

Standard Chartered

Standard Chartered
Bank Nepal Limited



स्ट्याण्डर्ड चार्टर्ड
बैंक नेपाल लिमिटेड



Annual Report 2015-2016

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

30TH ANNUAL GENERAL MEETING

Thursday, 15 December 2016



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About us

Standard Chartered Bank Nepal Limited has been in operation in Nepal since 1987 when it was initially registered as a joint-venture operation. Today the Bank is an integral part of Standard Chartered Group having an ownership of 75% in the company with 25% shares owned by the Nepalese public. The Bank enjoys the status of the largest international bank currently operating in Nepal.

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

Standard Chartered PLC is listed on the London and Hong Kong Stock Exchanges as well as the Bombay and National Stock Exchanges in India.

With 15 points of representation, 23 ATMs across the country and more than 430 local staff, Standard Chartered Bank Nepal Ltd. is serving its clients and customers through an extensive domestic network. In addition, the global network of Standard Chartered Group enables the Bank to provide truly international banking services in Nepal.

Standard Chartered Bank Nepal Limited offers a full range of banking products and services to a wide range of clients and customers representing individuals, mid-market local corporates, multinationals, large public sector companies, government corporations, airlines, hotels as well as the Development Organisation segment comprising of embassies, aid agencies, NGOs and INGOs.

The Bank has been the pioneer in introducing 'client focused' products and services and aspires to continue leadership in introducing new products. It is the first Bank in Nepal to implement the Anti-Money Laundering policy and to apply the 'Know Your Customer' procedure on all the customer accounts.

Corporate Social Responsibility is an integral part of Standard Chartered's ambition to become the world's best international bank and is the mainstay of the Bank's values. The Bank believes in delivering shareholder value in a socially, ethically and environmentally responsible manner. Standard Chartered throughout its long history has played an active role in supporting those communities in which its customers and staff live. It concentrates on projects that assist children, particularly in the areas of health and education. The Bank is also actively engaged with the communities in raising awareness around Financial Literacy.

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

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

What's inside this report

Strategic Report

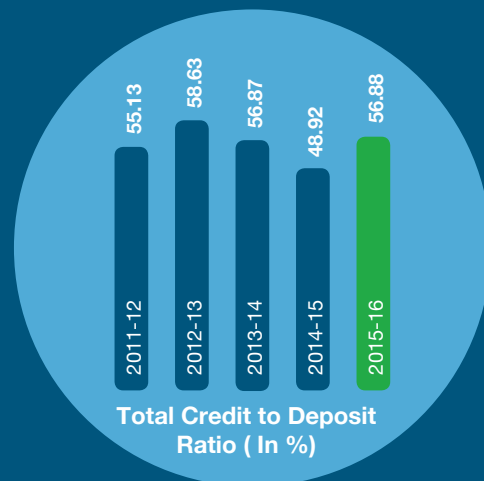
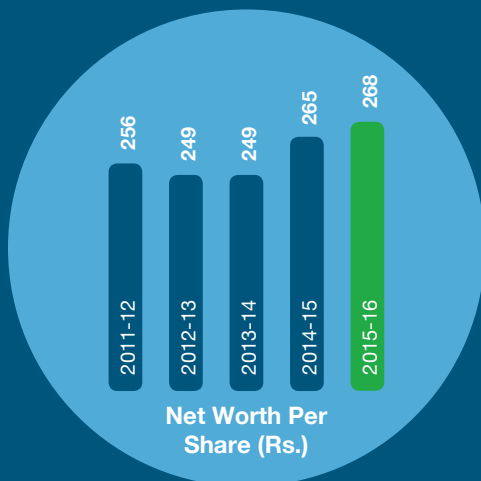
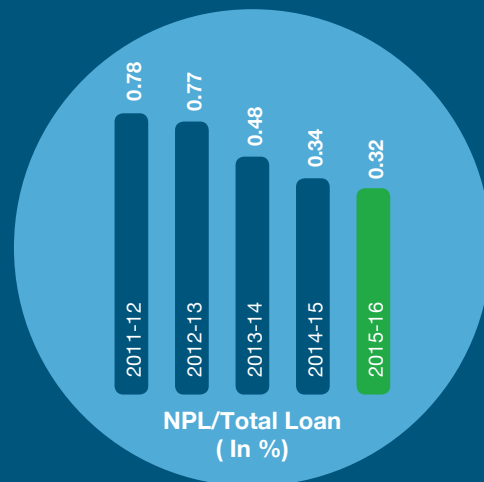
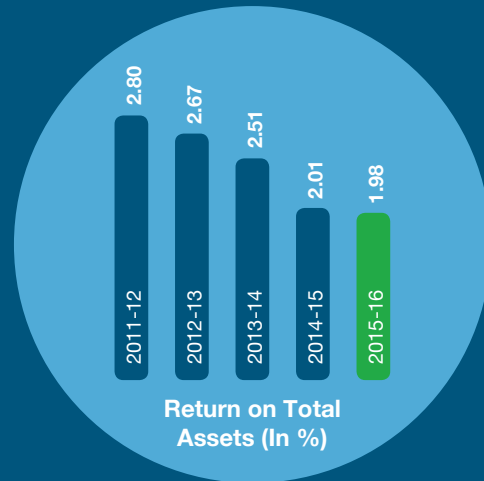
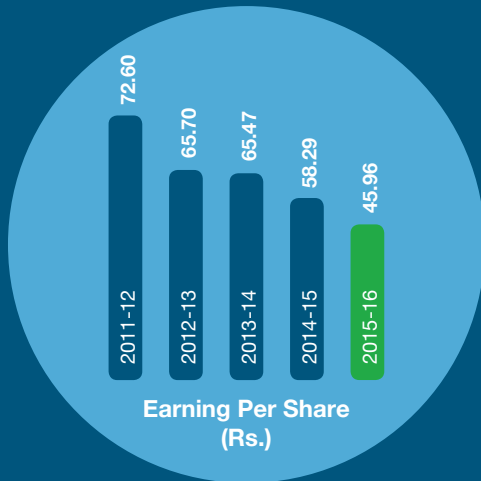
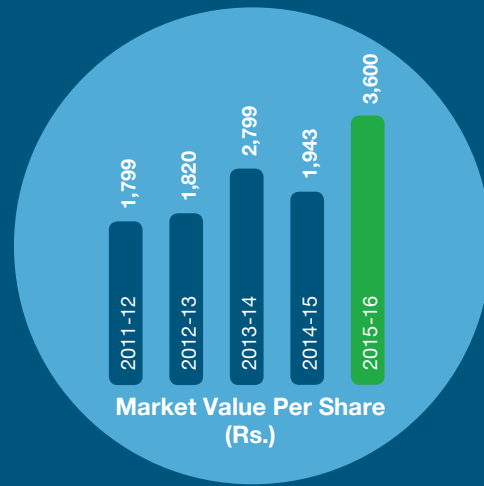
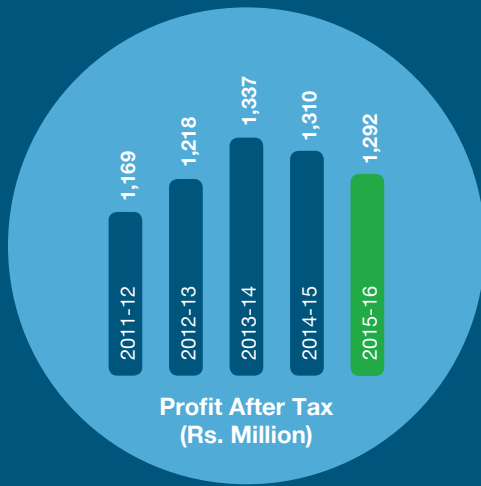
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Operational Overview

