	AC		631,521,022
Borrowing	AC		
Other Liabilities	AC		46,710,411
Total Financial Liabilities		-	678,231,433

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

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 2015 is as follows (amount in '000):

Particulars	As at 32.03.2082	As at 31.03.2081
1.1 Risk Weighted Exposure (RWE)		
RWE for Credit Risk	383,680,683	436,733,559
RWE for Operational Risk	28,724,049	22,497,883
RWE for Market Risk		-
Total RWE before adjustment under Pillar II	412,404,732	459,231,442
Adjustments under Pillar II		
SRP 6.4a (5) ALM policies & practices are not satisfactory, add 1% of net interest income to RWE	69,915	253,766
SRP 6.4a (7) Add RWE equivalent to reciprocal of capital charge of 4 % of gross income.	545,742	1,188,179
SRP 6.4a (9) Overall risk management policies and procedures are not satisfactory. Add 4% of RWE	16,496,189	18,369,258
SRP 6.4a (10) Desired level of disclosure requirement has not been achieved. Add 2% of RWE		-
Total RWE	429,516,578	479,042,644
1.2 Capital		
A. Core Capital (Tier I)	(44,696,487)	8,809,368
Paid up Equity Share Capital	262,467,600	262,467,600
Irredeemable Non-cumulative preference shares		-
Share Premium	10,101,374	10,101,374
Proposed Bonus Equity Shares		-
Call in Advance	36,587,555	33,583,355
Statutory General Reserves	108,174,262	108,174,262
Retained Earnings	(468,543,224)	(411,508,978)
Un-audited current year cumulative profit/(loss)		-
Capital Redemption Reserve		-
Capital Adjustment Reserve	6,561,690	6,561,690

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Disclosure and Additional Information

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	(45,744)	(569,935)	
Adjustments under Pillar II			
B. Supplementary Capital (Tier II)			3,657,433
Cumulative and/or Redeemable Preference Share			-
Subordinated Term Debt			-
Hybrid Capital Instruments			-
General Loan Loss Provision	2,313,870	3,657,433	
Exchange Equalization Reserve			-
Investment Adjustment Reserve			-
Assets Revaluation Reserve			-
Other Reserves			-
Total Capital Fund (Tier I and Tier II)	(44,696,487)	12,466,800	
1.3 Capital Adequacy Ratio			
Tier I Capital to Total RWE	-10.41%	1.84%	
Total Capital Fund to Total RWE	-10.41%	2.60%	

5.3.3.3 Risk Exposure

a) Credit Risk

As on Ashad 32 2082						
Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures	
a	b	c	d=a-b-c	e	f=d*e	
18,282,713	-	-	18,282,713	0%	-	
58,147,270	-	-	58,147,270	0%	-	
-	-	-	-	0%	-	
4,000,000	-	-	4,000,000	0%	-	
-	-	-	-	0%	-	
-	-	-	-	0%	-	
2,721,890	-	-	2,721,890	0%	-	
-	-	-	-	0%	-	
-	-	-	-	20%	-	
-	-	-	-	50%	-	
-	-	-	-	100%	-	
-	-	-	-	150%	-	
75,981,802	-	-	75,981,802	20%	15,196,360	
-	-	-	-	100%	-	
-	-	-	-	20%	-	
-	-	-	-	50%	-	
-	-	-	-	100%	-	
-	-	-	-	150%	-	
-	-	-	-	20%	-	
-	-	-	-	80%	-	

Notes to Financial Statements

5.3.3 Risk Exposure

Claims on Domestic Corporates (Credit rating score equivalent to AA+ to AA-)	-	-	-	-	-	85%	-
Claims on Domestic Corporates (Credit rating score equivalent to A+ to A-)	-	-	-	-	-	90%	-
Claims on Domestic Corporates (Credit rating score equivalent to BBB+ & below)	-	-	-	-	-	100%	-
Claims on Domestic Corporates (Unrated)	8,572,525	3,796,809	-	-	4,775,716	100%	4,775,716
Claims on Foreign Corporates (ECA 0-1)	-	-	-	-	-	20%	-
Claims on Foreign Corporates (ECA 2)	-	-	-	-	-	50%	-
Claims on Foreign Corporates (ECA 3-6)	-	-	-	-	-	100%	-
Claims on Foreign Corporates (ECA 7)	-	-	-	-	-	150%	-
Regulatory Retail Portfolio (Not Overdue)	55,046,550	24,612,499	-	-	30,434,051	75%	22,825,538
Claims fulfilling all criterion of regularity retail except granularity	85,771,083	28,819,151	-	-	56,951,931	100%	56,951,931
Claims secured by residential properties	13,550,464	2,459,544.37	-	-	11,090,919	60%	6,654,552
Claims not fully secured by residential properties	-	-	-	-	-	150%	-
Claims secured by residential properties (Overdue)	9,131,847	3,465,923	-	-	5,665,923	100%	5,665,923
Claims secured by Commercial real estate	617,979	372,307	-	-	245,671	100%	245,671
Past due Claims (except for Claims secured by residential properties)	107,290,212	60,041,296	-	-	47,248,916	150%	70,873,374
High Risk Claims	36,652,343	7,908,206	-	-	28,744,137	150%	43,116,205
Real Estate loans for land acquisition and development (Other than mentioned in Capital Adequacy framework 2007-point 3.3(j)(1)(j))	-	-	-	-	-	125%	-
Lending against Shares(above Rs.5 Million)	-	-	-	-	-	125%	-
Lending Against Securities (Bonds)	-	-	-	-	-	100%	-
Lending Against Shares(upto Rs. 5 Million)	-	-	-	-	-	100%	-
Real Estate loans for land acquisition and development (For institutions/projects registered/licensed and approved by Government of Nepal for land acquisition and development purposes)	-	-	-	-	-	100%	-
Personal Hirepurchase/Personal Auto Loans	4,948,478	2,193,773	-	-	2,754,704	100%	2,754,704
Investments in equity and other capital instruments of institutions listed in stock exchange	39,153,365	-	-	-	39,153,365	100%	39,153,365
Investments in equity and other capital instruments of institutions not listed in the stock exchange	-	-	-	-	-	150%	-
Staff loan secured by residential property	-	-	-	-	-	50%	-
Interest Receivable/claim on government securities	-	-	-	-	-	0%	-
Cash in transit and other cash items in the process of collection	-	-	-	-	-	20%	-
Other Assets (as per attachment)	99,380,918	-	-	-	99,380,918	100%	99,380,918
TOTAL (A)	619,249,438	133,669,511	-	-	485,579,927		367,594,258
B. Off Balance Sheet Exposures							
Revocable Commitments	-	-	-	-	-	0%	-

Notes to Financial Statements

5.3.3 Risk Exposure

Bills Under Collection	-	-	-	-	-	0%	-
Forward Exchange Contract Liabilities	-	-	-	-	-	10%	-
LC Commitments With Original Maturity Upto 6 months domestic counterparty	-	-	-	-	-	20%	-
Foreign counterparty (ECA Rating 0-1)	-	-	-	-	-	20%	-
Foreign counterparty (ECA Rating 2)	-	-	-	-	-	50%	-
Foreign counterparty (ECA Rating 3-6)	-	-	-	-	-	100%	-
Foreign counterparty (ECA Rating 7)	-	-	-	-	-	150%	-
LC Commitments With Original Maturity Over 6 months domestic counterparty	-	-	-	-	-	50%	-
Foreign counterparty (ECA Rating 0-1)	-	-	-	-	-	20%	-
Foreign counterparty (ECA Rating 2)	-	-	-	-	-	50%	-
Foreign counterparty (ECA Rating 3-6)	-	-	-	-	-	100%	-
Foreign counterparty (ECA Rating 7)	-	-	-	-	-	150%	-
Bid Bond, Performance Bond and Counter guarantee domestic counterparty	-	-	-	-	-	0.4	-
Foreign counterparty (ECA Rating 0-1)	-	-	-	-	-	20%	-
Foreign counterparty (ECA Rating 2)	-	-	-	-	-	50%	-
Foreign counterparty (ECA Rating 3-6)	-	-	-	-	-	100%	-
Foreign counterparty (ECA Rating 7)	-	-	-	-	-	150%	-
Underwriting commitments	-	-	-	-	-	50%	-
Lending of Bank's Securities or Posting of Securities as collateral	-	-	-	-	-	100%	-
Repurchase Agreements, Assets sale with recourse	-	-	-	-	-	100%	-
Advance Payment Guarantee	-	-	-	-	-	100%	-
Financial Guarantee	-	-	-	-	-	100%	-
Acceptances and Endorsements	-	-	-	-	-	100%	-
Unpaid portion of Partly paid shares and Securities	-	-	-	-	-	100%	-
Irrevocable Credit commitments (short term)	3,442,128	-	-	-	3,442,128	20%	688,426
Irrevocable Credit commitments (long term)	-	-	-	-	-	50%	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above	-	-	-	-	-	20%	-
their respective regulatory capital requirement	-	-	-	-	-	-	-
Other Contingent Liabilities	15,398,000	-	-	-	15,398,000	100%	15,398,000
Unpaid Guarantee Claims	-	-	-	-	-	200%	-
TOTAL (B)	18,840,127	-	-	-	18,840,127		16,086,425
Total RWE for credit Risk Before Adjustment (A) + (B)	638,089,565	133,669,511	-	-	504,420,055		383,680,683
Adjustments under Pillar II							
SRP 6.4a(3) - Add 10% of the loans & facilities in excess of Single Obligor Limits to RWE							
SRP 6.4a(4) - Add 1% of the contract (sale) value in case of the sale of credit with recourse to RWE							
Total RWE for Credit Risk	638,089,565	133,669,511	-	-	504,420,055	-	383,680,683