Strong Foundation

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

Financial highlights*

Operating Income

Rs. **2,885m**

OPERATING PROFIT

Rs. **1,701m**

TOTAL ASSETS

Rs. **65,186m**

CAPITAL ADEQUACY

16.38%

RETURN ON EQUITY

17.18%

DIVIDEND

35.09%

Non-financial highlights

POINTS OF REPRESENTATION

15

EMPLOYEES

435

Operational Highlights

- Stable income and operating profit despite a scenario of margin compression
- Broad based and diversified income growth in both Retail Banking and Corporate & Institutional Clients
- Conscious decision to invest to underpin future growth in both the Businesses
- Disciplined and proactive approach to risk management in Retail Banking and Corporate & Institutional Clients
- Diverse, liquid, well capitalized and robust balance sheet composition
- Strong market capitalization of ~ Rs. 98 Billion reflecting high shareholder confidence

*As per regulatory (NRB) financial statements



Chairman's Statement

Our strengths lie in our uniqueness and networking capability.

On behalf of the Board of Directors of the Bank, I take this opportunity to report that Standard Chartered Bank Nepal has put up a guarded performance in the Financial Year 2015/16. The results for the year were set against a backdrop of continuing buoyant liquidity conditions, low interest rate regime, low volatility, and, the change in market dynamics in the post earthquake scenario. The situation aggravated further because of the challenges faced in movement of essential supplies including fuel from the customs points adjoining India due to the Terai unrest for a long period.

The Board however, is confident in the Bank's compelling opportunities and that the current Management Team has the necessary focus to weather the current headwinds, and reposition the business for the future. Our market remains attractive through the medium and long terms, our franchise is hard to replicate and we remain well positioned to support the growth.

Being an international bank, our worldwide presence provides efficiency in enabling trade and investment around the globe. Our strengths lie in our uniqueness and networking capability. We remain committed to fulfil our social purpose of driving Nepal's economic growth by supporting our clients and customers in different ways. We will and have taken decisive actions to refocus our strategy and to reposition the Bank for the future.

The Board recognises the importance of payouts to shareholders, and believes in balancing returns with investment in the franchise to support future growth, while preserving strong capital ratios. Our capital position will be relative to regulatory and market expectations. As you are fully aware, our priority has been to maintain well capitalised, highly liquid and diverse balance sheet. We also remain committed in delivering profitable, sustainable growth within our risk appetite.

'Here for good', our brand promise, is firmly embedded in our culture. It signifies how we operate as a bank and conduct our business. It is the essence of what we are all about and reiterates the fact that we stand for the progress and prosperity of the community and society around us; we strive to do the right things in the right manner. Standard Chartered

is deeply embedded in our community and we will continue to harness our efforts in remaining the best brand in our market.

Results – A Synopsis

Financial Highlights*

- Net Profit after tax was down by 1.4 percent to Rs. 1.29 billion compared to Rs. 1.31 billion in the previous year.
- Earnings per share has decreased by Rs. 12.33 to Rs. 45.96 due to increase in number of shares and decrease in profits.
- Risk Assets increased by 13.11 percent to Rs. 31.70 billion compared to Rs. 28.02 billion last year.
- Deposits decreased by 2.72 percent to Rs. 55.73 billion compared to Rs 57.29 billion last year.

* as per regulatory(NRB) financial statements

Bank's Performance

The Bank has been delivering a reasonable performance year on year. The Bank has contributed an amount of Rs. 503 million to the Government Exchequer as compared to Rs. 594 million last year on account of corporate tax.

In accordance with the statutory and regulatory requirements, the Board recommends a transfer of Rs. 29 million to Exchange Fluctuation Reserve and transfer of Rs. 258 million into the General Reserve Fund. Further, the Board has proposed the dividend of 1.75 percent for which Rs 49 million has been appropriated towards dividend. Board has also proposed to increase the capital by issuing 33.33 percent bonus share for which Rs 937 million has been allocated from current year profit.

Our Tier 1 and Tier 2 Capital Adequacy Ratios were 14.08 percent and 2.30 percent respectively with an overall ratio of 16.38 percent, post appropriations. Our capital position is more than adequate to meet our business needs and exceeds the current Nepal Rastra Bank's capital adequacy requirement under the Basel II capital accord and also exceeds the international norms.

Economic Environment

Global Scenario

Year after year for the past six years, the global economy has been shifting down a gear. But the policy response to slower growth has been heavily dependent on monetary easing, and it is inadequate. The growth we are seeing this year is what one would expect at a time of crisis. Global growth is similar to the level during the Exchange Rate Mechanism (ERM) crisis of the early 1990s, the Asian financial crisis, the bursting of the dot-com bubble and the global financial crisis.

Growth is losing momentum, but Asia is the positive exception. Whereas in the past Asia was the region most dependent on fast global growth, today it is the largest contributor to global growth. Policy will be in focus, particularly in the US, where the Federal Reserve has made it clear that it wants to raise interest rates further at the earliest opportunity.

Although the world economy is in many ways in worse shape than it was a year ago, sentiment in financial markets – especially in Asian emerging economies – is much stronger. Even with one more Fed hike, interest rates are set to stay very low for an extended period. This will support market sentiment, particularly towards emerging markets (EM). Low global bond yields and stable currencies are supportive of inflows to EM.

Global growth is expected to be 2.5% in 2016. Latin America is the worst-performing region, with an expected contraction of 1%. But disappointing growth in the major economies is the biggest concern. We see developed economies growing by only 1.4% this year. Asia is the bright spot. Asia ex-Japan (AXJ) is expected to grow by 6% this year, contributing two-thirds of global growth.

The world is slowly getting accustomed to, and complacent with, lower growth. This is particularly true in the West. Monetary policy is the only game in town. Although the Fed is signalling another hike by year-end, we do not expect this to materialise. Interest rates will be low for a long time, even with one more hike. And although this is unlikely to help the real economy, it should support sentiment in financial markets. We are positive on EM, particularly Asia. Growth is higher, policy is moving in the right direction, and low yields make it an attractive destination for capital.

Nepal

The GDP growth remained lower in 2015/16 compared to the previous year. Delay in monsoon, prolonged strikes and obstruction in southern border points adversely affected the economy resulting in lower growth in 2015/16. According to the preliminary

estimates of the Central Bureau of Statistics, the real GDP grew by 0.8 percent at basic price and 0.6 percent at producers' price in 2015/16. Such growth rates were 2.3 percent and 2.7 percent respectively in the previous year.

The balance of payment recorded a surplus of Rs. 191.24 billion in 2015/16 on account of increase in current account surplus and capital inflows compared to surplus of Rs. 145.04 billion in the previous year. The current account posted a surplus of Rs. 140.42 billion in 2015/16 due to increase in net surplus in current transfer, compared to a surplus of NPR 108.32 billion in the previous year. The workers remittance inflows in Nepal during this period increased by 7.7 percent to Rs. 665.06 billion as compared to a growth of 13.6 percent in the previous year.

The trade deficit widened by 2 percent to Rs. 703.48 billion compared to an expansion of 10.8 percent during the same period previous year. In the review year, the ratio of total trade deficit to GDP declined a little bit to 31.3 percent from 32.5 percent a year ago. The export-import ratio dropped to 9.1 percent. This implies the size of imports is almost 11 times larger than the size of exports in the review year. The export-import ratio was 11 percent in the previous year. Export decreased by 17.8% in 2015/16 compared to a drop of 7.3 percent in the previous year. Imports decreased by 0.1% in 2015/16 as a result of large fall in imports of petroleum products, against an increase of 8.4% in the previous year.

The gross foreign exchange reserves stood at Rs.1039.21 billion as at mid July 2016, an increase of 26.1 percent from Rs. 824.06 billion a year ago. On the basis of existing trend of imports, current level of reserves is sufficient for financing merchandise imports of 16.5 months and merchandise and service imports of 14.1 months.

As on mid July 2015/16, the wholesale price index stood at 6.3 percent compared to increase of 6.1 percent in the previous year. Similarly, the consumer price Index increased by 9.9 percent, as against an increase of 7.2 percent in the previous year.

Nepalese currency depreciated by 5.2% vis-à-vis US Dollars as at mid-July 2016 from mid-July 2015. Nepalese rupee has a fixed parity of 1:1.6 with the Indian rupee.

The Year Ahead

Economic activities in most part of FY 2015/16 were affected due to typical post earthquake impact as well as prolonged agitation in the Terai region that began after promulgation of the new constitution. The obstruction created in movement of essential supplies including fuel from the customs points adjoining India, impacted the normal life and the overall business environment. Moreover, the slowdown continued

because of bottoming up of interest rates, surplus liquidity and low rate volatility; this is reflected in our restrained performance of FYE 2015/16.

Current Financial Year 2016/17 has started well for us. I am pleased to confirm that we have started seeing constructive signs for improvement. We remain positive and believe that the coming years will be stimulating and productive for business opportunities. We are in good shape to support our clients and customers, and consider that the growth opportunities will remain compelling in our markets. We will exploit our competitive strengths and opportunities to create value for our shareholders.

In order to create efficiency, we are stepping up the pace of digitisation and are working towards re-engineering key processes and in standardising our technology platforms. This is the only way we can manage the ever - increasing complexity of regulations efficiently. We are also prioritising investment in this area to achieve sustainable improvement in both compliance and productivity. Our focus is in achieving organic growth with a long-term perspective and in ensuring diverse income streams. Our management and staff are well aware of the required pace with which we need to move and are operating at full speed to reposition our business and improve our returns.