Notes to Financial Statements
Eligible Credit Risk Mitigants
At the month end of Ashadh, 2082

Eligible Credit Risk Mitigants Credit exposures	Deposits with Bank (a)	Deposits with other banks/FI (b)	Gold (c)	Govt. & NRB Securities (d)	G'tee of Govt. of Nepal (e)	Sec/G'tee of Other Sovereigns (f)	G'tee of domestic banks (g)	G'tee of MDBs (h)	Sec/G'tee of Foreign Banks (i)	Total (c)
Balance Sheet Exposures										
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 Domestic Public Sector Entities										
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										
Claims on Domestic Corporates (Credit rating score equivalent to AAA)										
Claims on Domestic Corporates (Credit rating score equivalent to AA+ to AA-)										
Claims on Domestic Corporates (Credit rating score equivalent to A+ to A-)										
Claims on Domestic Corporates (Credit rating score equivalent to BBB+ & below)										
Claims on Domestic Corporates (Unrated)										
Claims on Foreign Corporates (ECA 0-1)										
Claims on Foreign Corporates (ECA 2)										
Claims on Foreign Corporates (ECA 3-6)										
Claims on Foreign Corporates (ECA 7)										
Regulatory Retail Portfolio (Not Overdue)										
Claims fulfilling all criterion of regulatory retail except granularity										
Claims secured by residential properties										
Claims not fully secured by residential properties										
Claims secured by residential properties (Overdue)										
Claims secured by Commercial Real Estate										
Past due Claims (except for Claims secured by residential properties)										
High Risk Claims										
Real Estate loans for land acquisition and development (Other than mentioned in Capital Adequacy framework 2007-point 3.3(i)(1)(i))										
Lending against Shares (above Rs.5 Million)										
Lending Against Securities (Bonds)										
Lending Against Shares (upto Rs. 5 Million)										

b) Operational Risk

Particulars	Fiscal Year		
	2078/79	2079/80	2080/81
Net Interest Income	9,591,894	25,376,579	6,991,508
Commission and Discount Income			
Other Operating Income	4,508,192	4,327,889	6,652,036
Exchange Fluctuation Income			
Addition/Deduction in Interest Suspense during the period	-	-	-
Gross income (a)	14,100,086	29,704,468	13,643,544
Alfa (b)	15%	15%	15%
Fixed Percentage of Gross Income [c=(a×b)]	2,115,013	4,455,670	2,046,532
Capital Requirement for operational risk (d) (average of c)			2,872,405
Risk Weight (reciprocal of capital requirement of 10%) in times			10
Equivalent Risk Weight Exposure [f=(d×e)]			28,724,049
Pillar II Adjustments			
If Gross Income for the last three years is negative (6.4 a 8)			
Total Credit and Investment (net of Specific Provision) of related month			-
Capital Requirement for Operational Risk (5% of net credit and			-
Risk Weight (reciprocal of capital requirement of 10%) in times			10
Equivalent Risk Weight Exposure (g)			
Equivalent Risk Weight Exposure [h=f+g]			28,724,049

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.

- Consumer banking: Revenue generated by serving individual consumer is categorized under this product. This includes loans and deposit from individual customer.
- Corporate banking: Revenue generated from customer other than consumer is categorized under this product. This includes loan and deposit.
- Treasury: Revenue generated by way of making investment in government securities, corporate bonds, mutual fund units, shares etc. are grouped under this
- 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 reformatory 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 2082

Particulars	Province 1	Province 2	Province 3	Gandaki	Province 5	Province 6	Province 7	Total
Revenue from external customers								-
Intersegment revenues								-
Net revenue	-	-	-	-	-	-	-	-
Interest income			36,667,473					36,667,473
Interest expenses			36,017,650					36,017,650
Net interest revenue	-	-	649,823	-	-	-	-	649,823
Depreciation and amortization			11,033,446					11,033,446
Segment profit/(loss)			(10,383,623)					(10,383,623)

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

There does not exist such difference.

iii) Nature of any differences between the measurements of the reportable segment's

There does not exist such difference.

iv) Nature of any changes from prior periods in the measurement methods used to

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

Total revenue for reportable segments	36,667,473
Other revenue	-
Elimination of intersegment revenues	-
Entity's revenue	36,667,473

b) Profit or loss

Total profit or loss for reportable segments	(10,383,623)
Other profit or loss	
Elimination of intersegment profit	
Unallocated amounts:	
Staff bonus	-
Income tax	-
NFRS adjustments	
Profit After income tax	(10,383,623)

c) Assets

Total assets for reportable segments	
Other assets	
Unallocated assets	
Entity's assets	

d) Liabilities

Total liabilities for reportable segments	
Other liabilities	
Unallocated liabilities	
Entity's liabilities	

5.4.5 Information about product and services

Particulars	Amount
Consumer banking	
Corporate banking	
Treasury	
Others	

Narayani Development Bank Limited
Notes to Financial Statements

5.4.6 Information about geographical areas

Revenue from geographical areas are as follows:

Domestic:	
Province 1	-
Province 2	-
Province 3	649,823
Gandaki	-
Province 5	-
Province 6	-
Province 7	-
Foreign:	-
Total	649,823

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

5.7.1 Identified Related Parties

The bank has identified following as Related Parties under:

- 1) Directors
- 2) Key Management Personnel of the Bank &
- 3) Related Parties of the above two

5.7.2 Key management personnel

Key managerial Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. The Board of Directors, Chief Executive Officer (CEO) and Deputy CEO of the bank are identified as KMP of the bank.

Name	Position
Chandra Man Maleku	Chairman, Board of Directors
Tek Nath Dhakal	Member, Board of Directors
Yashoda Adhikari	Member, Board of Directors
Ganesh Man Pradhan	Member, Board of Directors
Ek Narayan Kafle	Member, Board of Directors
Ram Hari Poudel	Independent Director
Pashupati Poudel	Chief Executive Officer (CEO)

Mr. Pashupati Poudel also serves as the secretary of the BOD.

Mr. Bishnu Regmi is outgoing CEO who served the company during the F/Y 2081/82

5.7.3 Transactions with Board of Directors

Narayani Development Bank Limited
Notes to Financial Statements

Board of Directors Meeting Fee/Allowance

Following are the payment made to the BOD in the form of meeting fee/allowances.

Particulars	Sitting Fees (NRs.)
Board Meeting	570,500
Audit Committee Meeting	35,000
Risk Management Committee Meeting	30,000
Karmachari Sewa & Subidha Committee	15,000
AML/CFT Committee	15,000
Total	665,500

Additional Facilities	Amount (NRs.)
Telephone Allowance	63,000.00
Internet Allowance	75,000.00
Newspaper Allowance	20,000.00
Total	158,000.00

b) Chief Executive Officer

Mr. Bishnu Regmi had served as Chief Executive Officer of the Bank during F/Y 2081/82. He is provided salary and allowance and benefits as per contract entered on his appointment.

c) Total Transaction with Key Management Personnel

Particulars	CEO	Ex.CEO	Ex. Dy CEO
Salary & Allowances	2,100,000		
Provident Fund			
Other Benefits	240,000		
Total	2,340,000	-	-

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.

5.10 Events after reporting date

Events after the balance sheet date are those events, favorable and unfavorable, that occur between the balance sheet date and the date when the financial statements are authorized for issue.

Appropriate adjustments in the financial statements and disclosures in notes to accounts have been made for all material and significant events that have occurred between the balance sheet date and date when the financial statements have been authorized for issue.

Where necessary all material events after reporting date have been considered and appropriate adjustments or disclosures have been made in the Financial Statements as per NAS 10.

5.11 Additional Disclosures

a) Recovery of Interest after year end and upto Shrawan 15, 2082

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.