The challenging external environment is not an excuse for our performance. Rather, the external challenges increase our urgent need to take all necessary steps to address the structural and operational issues we have identified as critical to improving our returns. We have a strong balance sheet: diversified, well structured and liquid. In this environment, we will stay fit and take advantage of the attractive opportunities as they become available, and when other banks may be less able to react. We have a strong deal pipelines under our Commercial and International Clients business. Our balance sheet provides ample headroom to capture accelerated growth in the Retail business.

We have established Commercial Banking as a focused division of corporate clients whose needs are substantially local but who can leverage our strong cross-border capabilities. We continue to build out our network proposition, partnering with our Corporate and Institutional Banking business to bank their buyers and suppliers.

Our Retail Banking transformation has continued to make good progress. In many markets, our brand resonates with the growing affluent and emerging affluent client segments and we will invest to reinforce that brand. This, combined with a plan to deepen our presence in core cities where there is a large and growing affluent client base, is powering the growth of Priority Clients. The underlying demographic trends

make Wealth Management a particularly natural place for investment.

The performance of agriculture sector is critical to our economy; we can expect a satisfactory agricultural yield this year. Together with the changing trend of using modern tools and technology and improvement in distribution of inputs & services, we believe that the sectorial contribution from agriculture on the GDP will improve. Similarly, improvement in operating and socio political landscape will help benefit the industrial sector. The agenda of 'Rebuilding Nepal' is also likely to complement the industrial sector in fuelling demand for their outputs and in expediting the government's infrastructural spending. Stability in remittance flow from the Middle East and South East Asia will help in keeping the national economy agile. The medium to long term prospects of the Tourism sector remains positive. All these are likely to go in providing the needed push to the economy.

Corporate Governance

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

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

The Bank has been following the Risk Management Principles and Practices of Standard Chartered Group which are in line with the latest international best practices in the area of risk management in banks.



We remain positive and believe that the coming years will be stimulating and productive for business opportunities.

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

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

Mr. Anurag Adlakha, Mr. Sujit Mundul and Mr. Joseph Silvanus continue to represent Standard Chartered Grindlays Australia and Mr. Krishna Kumar Pradhan as Professional/Independent Director continues to be in the Board of the Bank. Mr. Shankar Lal Agrawal has been elected by the 29th Annual General Meeting of the Shareholders held on 3rd June 2016 (21st Jestha 2073) to represent the public shareholder in the board of the Bank with effect from 3rd June 2016. I, Ananth Narayan, continue to represent the Standard Chartered Bank, U.K. in the Board of Standard Chartered Bank Nepal Limited.

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



We will increase the value of our franchise through the relentless focus on execution that we set out alongside our strategy.

In Conclusion

We have a good and valuable franchise, core financial strength, outstanding client relationships, and the right team of staff. We are continuing to take actions in getting leaner and more focused, and we are creating capacity to invest. We have set clear performance priorities and are determined to get back to a trajectory of sustainable and profitable growth.

The political and social transitions do have a significant impact on business confidence. We remain positive about our market, particularly after promulgation of the new constitution and believe that this will help and end the long transition enabling us to focus on our economic growth. The outlook for driving factors of economic growth e.g. demographics; urbanisation and growth in middle class as well as infrastructural investments remain encouraging. Given this situation, we can expect our market to do better in 2016/17 and beyond. However, there is a need to address some key issues such as shortage of power, trade imbalance and labour related affairs.

While our financial results for FYE 2015/16 were not very encouraging, they are set against a backdrop of challenges prevailing in operating and socio economic environment. While we could not control many of these developments, you should expect us to continue to reduce our sensitivity to adverse trends, while we support our clients and invest in improving the systems, the staff resources and processes. It is in uncertain times such as these that, through years, the Bank need to set itself apart by managing for the long term and not being unduly distracted by near-term cycles. Under such an environment, it is all the more important that we execute on the strategy.

We will increase the value of our franchise through the relentless focus on execution that we set out alongside our strategy. We will continue to balance support for strong, high-returning clients with discipline on our risk tolerances. We will continue to

take out costs and invest much of these savings into the future of the Bank. We will also retain a strong balance sheet which both protects us for economic volatility and positions us for future opportunity when conditions allow. The successful execution of our strategy will allow us to improve shareholder returns from a strengthened capital base, which we are set to achieve by mid July 2017 in line with the local regulatory requirements. The successful execution of our strategy will allow us to improve shareholder returns significantly from a strengthened capital base.

We will improve our digital offerings both at the point of client interface as well as through our operational processes. Taken together, we are confident that the delivery against these will drive returns and growth to strong levels over the next years.

We have a clear path to follow, an experienced Management Team and Here for good, our brand promise, firmly embedded in our culture. The Board is determined that the Bank continues to adapt to the changing external environment and to realise fully the opportunities that are present in between our markets.

Our commitment to improve our conduct and controls is factored into every strategic and operational decision we make. We are on the front line in the fight against financial crime and take this responsibility

most seriously. We have invested significant amount in people and into our underlying conduct and compliance infrastructure.

I extend my gratefulness to the Ministry of Finance and Nepal Rastra Bank for their valuable support and guidance provided to us. I appreciate their commitment to raise the bar for financial industry in Nepal. I am also thankful to our investors for their strong and unwavering support.

Our staff are much sought after by our competition, and we are acutely conscious of the importance of retaining and attracting the best talent and building their learning and development capabilities. We will continue to reward our staff for good performance as well as for their good behaviours. We are a Bank with strong performance and values culture.