Particulars	As at 32.03.2082	As at 32.03.2081	As at 31.03.2080
Total Accrued Interest as on date	27,643,734.78	32,204,646	18881211.59
Total Accrued Interest on NPL as on date	25,396,063.36	30,215,868	14550150.17
AIR on staff loans	-	-	0
Accrued interest receivable (except for the staff loans)	2,247,671	1,988,778	4,331,061
Less: Cessation of the the interest on loan (Refer Notes 5.11)			-
Less: Interest recovered upto 15th Shrawan as per Directives No. 4	126,036.16	1,542,402	319,452
Amount required to be appropriated to Regulatory Reserves (before staff bonus & Gross appropriations to the Regulatory Reserves (before staff bonus & taxes)	2,121,635	446,376	4,011,609
Amount already appropriated to Regulatory Reserves (before staff bonus & tax)	281,217	2,527,314	364,881
Net appropriations to the Regulatory Reserves for unrecovered interest	774,721	(2,246,097)	2,162,432

5.12 Disclosure pursuant to Guideline on Recognition of Interest Income, 2025

In line with the NRB's Guideline on Recognition of Interest Income, 2025 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.

5.13 As per AGM Procedure of NRB Guidelines No.16

Particulars		As at 32.03.2082	As at 32.03.2081
		No. of Customers	No. of Customers
Accrued Interest Received after Asadh end 2081 till Shrawan 15, 2082		147	120.00
Additional 0.3% Loan Loss Provision created on Pass Loan Portfolio		NA	NA
Extension of moratorium period of loan provided to Industry or Project under Construction		NA	NA
Restructure/Rescheduled Loan with 5% Loan Loss Provision		NA	NA
Enhancement of Working Capital Loan by 20% to COVID affected borrowers		NA	NA
Enhancement of Term Loan by 10% to COVID affected borrowers		NA	NA
Expiry Date of Additional 20% working capital loan (COVID Loan) extended for upto 1 year with 5% provisioning		NA	NA
Expiry Date of Additional 10% Term loan (COVID Loan) extended for upto 1 year with 5% provisioning		NA	NA
Time Extension provided for repayment of Principal and Interest for upto two years as per clause 41 of NRB Directives 2		NA	NA

Table No. 2

Particulars		As at 32.03.2082	As at 32.03.2081
		No. of Customers	No. of Customers
Refinance Loan		NA	NA
Business Continuity Loan		NA	NA

Table No. 3

Particulars		As at 32.03.2082	As at 32.03.2081
		No. of Customers	No. of Customers
Subsidized Loan		NA	NA

List of Non-Banking Assets

Non-Banking Assets are the assets obtained as security for loans & advances and subsequently taken over by the Bank in the course of loan recovery. Such assets are booked at fair market value or total amount due from the borrower, whichever is lower.

Particular	Current Year	Previous Year
Opening Balance	14,281,137.47	-
Addition during the year	26,692,500.00	14,281,137.00
Disposal during the year	(4,841,500.00)	-
Closing Balance	36,132,137.47	14,281,137.00

S.N.	Name of Borrower	Date of Assuming NBA	Total Amount of NBA (Rs.)
1	Shila Fancy & Cosmetic	2081.03.21	6,800,000.00
2	Raj Kumar Mahato	2081.01.27	2,639,637.47
3	Sumina & Sujan Krishi Farm Pvt. Ltd.	2081.09.29	7,950,000.00
4	Sumi Furniture & Hira Khadyana	2081.09.16	11,025,000.00
5	Nilam Yatayat	2081.09.16	7,717,500.00
Total			36,132,137.47

List of Loan Write Off

During the fiscal year following loans had been written off:

S.N.	Name of Borrower	Amount
1	Taranath Bohera	99,140.00
2	Min Bahadur Tamang	84,390.00
3	Ram Shrestha	25,000.00
4	Gir Bahadur Shrestha	272,360.00
5	Bimal Tamang	251,140.00
6	Sachin Gurung	29,880.00
7	Til Bahadur B.K	123,580.00
8	Nagendra Prasad Dhakal	254,040.00
9	Madhav Bhandari	70,230.00
10	Raju Prasad Kuwar	295,670.00
11	Pancha Bahadur Gurung	41,020.00
12	Kamala Bhattarai	22,700.00
13	Medan Kumar Gauli	50,099.00
14	Bishwanidhi Aryal	20,350.00
15	Niraj Pathak	31,620.00
16	Naba Raj Poudel	34,490.00
17	Bikash Shrestha	48,510.00
18	Lok Nath Sigdel	202,030.00
Total		1,956,249.00

d) Disclosure under Expected Credit Loss Model

Credit Risk Management Practice

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligations when due. Credit risk can also arise from operational failures that result in an unauthorized or inappropriate loans and advances, commitment or investment. The bank's major credit risks arise from loans and advances, treasury operations and off-balance sheet related credit risk exposures.

Impairment of Financial Assets - Adoption of NFRS 9 - Financial Instruments

The Bank has adopted NFRS 9: Financial Instruments, which introduces a forward-looking Expected Credit Loss (ECL) model for the recognition of impairment on financial assets. NFRS 9 replaces the previous incurred loss model under NAS 39, and requires recognition of credit losses based on a three-stage model, reflecting changes in credit risk since initial recognition.

NFRS 9 mandates an impairment model that requires the recognition of Expected Credit Losses (ECL) on all financial debt instruments held at amortized cost, Fair Value through Other Comprehensive Income (FVOCI), undrawn loan commitments and financial guarantees.

To facilitate a consistent and robust implementation of the ECL framework, the Nepal

Rastra Bank (NRB) has issued detailed ECL Implementation Guidelines, developed in alignment with international practices and regulatory frameworks of comparable jurisdictions. These guidelines are intended to support institutions in applying NFRS 9 requirements prudently and uniformly across the banking sector.

Significant Increase in Credit Risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information. The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure. The bank has defined the criteria for Significant increase in credit risk in its ECL Policy which are in consistent with the NFRS 9 – Expected Credit Loss Related Guidelines, 2024 issued by Nepal Rastra Bank. The criteria are as follow:

1. More than 30 days past dues
2. Absolute lifetime PD is 5% or more
3. Relative lifetime PD is increased by 100% or more.
4. Risk rating downgraded by 2 notches since initial recognition.
5. Risk rating downgraded to non-investment grade by external credit rating agency.
6. Deterioration of relevant determinant of credit risk.
7. Expectation of forbearance or restructuring due to financial difficulties.
8. Deterioration of prospects for sector or industries within which a borrower operates.
9. Borrower affected by macroeconomic conditions based on reasonable and supportable forecasts.
10. Modification of terms resulting in restructuring/ rescheduling.
11. Credit Quality Indicators determined as per internal credit assessment of performing loans which are subject to individual monitoring and review, are weaker than that in the initial recognition.

The bank is determined to develop mechanisms for implementation of all SICR criteria in near future, however for this period, the bank has used following criteria for determining whether there has been a significant increase in credit risk:

1. Qualitative Factor

The bank uses the Asset Classification as per the Directive issued by Nepal Rastra Bank for determining the increase in Credit Risk. Ex.: Loan which was in Pass Category in previous quarter has been moved to Watchlist Category then such loan is deemed to have significant increase in credit risk as a result the loan is categorized under stage 2 from stage 1.

2. Quantitative Factor

The bank uses the backstop measure for determining the quantitative factor for determining the increase in credit risk. The bank uses NFRS 9- Expected Credit Loss Related Guidelines, 2024 for determining the SICR criteria which is more than one month past due. Ex.: Loans which are one month past due are categorized under stage 2 from stage 1.

Default Definition

- ☐ The bank considers loan to be in default when it is unlikely that the borrower will repay its credit obligations in full without recourse to actions such as realizing security, or when the borrower is past due on any material credit obligation by more than 3 months.
- ☐ The bank may consider other qualitative factors, such as management's assessment of the borrower's creditworthiness, which could indicate a significant deterioration in the ability to meet obligations. The bank may use their own definitions of default if they are consistent with this principle and applied in a manner aligned with their credit risk management practices. Default definitions play a critical role in determining expected credit losses (ECL) and the bank has applied it consistently across the ECL measurement process.

Portfolio Segmentation of credit risk exposures

For measurement of ECL, portfolio segmentation is based on similar credit risk characteristics. In performing the portfolio segmentation of credit assets, the bank considers product types, customer types, industry and customer size. The bank retests and revises the rationality of portfolio segmentation of credit risk exposures every year.

Staging of Financial Instruments

NFRS 9: Financial Instruments, the bank classifies financial assets into three stages based on the change in credit risk since the initial recognition. This staging framework forms the basis for calculating Expected Credit Losses (ECL) and reflects the level of credit deterioration.

Financial instruments that are not already credit-impaired are originated into stage 1 and a 12 month expected credit losses provisions is recognized.

Instrument will remain in stage 1 until they experience significant credit deterioration (Stage 2) or they become credit impaired (stage 3).

Instruments will transfer to stage 2 and a lifetime expected credit loss provision is recognized when there has been a significant change in Credit risk compared to what was expected at origination.

The framework used to determine a significant increase in credit risk is set out below:

Particulars	Financial Instrument	ECL
Stage 1	Performing	12 months
Stage 2	Performing but has exhibited Significant increase in credit risk	Lifetime
Stage 3	- Non-Performing - Credit Impaired	Lifetime
Purchased or Originated Credit Impaired (POCI) financial assets		Lifetime

Parameters for Estimating Expected Credit Losses

Expected credit losses are a probability weighted estimate of credit losses (i.e., Present Value of all cash shortfalls) over the expected life of the financial instruments. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that an entity expects to receive. Because expected credit losses consider the amount and timing of payments, a credit loss arises even if the entity expects to be paid in full but later than when contractually due.

The relevant parameters of ECL measurement include Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). The bank establishes its PD models, LGD models and EAD models on the basis of the historical information available with the bank along with the incorporation of forward-looking information.

The parameters are defined as follows:

S. N	Component	Definition
1.	Probability of Default (PD)	The Probability of Default (PD) represents the likelihood that the counterparty will not be able to meet its contractual obligation. For Stage 1 assets, PD is calculated over the next 12 months; for Stage 2, PD reflects the lifetime of the asset. Stage 3 exposures are assumed to have a PD of 100% (Since already in default). PD estimates incorporate forward-looking macroeconomic assumptions (e.g., GDP growth, inflation) and are updated periodically based on statistical models calibrated to historical defaults and adjusted for the current and expected economic environment.
2.	Loss Given Default (LGD)	Loss Given Default (LGD) represents the proportion of exposure not expected to be recovered in the event of default, after considering the present value of expected cash flows from recoveries and collateral realizations, net of costs. The LGD is determined based on the historical recovery rates and takes into accounts the recovery of any collateral (applying haircuts) that is integral to the financial assets.

3.	Exposure at Default (EAD)	The Exposure at Default (EAD) represents the potential exposure to the lender in the event of a default by the borrower. It reflects the total amount the lender is at risk of losing if the borrower defaults, considering both the outstanding balance and any potential increases in exposure due to undrawn commitments or principal repayments. For revolving loans, the EAD is calculated as the outstanding balance of the loan, plus any additional undrawn amounts that may be utilized, adjusted for the Credit Conversion Factor (CCF). The CCF reflects the likelihood that the undrawn portions of the loan will be utilized before the default occurs. This adjustment is important as it accounts for the potential increase in exposure if the borrower draws on the available credit. The bank has utilized the CCF ratio and Utilization ratio provided by Nepal Rastra Bank in its Expected Credit Losses (ECL) Guideline, 2024 For term loans, the EAD is based on the outstanding balance of the loan, adjusted for any principal repayments made by the borrower. Since term loans are typically repaid over time according to a fixed amortization schedule, the EAD decreases as principal is repaid, reducing the exposure in the event of default. Therefore, the EAD for term loans reflects the amount remaining after accounting for any principal recoveries, as per the amortization plan.
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To determine the expected credit loss, these components are multiplied together. PD for the reference period (up to 12 months or lifetime) * LGD * EAD and discounted to the balance sheet dates using the Coupon Rate of the reporting date as the discount rate.

For stage 3 loans, the Probability of Default is already 100% (since already defaulted) so the Expected Credit Loss is calculated as LGD * EAD.

Credit Impaired Financial Instrument

A financial instrument is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial instrument have occurred. Evidence that a financial instrument is credit-impaired include observable data about the following events:

- i. Significant financial difficulty of the issuer or the borrower.
- ii. A breach of contract, such as a default or past due event
- iii. The lenders of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lenders would not otherwise consider.
- iv. It is becoming probable that the borrower will enter bankruptcy or other financial re-organization.
- v. The disappearance of an active market for that financial instrument because of financial difficulties
- vi. The purchase or origination of a financial instrument at a deep discount that reflects the incurred credit losses.
- vii. The borrower is overdue for more than 90 days in any principal, advances, interest or investment in bonds due to the bank.

The credit impairment of a financial asset may be caused by the combined effect of multiple events rather than any single discrete event.

Estimation of Expected Credit loss for Credit Impaired Financial Assets

For credit-impaired exposures, the Probability of Default (PD) is assumed to be 100%, as these loans have already met the default criteria under the Bank's credit risk policy.

The recovery horizon for such exposures is determined based on Plateau Analysis, which assesses historical recovery trends over time. The Loss Given Default (LGD) is derived from the Bank's recovery model for exposures where the recovery period has not yet expired. For exposures where the recovery period has lapsed, an LGD of 100% is applied to reflect full loss recognition.

The Exposure at Default (EAD) for credit-impaired exposures is measured as the total outstanding balance of the loan, including accrued interest and fees, as at the reporting date. Purchased or originated credit impaired financial assets are those financial assets that are credit-impaired on initial recognition.

Investment

The bank applies the NFRS 9 Expected Credit Loss (ECL) model on investments in debt instruments measured at amortized cost and FVOCI. The Vasicek single-factor credit risk model is used to estimate probability of default (PD), incorporating both systematic and idiosyncratic risk. The model is calibrated using S&P Global historical default and transition data, adjusted for the Bank's portfolio and forward-looking macroeconomic scenarios. Loss Given Default (LGD) is estimated based on recovery experience and external benchmarks, while Exposure at Default (EAD) represents the amortized cost carrying amount including accrued interest.

Staff Loans

Staff loans are classified at amortized cost in accordance with NFRS 9. In the absence of historical default events, the Bank has adopted the regulatory floor Probability of Default (PD) of 2.5% as prescribed by NFRS 9, ECL Guideline issued by Nepal Rastra Bank, together with an average Loss Given Default (LGD) derived from Bank's recovery experience. The Exposure at Default (EAD) is represented by the outstanding loan balance, including accrued interest. Although staff loans are generally considered low risk due to repayment through salary deductions and end-of-service benefits, an Expected Credit Loss (ECL) is recognized to ensure compliance with NFRS 9 and regulatory requirements. The staff loans are assessed under stage 1 unless objective evidence of impairment exists. This conservative approach ensures prudence in financial reporting and alignment with sound risk management practices.

Off Balance Sheet items

Off-balance sheet items such as letters of credit, guarantees, and unutilized loan commitments are not recognized as financial assets or liabilities in the statement of financial position. However, these exposures are subject to Expected Credit Loss (ECL) under NFRS 9. For estimating ECL, the Bank applies the Probability of Default (PD) and Loss Given Default (LGD) derived from its business portfolio, and utilizes the credit conversion factors

(CCF) / utilization ratios as prescribed in the NFRS 9 ECL Guideline issued by Nepal Rastra Bank (NRB). This approach ensures that ECL reflects both the likelihood of default and the expected drawdown of off-balance sheet exposures. All off-balance sheet exposures are recognized under Stage 1 (12-month ECL) unless there is objective evidence of impairment. This approach ensures that ECL reflects both the likelihood of default and the expected drawdown, maintaining prudence and compliance with NFRS 9 and NRB requirements.

Write off

Financial assets are written off (either partially or fully) when recovery is no longer considered realistic.

A write-off is treated as a derecognition event, where the asset's carrying amount is reduced by the amount written off. This occurs when the bank determines that further collection efforts are unlikely to result in significant recoveries. Any recoveries on written-off amounts are recognized as income in the period in which they are received.

Transfer between stages

Financial assets can be transferred between the different categories (other than POCI) depending on their relative change in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on bank's assessments. Financial instruments are transferred out of Stage 3 when they no longer exhibit any evidence of credit impairment as described above as per the ECL Policy.

Transfer from Stage 2 to Stage 1:

If all due contractual payments associated with such credit facility as at the date of upgrading are fully settled.

Transfer Out of Stage 3:

Though the conditions for an exposure to be classified in Stage 3 no longer exist, the Bank continues to monitor for minimum probationary period of **3 months** to upgrade from Stage 3.

For Restructured/Rescheduled Exposures:

Restructured and rescheduled facilities are gradually upgraded upon satisfactory repayment for a stipulated period according to the policy while exercising prudence principles. The Bank monitor restructured/rescheduled exposures classified under Stage 3 for a minimum probationary period of 24 months before upgradation.

The transfer of the loans among different stages are shown in quantitative disclosure.

Key Inputs, Assumptions and Estimation Techniques***Recognition of Expected Credit Losses – Approaches*****a. General Approach**

The bank applies the general approach for recognition of Expected Credit Losses loans and advances to customers, loans to banks and financial institutions, investment securities measured at amortized cost or FVOCI, and loan commitments and financial guarantees and staff loans. Under this approach, exposures are classified into Stage 1, Stage 2, or Stage 3 based on changes in credit risk since initial recognition, with a 12 - month ECL recognized for Stage 1 and lifetime ECL for Stages 2 and 3. Interest income is calculated on the gross carrying amount for Stages 1 and 2, and on the actual receipt basis for Stage 3.

b. Simplified Approach

The Bank's policy is to apply the simplified approach to trade receivables without a significant financing component, lease receivables, contract assets under NFRS 15, and certain short-term staff or retail loans. Under this approach, lifetime ECL is recognized from initial recognition without staging assessment, typically using a provision matrix or simplified statistical model adjusted for forward-looking information. However, no ECL has been calculated for these items during the reporting period.