Finally, I would once again like to thank our clients and shareholders for their continued support and also our staff for their tremendous effort and dedication to Standard Chartered through a challenging period. We are the custodians of a fabulous franchise and, through continued hard work and clear decisions, we intend to achieve our ambition of delivering a good, sustained performance to drive further value for our shareholders.



Ananth Narayan
Chairman
Thursday, 15 December 2016

Chief Executive Officer's Report

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

The Bank has been performing reasonably well and remains in good shape. The Chief Executive Officer presents this report together with the Balance Sheet and statement of Profit and Loss for the year ended 15 July 2016. The report is in conformity with the provisions of the Companies Act, 2063 and Bank & Financial Institution Act, 2063 including the directives issued by Nepal Rastra Bank.

It is my pleasure to report that the Bank has delivered yet another year of stable performance in an eventful year. Financial Year 2015/16 remained a challenging year in terms of socio-political environment. Nevertheless, because of our consistent and focused strategy, we have been able to deliver on our promises. In the backdrop of a challenging business environment, a slight fall in the net profit after tax of 1.4% to Rs. 1.29 billion, can be considered satisfactory. This has been achieved by persistent focus on cost and risk management while pursuing business growth.

There is an increase in the volume of risk assets by 13.11 % to Rs. 31.70 billion compared to Rs. 28.02 billion last year. The Bank has been able to manage its credit portfolio better as a result of which the Non-performing credit to Total credit is 0.32%. The provisions made are adequate to cover all the potential credit losses as of the balance sheet date.

After transfer of Rs. 258 million to general reserve, Rs. 29 million to exchange fluctuation reserve, proposed dividend of Rs.49 million and proposed bonus shares of Rs. 937 million, total retained earnings as at 15 July, 2016 stood at Rs. 115 million. This performance reflects a good momentum in the underlying businesses and disciplined management of risks and costs.

Representation

As at 15 July 2016, the Bank maintained fifteen points of representation which included twelve branches and three extension counters. In addition to this, services were also extended to our customers through twenty three ATMs located at different parts of the country.

Commercial Banking & International Clients (CB&IC)

The performance for FY 2015-16 was impacted by the border disturbances for over four months. The business environment over the period remained fragile

and sentiments were low. The lower GDP growth coupled with excess liquidity has impacted the top line growth.

Post February, with the reopening of the trade corridors, the performance has continued to improve. Vis-a-vis, last fiscal year, there has been a healthy growth in risk assets by 25%. Our top line growth rate remained subdued due to margin compression on account of excess liquidity. Going forward, we anticipate some degree of correction in the interest rate due to the implementation of Interest Rate Corridor by the Nepal Rastra Bank.

Unhealthy competition amongst banks can unduly affect the performance on the back of uneven playing field and increased risk appetite. This may not be in the long term interest of the industry. We remain committed to support our Clients by deepening our level of engagement, adding value and bringing in efficiency in the processes through digitisation. We will continue to focus on increasing our client base and capitalise on growth opportunities in our existing client base.

Retail Banking

Retail Banking continues to make significant contribution in the overall business goals of the Bank. The second half of 2015 saw the business getting impacted because of the Terai unrest and subsequent difficulty in movement of goods in between the Indo-Nepal border. Despite this, the business made good efforts to turn the situation around by implementing several initiatives to help grow the retail business.

Excess liquidity situation coupled with limited lending opportunity has had a bearing on the underlying interest rates. However, Retail Banking dealt with interest rate pressure effectively through product re-pricing from time to time. Retail Banking continues to play a key role in maintaining overall liquidity for the Bank. It is also regaining business momentum, particularly in the post earthquake situation and return of normalcy in the Terai area.

Leading indicators are closely tracked to drive sales efficiencies in Retail Banking. The review year saw Retail Banking achieving some milestone business bookings in the past 30 month period. To maintain this traction, and in our pursuit to drive new to bank clients, we have successfully rolled out several special offer campaigns.





Our support to the government plan of bringing everyone under the tax umbrella continues with our PAN Card initiative (under which clients with PAN registration get special additional discount of 0.25% on interest rate). This continues to be “industry- first” as well as “industry-only” initiative, one which has been received well both by clients as well as the regulators.

We are continuously reviewing the Client Value Proposition (CVP) for our Priority Clients to ensure increased benefits and privileges to them. We have effectively driven the Priority Banking portfolio with increased Alliances and tie-ups that provide greater benefits to our Priority Clients.

Our Lazimpat branch was retro-fitted and revamped post the earthquake and now houses Priority hub with one of its kind lounge fitted with state of the art facility for our Priority Clients. Our team of intuitive Relationship Managers serves our Priority Clients with enhanced privacy and personalized service. The Drishti Gallery within the Priority hub continues to promote Nepali arts and emerging Nepali artists, with part proceeds from the sale going towards funding the Bank’s “Seeing is Believing” campaign – a leading initiative of Standard Chartered to tackle avoidable blindness.

Our Employee Banking segment continues to be a significant contributor in retail banking business

with eco-system continually being leveraged. Retail Banking has effectively driven client engagement through several small as well as big format events, both to source new/additional business as well as to gauge the client experience issues. Our 24X7 Client Care Centre, another market –first initiative, continues to provide easy access and international standard service to our clients from anywhere in the world.

The increasing potential in the Retail Banking business both from within our ecosystem and beyond will be exploited to increase our reach and further improve our performance. This will be done by continually striking a balance between and risk and return to ensure achievement of sustained growth of our Retail Banking business.

To deliver holistic financial solutions that will help small & medium sized entities in Nepal, the Bank has come up with a new segment, Business Banking (BB – erstwhile SME) in 2008 with a range of products. Over the period, number of initiatives has been taken to widen Business Banking catchment area. As a result of focused approach, our BB portfolio has been growing rapidly.