Methodology and Data Source

The Bank's Expected Credit Loss (ECL) estimates are based on a combination of internal historical data, regulatory guidance and forward-looking macroeconomic information. Historical default rates are derived from the bank's internal portfolio performance records, covering default rates actually observed by the bank in past. Historical loss rates are derived from the banks internal portfolio covering default, recoveries and write offs over the past years. This includes portfolio level default histories, Days Past Due (DPD) migration trends, collateral recovery rates and cure rates.

Where internal history is insufficient to produce statistically reliable estimates- particularly for certain loan products or off-balance sheet exposures – the bank supplements its analysis with:

- ☐ Parameters and indicative ratios provided in the Nepal Rastra Bank's ECL Implementation Guidelines (ex. Credit Conversion Factor [CCF], utilization ratios.
- ☐ Floor rates prescribed by Nepal Rastra Bank for Probability of Default (PD)

Forward looking adjustments are applied to historical rates to reflect expected changes in the economic environment. These adjustments are informed by macroeconomic forecasts sourced from the International Monetary Fund (IMF). The Bank uses scenario-weighted projections (baseline, upturn, downturn) to modify Probability of Default (PD) estimates, ensuring that the ECL reflects both past performance and anticipated future conditions.

Incorporation of Forward-Looking Information

It is a fundamental principal of NFRS 9 that the provisions bank hold against the potential future Credit Risk losses should depend, not just on the health of the economy today, but should also take into account potential changes to the economic environment.

To capture the effect of changes to the economic environment, the Probability of Default (PD) used to calculate ECL incorporate the forward- looking information in the form of forecasts of the values of economic variable.

Variable Selection

The bank initially considered a broad range of macroeconomic variables sourced from the International Monetary Fund (IMF). Through statistical testing – including correlation analysis, regression significant testing and model fit evaluation- only those variables with a consistent and statistically significant relationship with default rates for the Bank's portfolios were retained in the final model. Different portfolios may use different subsets of these variables, depending on their relevance to the credit behavior.

Macroeconomic Scenario

Para 5.5.17 (a) requires the estimate of expected credit losses to reflect an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes. The three possible scenarios are taken into account i.e., Baseline, Upturn and downturn. The base line forecasts are used to create the upturn and downturn scenarios. The bank determines the upturn and downturn of the macroeconomic variable using +/- Standard Deviation of the baseline. The bank uses the following probability weights:

Particulars	Probability Weights
Base Line	40%
Upturn	30%
Downturn	30%

These weights reflect management's assessment of the relative likelihood of each scenario over the forecast horizon.

Macro-Economic Variables used in the model

The table below presents the variables incorporated in the ECL model for the next 12 months. These variables are applied at a portfolio level, with relevance determined by the statistical significance and predictive power for each product segment.

Baseline

Variables	Units	Q1	Q2	Q3	Q4
Gross domestic product, constant prices (diff)	Percent Changes	5.118	5.174	5.225	5.253

Upturn

Variables	Units	Q1	Q2	Q3	Q4
Gross domestic product, constant prices (diff)	Percent Changes	7.3315	7.387	7.438	7.466

Downturn

Variables	Units	Q1	Q2	Q3	Q4
Gross domestic product, constant prices (diff)	Percent Changes	2.905	2.960	3.011	3.039

The above quarterly macroeconomic forecasts are applied in the bank's ECL models to adjust Probability of Default (PD) estimates for each quarter within the forecast horizon. For lifetime ECL calculations, these quarterly forecasts are extended beyond 12 months using econometric models.

Probability Weighted

Variables	Units	Q1	Q2	Q3	Q4
Gross domestic product, constant prices (diff)	Percent of GDP	5.1182	5.1740	5.2250	5.2530

The above quarterly macroeconomic forecasts are applied in the bank's ECL models to adjust Probability of Default (PD) estimates for each quarter within the forecast horizon. For lifetime ECL calculations, these quarterly forecasts are extended beyond 12 months using econometric models.

Collateral Valuation

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, gold, Government Securities, Letters of Credit/Guarantees, real estate, receivables, inventories, other non-financial assets etc. While determining loss rate or recovery rate for the purpose of calculation of loss allowance, expected cash flows from collateral realization have been considered based on latest reliable internal/external valuations. The bank has used collateral value from the valuation conducted more than two months prior.

Collateral values are excluded from the loss allowance calculation for loans that have defaulted and where the collateral has not been realized within 5 years of default.

The Bank determines the Net Realizable value of collateral as the current fair value reduced by estimated realization costs and the applicable haircut, in accordance with the Nepal Rastra Bank's NFRS 9 – Expected Credit Loss Related Guidelines, 2024.

The realization cost and haircuts used are as follows:

Collateral Details	Realization Cost %	Haircut %
Land & Building	5	25
Vehicle	0	50
Guarantees	0	0
Fixed Assets	5	25
Gold & Silver	5	10
Non-Governmental Securities	5	10
Others	0	25
Insurance Policy	5	25
Governmental Securities	2	0
Share Securities	5	10
Gold	10	0
Other Fixed Assets	5	25

The bank has not recognized an ECL Provision for the following loans, as the collateral held is considered sufficient to fully mitigate the credit risk.

Loan type	Gross Carrying Amount	NRB Provision	ECL Provision	Reason for no ECL
Loan Against Fixed Deposit	2,91,02,530	291,025.30	NIL	Guaranteed by Fixed Deposit
Investments	N/A	N/A	N/A	Government Backed Securities

Implemented Policy

The Bank, following regulatory backstop as mentioned in Clause 16 of "NFRS 9 - Expected Credit Loss Related Guidelines, 2024" has recognized impairment on credit exposures as the HIGHER of total ECL calculated as per NFRS 9 and existing regulatory provisions as mentioned in Unified NRB Directives No. 02.

Following is the detail of impairment under both methods:

Particulars	Amount
Total Impairment as per NRB	135,983,380.53
Total Impairment as per ECL	121,457,200.44

The higher of two above, i.e., has been taken in account for impairment loss on loan and advances for the reporting period.

The following table shows the total Impairment Allowance of the Bank for the year ending

Particulars	2081/82	2080/81
Loans and Advances to Customers (A) and BFI	120,605,971.00	93,324,532.82
Loans and Advances to BFIs (B)	-	-
Loans to Staffs (C)	851,229.44	843,408.38
Off- Balance sheet Items (D)	-	-
Investments (E)	-	-
Total Impairment (A+B+C+D+E)	121,457,200.44	94,167,941.20

The following table shows the total impairment allowance of the bank as per the staging.

Particulars	Expected Credit Loss (ECL)		
	Stage 1	Stage 2	Stage 3
Loans & Advances to Customers (A)	10,249,882.00	3,855,451.00	106,500,638.00
Loans and Advances to BFIs (B)			
Loans to Staffs (C)	851,229.44		851,229.44
Off Balance Sheet Items (D)			
Investment (E)			
Total (A+B+C+D+E)	11,101,111.44	3,855,451.00	106,500,638.00
			121,457,200.44

D. Movement of impairment during the year ending of Ashar 32, 2082

The following table below shows the movement of impairment during the year for Loans and Advances.

Particulars	Stage 1		Stage 2		Stage 3		Total	
	Gross Carrying Amount	ECL	Gross Carrying Amount	ECL	Gross Carrying Am	ECL	Gross Carrying Am	ECL
At beginning	192,129,370.78	1,685,755.15	27,421,412.09	1,366,906.62	215,722,604.49	90,271,871.05	435,273,387.36	93,324,532.82
New Asset Originated or Purchased	44,576,205.47	1,628,318.19			7,462,573.90	3,121,499.25	52,038,779.37	4,749,817.44
Asset Derecognised	(55,364,401.06)	(464,242.82)	(10,079,536.58)	(554,195.57)	(32,210,529.81)	(17,413,182.35)	(97,654,467.45)	(18,431,620.75)
Transfers to Stage 1	9,717,174.45	896,249.51	(7,304,034.72)	(628,494.07)	(2,413,139.73)	(267,755.44)	-	-
Transfers to Stage 2	(6,602,667.73)	(1,867,760.81)	10,514,666.12	3,206,086.72	(3,911,998.39)	(1,338,325.91)	-	-
Transfers to Stage 3	(38,653,355.91)	(16,168,204.58)	(5,948,755.79)	(2,488,288.49)	44,602,111.70	18,656,493.07	-	-
Unwind of Discount		273,977.37		306,618.21		8,968,250.70	-	9,548,846.29
Change in Model(b/f)		24,265,789.90		2,646,817.43		4,501,788.07	-	31,414,395.41
GCA Adjustment(b/f)	(9,919,605.32)		(1,671,708.80)		(20,058,200.86)		(31,649,514.98)	-
At Closing	135,882,720.68	10,249,881.91	12,932,042.32	3,855,450.85	209,193,421.30	106,500,638.44	358,008,184.30	120,605,971.21

GCA is Gross Carrying Amount of the Loan.
ECL is Expected Credit Losses.
Also the following tables shows the movement of the impairment during the year for staff loans:

Particulars	Gross Carrying Amount(GCA)	ECL
Opening Balance	870,000.00	843,408.38
New Asset Originated or Purchased		
Asset Derecognised		
Unwind of Discount		
Change in Model(b/f)		7,821.06
GCA Adjustment(b/f)		
Closing Balance	870,000.00	851,229.44

The following table shows the movement of the impairment during the year of off balance sheet items:

Particulars	Gross Carrying Amount(GCA)	ECL
Opening Balance		
New Asset Originated or Purchased		
Asset Derecognised		
Unwind of Discount		
Change in Model(b/f)		
GCA Adjustment(b/f)		
Closing Balance	-	

IMPAIRMENT AS PER NORMS OF NRB IN LOAN LOSS PROVISION

The bank has provided for impairment provision as per norms of NRB in Loan Loss Provision as given in NRB Directive no. 2 on the basis of overdue period of Principal and interest .

The bank, following regulatory backstop as maintained in clause 16 of "NFRS 9- Expected Credit Loss Related Guidelines, 2024" has recognized impairment on credit exposures as the HIGHER of total ECL calculated as per NFRS 9 and existing regulatory provision as mentioned in Unifield NRB Directives no. 2

Particulars	Amount
Total Impairment as per NRB	135,983,380.53
Total Impairment as per ECL	121,457,200.00

The higher of two above, i.e 135,983,380.53 has been taken in account for impairment loss on loan and advances for the reporting period.

Narayani Development Bank Limited**Other Assets**

At the month end of Ashadh, 2082

(Rs. in '000)

S.No.	Assets	Gross Amount	Specific Provision	Net Balance
1	Current Tax Assets	2,241,573		2,241,573
2	Investment Property	-		-
3	Property and Equipment	45,500,540		45,500,540
4	Assets held for Sale			-
5	Other non-banking assets	36,132,137	-	36,132,137
6	Bills receivable			-
7	Accounts receivable	15,506,667		15,506,667
8	Accrued income			-
9	Prepayment and Deposits			-
10	Income tax deposits			-
11	Deferred Employee Expenditure		-	-
12	Others			-
	TOTAL	99,380,918	-	99,380,918

5.14 Regulatory Reserve

Item wise movement of regulatory reserve is as follows:

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
2077/78	-	-	-	7,964,249	-	-	-	-	-	-	7,964,249
Transfer From Regulatory Reserve to RE				(2,469,249)							(2,469,249)
Transfer To Regulatory Reserve From RE	14,792				165,728						180,520
2078/79	14,792	-	-	5,495,000	165,728	-	-	-	-	-	5,675,520
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
Total	364,881	-	-	-	13,929,844	-	-	-	1,551,981	-	15,846,707
2079/80	-										-
Transfer From Regulatory Reserve to RE									(766,889)		(766,889)
Transfer To Regulatory Reserve From RE	2,162,432			-	25,595,183						27,757,615
Total	2,527,314	-	-	-	39,525,027	-	-	-	785,092	-	42,837,432
2080/81											
Transfer From Regulatory Reserve to RE	(2,246,097)	-	-	8,997,117	(737,580)						6,013,439
Transfer To Regulatory Reserve From RE	-								191,839		191,839
Total	281,217	-	-	8,997,117	38,787,446				976,931		49,042,711
2081/82											
Transfer From Regulatory Reserve to RE	774,721	-	-		9,214,103						9,988,825
Transfer To Regulatory Reserve From RE	-			8,985,848					(976,931)		8,008,917
Total	1,055,938	-	-	17,982,965	48,001,550				(0)		67,040,452

5.15 EPS and Net Worth for the year 2081-82

Net worth	As at 32.03.2082	As at 31.03.2081
Total Equity	25,259,825	57,995,470
Less: amount not attributable to shareholders		
CSR		
Training		
Available to shareholders	25,259,825	57,995,470
No. of shares including bonus share	2,624,676	2,624,676
No. of shares excluding bonus share		
Net worth per share	9.62	22.10

EPS	As at 32.03.2082	As at 31.03.2081
Profit for the year	(38,336,369)	(17,800,183)
Wtd. Avg no. of shares	2,624,676	2,624,676
EPS-Basic	(14.61)	(6.78)
EPS_Diluted	(14.61)	(6.78)
Annualized	(14.61)	(6.78)

Statement of Principal Indicators last 5 year

Indicators	Unit	2081-82	2080-81	2079-80	2078-79	2077-78	Remarks
Adequacy of Capital Fund on Risk Weighted Assets							
Core Capital	NPR	(44,696,487)	8,809,368	120,192,911	76,068,559	31,102,811	
Total Capital Fund	NPR	(44,696,487)	12,466,800	124,786,217	76,887,740	31,130,030	
Risk Weighted Exposure	NPR	429,516,578	479,042,644	551,536,737	131,489,016	92,845,869	
Earning Per Share (Average share outstanding)	NPR	(14.61)	(6.78)	(27.56)	(9.10)	(2.05)	
Market Value Per Share	NPR	1,643.93	565	380.00	649.00	-	
Book Net Worth Per Share	NPR	9.62	22.10	45.79	62.67	-	
Net Profit Per Staff	NPR	(935,033)	(434,151)	(1,549,948.93)	(542,747.00)	-	
Per Employee Staff Cost	NPR	40,153	42,804	33,135.00	24,420.00	-	Per month
Number of Promotor Equity Shares	Nos.	1,837,273	1,837,273	1,837,273	852,690.00	-	
Number of Public Equity Shares	Nos.	787,403	787,403	787,403	459,648.00	-	
Number of Permanent Staffs	Nos.	41	26	19.00	8.00	-	
Number of Branches	Nos.	5	5	5.00	3.00	-	
Number of Extension Counters	Nos.	-	-	-	-	-	
Number of ATM Machines	Nos.	-	1	1.00	1.00	1.00	
Price Earning Ratio	Times	(112.55)	(83.31)	(13.79)	0.10	-	
Capital Adequacy Ratio-(Tier-I)	Percent	-10.41%	1.84%	3.15%	22.00%	58.00%	
Capital Adequacy Ratio-(Tier-II)	Percent	-10.41%	2.60%	4.68%	23.00%	58.00%	
Dividend (including bonus) on Share Capital	Percent	-	-	-	0%	0%	
Cash Dividend on Share Capital	Percent	-	-	-	0%	0%	
Net Profit / Gross Income	Percent	5900%	-255%	-308%	-239%	-527%	
Net Profit / Loans and Advances	Percent	-12%	-4%	-14%	-15%	-13%	
Return on Total Assets	Percent	-7%	-2%	-11%	-11%	-6%	
Return on Equity	Percent	-15%	-31%	-30%	-45%	-15%	
Interest Income / Loans and Advances	Percent	11%	13%	12.99%	6%	2%	
Exchange Gain / Total Income	Percent	0%	0%	-	-	-	
Interest Expenses / Total Deposits and Borrowings	Percent	8%	7%	7.34%	3.90%	3.26%	
Total Operating Expenses / Total Assets	Percent	9%	7%	7.31%	7.73%	2.49%	
Staff Expenses / Total Operating Expenses	Percent	40%	43%	40.12%	29.92%	51.37%	
Staff Bonus / Total Staff Expenses	Percent	0%	0%	0.00%	0.00%	0.00%	
Total Credit / Deposits	Percent	72%	65%	87.00%	104.71%	95.89%	
Non-Performing Loans / Total Loans	Percent	48.88%	46.31%	27.00%	14.00%	8.99%	
Base Rate	Percent	15.24%	16.22%	17.46%	24.18%	33.47%	
Weighted Average Interest Rate Spread	Percent	4.50%	3.83%	5.50%	4.19%	7.39%	
Weighted Average Interest Rate on Deposit	Percent	6.25%	7.38%	8.35%	8.89%	6.85%	
Weighted Average Interest Rate on Credit	Percent	10.75%	11.22%	13.85%	13.08%	6.85%	
Institutional Deposit/Total Deposit	Percent	36.79%	34.73%	50.46%	27.00%	58.79%	

Narayani Development Bank Limited
Comparison Of Statement of Financial Position as on 32nd Ashadh 2082