The Bank is contributing in the expansion of productive sector in line with the Central Bank’s directive to help credit growth under the productive sector.



Clockwise from top left

Priority Lounge at the Bank's Lazimpat Branch.

Inauguration of newly refurbished Lazimpat Branch.

Trade Knowledge sharing client event.

Standard Chartered Nepal was the first commercial bank in Nepal to use the Digital Signature & Certificate (DSC)

Furthermore, in order to cater to the growing need of small & medium sized clients, the Bank has recently introduced partially secured program; this move is likely to propel the growth of BB segment further.

Client Experience

We believe delivering high-quality client experience will enable us to be Here for clients and is a firm demonstration of how we are Here for good.

With an aim to drive superior service delivery, the Bank has established various client experience service standards viz Client Care Centre service level, online banking and ATM uptime service level, complaint resolution, Client Centric/ Treating Clients Fairly approach performance measurement metrics and standard processing turnaround times, etc.

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

To assess clients' experience in their day to day interactions with the Bank, at recent transaction and frontline staff specific level, monthly Client Satisfaction Surveys (CSS) are conducted. The outcomes of these surveys form a part of the frontline performance scorecard, which has helped reinforce strong service culture across the Bank. Similarly, Annual Loyalty Surveys gauge whether our clients are our true advocates on overall banking relationship across the overall Bank, Segments and Products through Net Promoter Score (NPS). The bank was able to achieve NPS score of 47.1 percent in 2015 and average CSS score of 63 percent till mid 2016.

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

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

Future Plans

We continuously aim to build stronger relationships with our clients and to achieve this we will continue

to cater client-centric new and improved product offerings. We have been making good progress in offering strategic products for our clients.

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

We are striving to achieve excellence through our Digitisation agenda. This will help us to achieve improved service delivery for our clients through our operational efficiencies. Enhancement of digital channels and offerings will remain a priority for us.

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

We are a Bank with strong performance and values culture. We continue to invest in training and development of our people and firmly believe that we can differentiate ourselves from the competition only through increased engagement with our clients. Our international status, expertise and knowledge enormously help us in this process.

We have a well capitalised, highly liquid and diverse balance sheet at our disposal. Our market remains attractive through the medium and long terms; and our strong financial position enables us to capture and support attractive opportunities that lie ahead of us. We remain committed in delivering profitable, sustainable growth within our risk appetite.

Credit Environment

Nepal's economy saw a two way impact in the last FY 2015/16, from the earthquake and from trade disruptions in the transit routes with India. As a result, business activities in the first half of the year were significantly squeezed and accordingly the credit demand was substantially reduced.

As per the data of Central Bureau of Statistics, Nepal's Real GDP growth in FY 2015/16 is estimated to be 0.77 percent, a sharp drop from 2.32 percent in FY 2014/15. Whilst the drop in growth rate in FY 2014/15 was due to the impacts caused by the earthquakes, the decline of real GDP in FY 2015/16 was the result of disruptions in trade with India for almost 5 months adversely impacting the growth of retail and wholesale trade, construction and manufacturing sectors. The



We remain committed in delivering profitable, sustainable growth within our risk appetite.

economic growth in FY 2015/16 was the lowest in 14 years.

Manufacturing sector, construction sector and retail and wholesale trade which together contribute little more than a quarter to the economy are estimated to have contracted in last FY. The agriculture sector, the single largest sector contributing one-third to GDP, is also estimated to have grown at a slower pace due to unfavorable monsoon and supply constraints from the prolonged political strife in the Terai region.

Due to the 5 months long trade disruptions, the country's total foreign trade declined by 26 percent in the first half and by about 2 percent in the full year in FY 2015/16. Though the country's total imports were at previous year's level, exports dropped sharply by around 18 percent, owing to significant drop in exports to India and China. Higher costs, lack of competitiveness, perennial power shortages and low capacity utilisation of manufacturing industries impeded growth in exports. In addition, the obstruction in transit routes with India and closure of the highway linking Nepal to China after the earthquake also contributed to declining exports. The subdued growth of domestic manufacturing sector and the increased reliance on imports resulting in high import to export ratio and ballooning trade deficit have rendered economic vulnerability.

Economic activities gradually rebounded following the ease in the trade routes with India from the beginning of Feb 2016, and imports, manufacturing and tourism activities picked up in second half of the fiscal year with improvement in supply of petroleum products and other essential items. Hence, credit off-take also gradually picked up in the second half of the FY. However, the political uncertainty continued even after promulgation of the new constitution. Therefore, the wait and watch situation prevailed in the business environment, which impacted business confidence and accordingly the commitment for foreign direct investment.

The higher deposit growth witnessed after the earthquake because of increased remittance inflows,

donations and grants, resulted in excess liquidity in the banking sector. The excess liquidity situation contributed to reduction in interest rates impacting the interest earnings from both lending and investment portfolios. The risk posed by the continual excess liquidity proved detrimental to sustained income growth.

The increased inflow of remittance from workers and comfortable foreign exchange reserves, surplus in BOP, low debt to GDP ratio, etc were the few reassuring factors for the economy during the year under review. The economy has proved its resilience to a large extent amid the unprecedented challenges during the financial year. The long term prognosis of the economy appears positive as we expect more stability in the political environment in the course of implementation of the new constitution as well as gathering of momentum by the government's reconstruction plans.