Particulars	Notes	AS per Unaudited Financial Statement	AS per Audited Financial Statement	Variance		Reasons For Variance
				In Amount	In %	
Assets						
Cash and cash equivalent	4.1	94,264,515	94,264,515	-	-	
Due from Nepal Rastra Bank	4.2	58,147,270	58,147,270	-	-	
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	-	-	-	-	
Loans and advances to customers	4.7	199,689,055	187,845,771	11,843,284	0.06	Due to Change in Impairment
Investment securities	4.8	39,153,365	39,153,365	-	-	
Current tax assets	4.9	11,013,997	2,241,573	8,772,424	0.80	Due to Adjustment of advance withholdi
Investment in subsidiaries	4.10	-	-	-	-	
Investment in associates	4.11	-	-	-	-	
Investment property	4.12	36,132,137	36,132,137	-	-	
Property and equipment	4.13	40,877,399	40,763,038	114,361	0.003	Due to adjustment related to Disposal c
Goodwill and Intangible assets	4.14	5,097,948	4,737,501	360,447	0.07	Due to Depreciation Adjustment
Deferred tax assets	4.15	77,646,373	47,182,985	30,463,388	0.39	Due to Adjustment in Deferred Tax Calc
Other assets	4.16	18,931,724	15,506,667	3,425,057	0.18	
Total Assets		580,953,785	525,974,823.7	54,978,961.27		
Liabilities						
Due to Bank and Financial Institutions	4.17	-	-	-	-	
Due to Nepal Rastra Bank	4.18	-	-	-	-	
Derivative financial instruments	4.19	-	-	-	-	
Deposit from customers	4.20	449,675,444	449,675,444	-	-	
Borrowings	4.21	-	-	-	-	
Current Tax Liabilities	4.9	-	-	-	-	
Provisions	4.22	-	-	-	-	
Deferred tax liabilities	4.15	-	-	-	-	
Other liabilities	4.23	60,031,124	51,039,555	8,991,569	0.15	Due to Lease Liability Adjustment
Debt securities issued	4.24	-	-	-	-	
Subordinated liabilities	4.25	-	-	-	-	
Total liabilities		509,706,568	500,714,999	8,991,569		
Equity						
Share capital	4.26	262,467,600	262,467,600	-	-	
Share premium		10,101,374	10,101,374	-	-	
Retained earnings		(453,921,774)	(468,543,224)	14,621,450	(0.03)	
Reserves	4.27	252,600,016	221,234,075	31,365,941	0.12	
Total equity attributable to equity holders		71,247,216	25,259,825	45,987,391	0.65	
Non-controlling interest		-	-	-	-	
Total equity		71,247,216	25,259,825	45,987,391	0.65	
Total liabilities and equity		580,953,785	525,974,824	54,978,961		

Narayani Development Bank Limited
Comparision Of Statement of Profit or Loss For the year ended 32nd Ashadh 2082

Particulars	Notes	AS per UnAudited 2081-082	AS per Audited 2081- 082	Variance		Reasons For Variance
				In Amount	In %	
Interest income	4.29	35,718,648	36,667,473	(948,825)	(0.03)	Due to Classification of Income Adjustment
Interest expense	4.30	36,017,650	36,017,650	-	-	
Net interest income		(299,002)	649,823	(948,825)	3.17	
Fees and commission income	4.31	566,456	566,456	-	-	
Fees and commission expense	4.32	36,019	36,019	-	-	
Net fee and commission income		530,437	530,437	-	-	
Net interest, fee and commission income		231,435	1,180,260	(948,825)	(4.10)	
Net trading income	4.33		-	-	-	
Other operating income	4.34	3,809,019	5,984,252	(2,175,233)	(0.57)	Due to Gain on Dipsosal of lease
Total operating income		4,040,454	7,164,512	(3,124,058)	(0.77)	
Impairment charge/(reversal)	4.35	(14,294,955)	627,025	(14,921,980)	1.04	Due To Revision on Impairment Amount
Net operating income		18,335,409	6,537,487	11,797,922	0.64	
Operating expense			-	-	-	
Personnel expenses	4.36	19,755,235	19,755,235	-	-	
Other operating expenses	4.37	18,726,870	18,635,078	91,792	0.005	Due to Double Effect Of Expenses
Depreciation & Amortization	4.38	10,672,999	11,033,446	(360,447)	(0.03)	Due to Adjustment in Depreciation
Operating Profit		(30,819,695)	(42,886,271)	12,066,576	(0.39)	
Non operating income	4.39		-	-	-	
Non operating expense	4.40	1,956,269	4,960,147	(3,003,878)	(1.54)	Due to Adjustment Effect
Profit before income tax		(32,775,964)	(47,846,418)	15,070,454	(0.46)	
Income tax expense	4.41		-	-	-	
Current Tax expense			-	-	-	
Deferred Tax expense/(income)		(7,606,760)	9,510,049	(17,116,809)	2.25	
Profit for the period		(25,169,204)	(38,336,369)	13,167,165	(0.52)	
Profit attributable to:			-	-	-	
Equity holders of the Bank		(25,169,204)	(38,336,369)	13,167,165	(0.52)	
Non-controlling interest			-	-	-	
Profit for the period		(25,169,204)	(38,336,369)	13,167,165	(0.52)	

Narayani Development Bank Limited
Comparison Of Statement of Comprehensive Income For the year ended 32nd Ashadh 2082

Particulars	Notes	AS per UnAudited 2081-082	AS per Audited 2081- 082	Variance		Reasons For Variance
				In Amount	In %	
Profit for the period		(25,169,204)	(38,336,369.18)	13,167,165	(0.52)	
Other comprehensive income, net of income tax						
a) Items that will not be reclassified to profit or loss						
Gains/(losses) from investments in equity instruments measured at fair value		3,319,833	3,715,034.39	(395,201)	(0.12)	Due to Calculation of Disposal share's Cost
Gains/(losses) on revaluation		0	-	-	-	-
Actuarial gains/(losses) on defined benefit plans		0	-	-	-	-
Income tax relating to above items		(995,950)	(1,114,510.32)	118,560	(0.12)	Tax Impact of Gain On capital
Net other comprehensive income that will not be reclassified to profit or loss		2,323,883	2,600,524.07	(276,641)	(0.12)	
b) Items that are or may be reclassified to profit or loss						
Gains/(losses) on cash flow hedge		-	-	-	-	-
Exchange gain/(losses) (arising from translating financial assets of foreign operation)		-	-	-	-	-
Income tax relating to above items		-	-	-	-	-
Reclassify to profit or loss		-	-	-	-	-
Net other comprehensive income that are or may be reclassified to profit or loss		-	-	-	-	
c) Share of other comprehensive income of associate accounted as per equity method		-	-	-	-	
Other comprehensive income for the period, net of income tax		2,323,883	2,600,524.07	(276,641)	(0.12)	
Total comprehensive income for the period		(22,845,321)	(35,735,845.11)	12,890,524	(0.56)	
Total comprehensive income attributable to:						
Equity holders of the Bank		(22,845,321)	(35,735,845.11)	12,890,524	(0.56)	
Non-controlling interest		0	-	-	-	
Total comprehensive income for the period		(22,845,321)	(35,735,845.11)	12,890,524	(0.56)	



नेपाल राष्ट्र बैंक वित्तीय संस्था सुपरिवेक्षण विभाग



केन्द्रीय कार्यालय
बालुवाटार, काठमाडौं
फोन: ०१-५५९६४१
Email: nrbfsd@nrb.org.np
Web: www.nrb.org.np
पोष्ट बक्स नं. ७३

पत्रसंख्या: वि.सं.सु.वि./गैरस्थलगत/नारायणी/०८३/८४
च.नं.: ७१

मिति: २०८३/०५/०३

श्री नारायणी डेभलपमेण्ट बैंक लिमिटेड,
भरतपुर, चितवन।

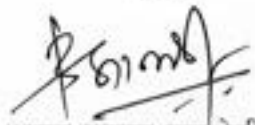
विषय: वार्षिक वित्तीय विवरण प्रकाशन सम्बन्धमा।

महाशय,

त्यस संस्थाले पेश गरेको आर्थिक वर्ष २०८१/८२ को लेखापरीक्षण भएको वित्तीय विवरण तथा अन्य प्रतिवेदनहरूका आधारमा गैरस्थलगत सुपरिवेक्षण गर्दा देखिएका कैफियतहरूका सम्बन्धमा देहाय बमोजिमका निर्देशनहरू शेयरधनीहरूको जानकारीका लागि वार्षिक प्रतिवेदनको छुट्टै पानामा प्रकाशित गर्ने गरी संस्थाको आर्थिक वर्ष २०८१/८२ को लेखापरीक्षण भएको वार्षिक वित्तीय विवरण साधारणसभा प्रयोजनको लागि प्रकाशन गर्न सहमति प्रदान गरिएको ब्यहोरा निर्णयानुसार अनुरोध गर्दछु।

१. यस बैंकबाट शीघ्र सुधारात्मक कारवाही हुँदा तोकिएको शर्तहरू र तत्पश्चात् दिइएका निर्देशनहरूको पालना गर्नुहुन।
२. निष्कृत कर्जा व्यवस्थापन सम्बन्धमा कार्यान्वयनयोग्य कार्ययोजना बनाई कार्यान्वयन गर्नु हुन।
३. वित्तीय परिसूचकहरू नियमनकारी सीमा भित्र राख्नुहुन।
४. नेपाल राष्ट्र बैंकबाट जारी भएको NFRS 9 Expected Credit Loss Related Guidelines, 2024 मा रहेको व्यवस्थाको पूर्णरूपमा पालना हुने गरी ECL Model लाई थप सुधार गर्नुहुन।
५. आन्तरिक लेखापरीक्षक, बाह्य लेखापरीक्षक तथा यस बैंकबाट औल्याइएका कैफियतहरू पुनः नदोहोरिने व्यवस्था गर्नुहुन।

भवदीय,


(अमृत बहादुर बुढाथोकी)
उप-निर्देशक

बोधार्थ:

- श्री नेपाल राष्ट्र बैंक, बैंक तथा वित्तीय संस्था नियमन विभाग।
श्री नेपाल राष्ट्र बैंक, वित्तीय संस्था सुपरिवेक्षण विभाग, कार्यान्वयन इकाई-१।
श्री IBS (Individual Bank Supervisor) Officer



नेपाल राष्ट्र बैंकको मिति २०८३/०४/०३ को वार्षिक वित्तीय विवरण प्रकाशन गर्न सहमति प्रदान गर्दा दिइएका निर्देशनहरु प्रति संचालक समितिको जवाफ ।

१. यस बैंकबाट शीघ्र सुधारात्मक कारवाही हुँदा तोकिएको शर्तहरु र तत्पश्चात् दिइएका निर्देशनहरुको पालना गर्नुहुन ।

प्रतिउत्तर: शीघ्र सुधारात्मक कारवाही हुदा तोकिएका चुक्ता पूँजी लगाएतका शर्तहरु र तत्पश्चात दिइएका निर्देशनहरु क्रमशः पुरा गर्दै लगिएको व्यहोरा अनुरोध गर्ने ।

२. निष्कृत्य कर्जा व्यवस्थापन सम्बन्धमा कार्यान्वयनयोग्य कार्ययोजना बनाई कार्यान्वयन गर्नु हुन ।

प्रतिउत्तर: निष्कृत्य कर्जा व्यवस्थापन सम्बन्धमा कार्यान्वयनयोग्य योजना बनाई कार्यान्वयन गरिने व्यहोरा अनुरोध छ ।

३. वित्तीय परिसूचकहरु नियमनकारी सीमा भित्र राख्नुहुन ।

प्रतिउत्तर: वित्तीय परिसूचकहरु नियमनकारी सीमा भित्र राखिने गरि कार्य भईरहेको व्यहोरा अनुरोध छ ।

४. नेपाल राष्ट्र बैंकबाट जारी भएको NFRS (Expected Credit Loss Related Guidelines, २०२४ मा रहेको व्यवस्थाको पूर्णरूपमा पालना हुने गरी ECL Model लाई थप सुधार गर्नुहुन ।

प्रतिउत्तर: उल्लिखित कैफियत अनसार सुधार गरिने व्यहोरा अनुरोध छ ।

५. आन्तरिक लेखापरीक्षक, बाह्य लेखापरीक्षक तथा यस बैंकबाट औल्याइएका कैफियतहरु पुनः नदोहोरिने व्यवस्था गर्नुहुन ।

प्रतिउत्तर: आन्तरिक लेखापरीक्षक, बाह्य लेखापरीक्षक तथा यस बैंकबाट औल्याइएका कैफियतहरु पुनः नदोहोरिने व्यवस्था मिलाई कार्य गरिने व्यहोरा अनुरोध छ ।

**नारायणी डेभलपमेन्ट बैंक लि.
को नियमावलीमा संशोधन प्रस्ताव**

साविक व्यवस्था	हाल गर्नु पर्ने संशोधन र नियम	संशोधन गर्नु पर्ने कारण र औचित्य
नियम १२ (ग) सञ्चालकको पदावधि ४ (चार) वर्षको हुनेछ र पदावधि समाप्त भएको संचालक पुनः निर्वाचित वा नियुक्ति हुन सक्नेछ ।	नियम १२ (ग) सञ्चालकको कार्यकाल नियमावलीमा उल्लेख भए बमोजिम बढीमा चार वर्षको हुनेछ र निज पुनः नियुक्ति तथा मनोनित हुन सक्नेछ । तर स्वतन्त्र सञ्चालक एक कार्यकालका लागि मात्र नियुक्त हुन सक्नेछ ।	बैंक तथा वित्तीय संस्था सम्बन्धी ऐन, २०७३ को दफा १५(१) बमोजिम नियमावलीमा सञ्चालकको कार्यकाल बढीमा चार वर्ष हुने र निज पुनः नियुक्ति तथा मनोनित हुने तथा स्वतन्त्र सञ्चालक एक कार्यकालका लागि मात्र नियुक्त हुन सक्ने व्यवस्था रहेकोले प्रचलित ऐनसँग सामञ्जस्य कायम गर्न ।
नियम १५ (३) कार्यकारी प्रमुखको पदावधि चार वर्षको हुनेछ र निजको पुनर्नियुक्ति हुन सक्नेछ ।	नियम १५ (३) कार्यकारी प्रमुखको कार्यकाल बढीमा चार वर्षको हुनेछ र निज अर्को एक कार्यकालका लागि पुनः नियुक्ति हुन सक्नेछ ।	बैंक तथा वित्तीय संस्था सम्बन्धी ऐन, २०७३ को दफा २९(२) बमोजिम कार्यकारी प्रमुखको कार्यकाल बढीमा चार वर्ष हुने तथा अर्को एक कार्यकालका लागि पुनः नियुक्त हुन सक्ने व्यवस्था रहेकोले नियमावलीलाई प्रचलित ऐनसँग सामञ्जस्य कायम गर्न ।

नारायणी डेभलपमेन्ट बैंक लि.

को नियमावलीमा हुने संशोधन

नियम १२ (ग) सञ्चालकको कार्यकाल नियमावलीमा उल्लेख भए बमोजिम बढीमा चार वर्षको हुनेछ र निज पुनः नियुक्ति तथा मनोनित हुन सक्नेछ ।

तर स्वतन्त्र सञ्चालक एक कार्यकालका लागि मात्र नियुक्त हुन सक्नेछ ।

नियम १५ (३) कार्यकारी प्रमुखको कार्यकाल बढीमा चार वर्षको हुनेछ र निज अर्को एक कार्यकालका लागि पुनः नियुक्ति हुन सक्नेछ ।

टिपोट

टिपोट



हाम्रा सेवाहरू:

- मोबाइल बैंकिङ्ग सुविधा
- आकर्षक ब्याज सुविधा
- ब्यवसायिक QR सुविधा
- सरल र सहूलियत कर्जा
- निःशुल्क चेकबुक सुविधा
- छिटो छरितो बैंकिङ्ग सेवा
- रेमिट्यान्स मुद्दतीमा १% ब्याजदर थप
- कनेक्ट IPS मार्फत रकम ट्रान्सफर सुविधा



सुरक्षित बचत, उज्ज्वल भविष्य

Head Office

- Bharatpur-10
Chitwan, Nepal
- Tel.: +977-56-590011
590012/ 590013

Branch Office

Ratnanagar Branch

- Ratnanagar-1, Chitwan
- Tel.: +977-56-560608, 561258
- ratnanagar@ndbl.com.np

Narayangarh Branch

- Bharatpur-03, Chitwan
- Tel.: +977-56-490534, 490734
- narayangarh@ndbl.com.np

Yagyapuri Branch

- Bharatpur-7, Chitwan
- Tel.: +977-56-593822, 593895
- yagyapuri@ndbl.com.np

Parsa Branch

- Khairahani-08, Chitwan
- Tel.: +977-56-493980, 493981
- parsa@ndbl.com.np

Bharatpur Branch

- Bharatpur-10, Chitwan
- Tel.: +977-56-590011, 590012
- bharatpur@ndbl.com.np

www.ndbl.com.np





नारायणी डेभलपमेन्ट बैंक लि. Narayani Development Bank Ltd.

“नेपाल राष्ट्र बैंकबाट ‘ख’ वर्गको इजाजतप्राप्त संस्था”

बचत सुनौलो भविष्यको

प्रधान कार्यालय: भरतपुर-१०, चितवन, नेपाल

टेलिफोन: ९७७-५६-५९००११/५९००१२

इमेल: info@ndbl.com.np

वेबसाइट: www.ndbl.com.np