During the FY 2015/16, the Bank has successfully achieved disciplined growth in loans and advances and maintained the credit quality of the loan portfolio in all business segments. Notwithstanding the adverse developments in the credit environment, we are more resilient because of our proactive risk management approach, system and process for risk identification and measurement and focus on risk management principles which include balancing

risk and return, responsibility and accountability in taking risk, anticipation of material future risks, and our competitive advantages. The Bank continues to take measured risk exposures across all major risk types with strong focus on conduct of business. We manage risk with the objective of maximizing of risk-adjusted returns while remaining within the Bank's risk tolerance. Consistency of strategy and disciplined and focused approach, strong relationship with the clients, rigors around the portfolio quality, debate on risk-return dynamics, vigilance and prompt actions, etc. are the fundamentals of our risk culture, which remain unchanged.

Auditor

M/S S R Pandey & Co., Chartered Accountants, were appointed as Statutory Auditors for FY 2015/16 by the 29th Annual General Meeting of the Bank held on 3rd June 2016. M/S S R Pandey & Co. completed three consecutive years' term as auditors of the bank and are not eligible for re-appointment. As per the recommendation of the Audit Committee, this meeting will decide on the appointment of the auditor for next financial year.

Proposed Dividend and Bonus Shares

The 347th meeting of the Board of Directors of the Bank has proposed dividend and bonus shares to the shareholders of the Bank for the year ended 15 July 2016 at the rate of 1.75% and 33.33% respectively.



Joseph Silvanus
Director and CEO

Our Approach to Corporate Governance

A Synopsis

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

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

Analysis

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

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

- Throughout FY 2072/73, the Company complied with all the provisions of the Corporate Governance Code. The Company complied with the listing rules of Nepal Stock Exchange Limited.
- Throughout FY 2072/73, the Company was in compliance with the Securities Registration and Issuance Regulation, 2065.
- The Company has adopted a Code of Conduct regarding securities transactions by directors on further terms no less than required by the Nepal Rastra Bank Directives and the Company Act and that all the Directors of the Bank complied with the Code of Conduct throughout FY 2072/73.

The Board

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

The Board composition complied with the regulatory requirements. Four Directors including the Non-Executive Chairman are nominated by the SCB Group to represent it in the Board in proportion to its shareholding. The Board meets regularly and has a formal schedule of matters specifically reserved for its decision. These matters include determining and reviewing the strategy of the Bank, annual budget, overseeing statutory and regulatory compliance and issues related to the Bank's capital. The Board is collectively responsible for the success of the Bank.

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



Embracing exemplary standards of governance and ethics wherever we operate is an integral part of our Strategic Intent.

The following table illustrates the number of Board meetings held during the FY 2072/73 and sitting fees paid to the directors:

Board Members	Scheduled Meeting 13 ¹	Meeting fees paid
Mr. Sunil Kaushal ² Chairman	3	Nil - Does not take meeting fee
Mr. Ananth Narayan ² Chairman	3	Nil - Does not take meeting fee
Anurag Adlakha ³ Director	11	Nil - Does not take meeting fee
Sujit Mundul Director	13	NPR 227,500 (inclusive of tax)
Krishna K. Pradhan Professional Director	13	NPR 227,500 (inclusive of tax)
Amrit Kumari Thapa ⁴ Public Director	12	NPR 210,000 (inclusive of tax)
Joseph Silvanus CEO & Director	13	Nil - Does not take meeting fee
Shankar Lall Agrawal ⁴ Public Director	1	Nil - Does not take meeting fee

- 3 Board meetings were held by circulation out of 13 Board meetings
- Chairman Sunil Kaushal was replaced by Mr. Ananth Narayan on 22nd February 2016 (10 Falgun, 2072)
- Attended 6 Board meetings through Video Conferencing out of 11 Board meetings.
- Public Director Ms. Amrit Kumari Thapa was replaced by Mr. Shankar Lall Agrawal on 3rd June 2016 (21 Jestha 2073)

Director Induction and Ongoing Engagement Plans

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

Board Committees

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

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

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

Bank's 29th Annual General Meeting



OUR APPROACH TO CORPORATE GOVERNANCE

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

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

Audit Committee

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

The Audit Committee is chaired by a non-executive director. All other members of the Audit Committee are also non executive directors thus ensuring complete independence. The Composition of the Audit Committee as on July 15, 2016 (Ashad end 2073) was as below:

1. Mr. Sujit Mundul, Chairman
2. Mr. Anurag Adlakha, Member
3. Mr. Sanjay Ballav Pant, Country Head of Audit, Member Secretary

The Audit Committee meets at least on quarterly basis and reviews internal and external audit reports, control and compliance issues, bank's financial condition etc. Audit Committee provides feedback to Board of Directors by tabling Audit Committee meeting minutes at the subsequent Board meeting for review. The Audit Committee also liaises with Group Internal Audit to the extent necessary to ensure that the conduct of Committee's business is consistent with and complementary to the practice and requirement of Standard Chartered Group in this regard.

The following table illustrates the Audit Committee's attendance and meeting fees paid during FY 2072/73. A total of 5 meetings were held during the period.

Audit Committee Members	Scheduled Meeting	Meeting fee paid
Sujit Mundul Chairman (Inclusive of tax)	5	NPR 37,500
Anurag Adlakha ¹ Member	5	Nil – Does not take meeting fee
Amrit Kumari Thapa ² Public Director (Inclusive of tax)	5	NPR 25,000
Sanjay Ballav Pant Member Secretary	5	Nil – Does not take meeting fee

¹ Attended 4 meetings through Video Conferencing.

² On Standard Chartered Bank Nepal Board till 3 June 2016 only.

During the financial year 2072/73 (2015/16) Audit Committee performed the following tasks, among others.

- Reviewed and reported to the Board on the Bank's internal control system;
- Reviewed the issues raised in the Internal Audit Reports and directed the management for resolution;
- Reviewed the work performed by Internal Audit against the country audit plan;
- Reviewed and approved the Audit Committee's Terms of Reference;
- Reviewed and approved significant changes to the Audit Methodology;
- Reviewed and approved the annual audit plan based on the risk assessment and regulatory requirements;
- Reviewed the audit team resourcing and development activities;
- Reviewed the findings of NRB Inspection Team and Statutory Auditor, and directed the management for resolution of the issues raised;
- Reviewed the status of audit issues raised in Internal Audit Reports, Statutory Audit Report and NRB Inspection Report;
- Recommended to the Bank's Annual General Meeting through the Board for appointment of Statutory Auditor and fixation of remuneration;



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

- Reviewed quarterly and annual financial statements, comparison of key financial indicators and adequacy of loan loss provisions;
- Reviewed the Bank's annual report;
- Reviewed and discussed top risks, emerging risks and themes of the country and the appropriateness of the management action plan to mitigate these risks;
- Reviewed the Compliance Monitoring Report to understand the regulatory developments, emerging regulatory hotspots, regulatory breaches and state of compliance of the Bank;
- Reviewed the Financial Crime Compliance Report;
- Reviewed the Annual Compliance Plan;
- Reviewed the performance of Head Internal Audit;
- Reviewed the cases of fraud and loss to the Bank;
- Reviewed the Pillar 3 disclosure comprising of capital structure, capital adequacy, risk exposures and risk management function in the annual financial statements of the Bank.

Board Risk Committee

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

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

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

The Composition of the Board Risk Committee as on July 15, 2016 was as below:

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

The following table illustrates the number of Board Risk Committee meetings held during the FY 2016/17 and fees paid:

Board Risk Committee Members	Scheduled Meeting	Meeting fee paid
Krishna Kumar Pradhan Chairman (inclusive of tax)	4	NPR 30,000
Sujit Mundul Member (inclusive of tax)	4	NPR 20,000
Gopi Bhandari Member Secretary	4	Nil - Does not take meeting fee

Executive Committee (EXCO)

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

Mr. Joseph Silvanus
Chief Executive Officer & Head Retail Banking

Ms. Bina Rana
Head Human Resources

Mr. Gopi Bhandari
Chief Risk Officer & Senior Credit Officer

Mr. Gorakh Rana
Head Commercial Banking and International Corporates

Mr. Michael Siddhi
Head, Transaction Banking

Mr. Adarsha Bazgain
Head, Financial Markets & Financial Markets Sales

Mr. Shobha B Rana
Head Legal & Compliance

Mr. Sujit Shrestha
Chief Information Officer

Mr. Suraj Lamichhane
Financial Controller

Risk Governance

Through its Risk Management Framework, the Bank seeks to efficiently manage credit, market and liquidity risks which arise directly through the Bank's

commercial activities as well as operational, regulatory and reputational risks which arise as a normal consequence of any business undertaking.

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

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

The Executive Risk Committee is responsible for the establishment of, and compliance with, policies relating to credit risk, country cross-border risk, market risk, operational risk, pension risk and reputational risk.

The Executive Risk Committee (ERC) is represented by the senior management team including the heads of the concerned risk management units and Chaired by the CEO. The committee meets normally in every two months and reviews the Credit Risk, Operational Risk, Market Risk and Reputational Risk; analyzes the trend, assesses the exposure impact on capital and provides a summary report to the Executive Committee. Its objective is to ensure the effective management of risks throughout the Bank in support of the Bank's Business Strategy.

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

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

Credit Risk

Credit risk is the potential for loss due to failure of counterparty to meet its obligations to pay the Bank in accordance with agreed terms. Country Portfolio Standards and the Credit Approval Document (CAD) / Credit Procedure Manual govern the extension

of credit to Corporate & Institutional Banking (CIB) and Commercial Banking (CB) Clients and Retail Banking Clients respectively. Each policy provides the framework for lending to counterparties, account management, product approvals and other product related guidance, credit processes and portfolio standards.

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

All Corporate and Institutional borrowers, at individual and group level, are assigned internal credit rating that supports identification and measurement of risk and integrated into overall credit risk analysis.

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

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

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

Operational Risk

We define Operational Risk as the potential for loss resulting from inadequate or failed internal processes, people and systems or from the impact of external events, including legal risks. We seek to minimize our exposure to operational risk, subject to cost trade-offs. Operational risk exposures are managed through a consistent set of management processes that drive risk identification, assessment, control and monitoring. Operational Risk Framework (ORF) adopted by the Bank provides comprehensive risk management tools

for managing operational risk. The Operational Risk Framework (ORF) defines how risks are managed, how Operational Risk policies and controls are assured, how effective governance is exercised as well as the key roles required to manage the underlying processes.

The Executive Risk Committee, chaired by the CEO, oversees the management of operational risks across the Bank. Each risk control owner is responsible for identifying risks that are material and for maintaining an effective control environment across the organization. Risk control owners have responsibility for the control of operational risk arising from the management of the following activities: External Rules & Regulations, Liability, Legal Enforceability, Damage or Loss of Physical Assets, Safety & Security, Internal Fraud or Dishonesty, External Fraud, Information Security, Processing Failure, and Model. Operational risks can arise from all business lines and from all activities carried out by the Bank. Operational Risk management approach seeks to ensure management of operational risk by maintaining a complete process universe defined for all business segments, products and functions processes.

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

The OR governance structure is as follows:

- Operational Risk governance ensures consistent oversight across all levels regarding the execution and effectiveness of Operational Risk Framework (ORF).
- Risk Control Owners for all major Risk Types are appointed as per the Risk Management Framework (RMF) and are responsible for effective management of operational risk of their respective control function.
- Operational risks are identified and graded at the business/unit level. For all risk graded low and above along with the treatment plan are agreed with the Risk Control Owner before raising the risk in the system (Phoenix) and tabling the risks in Country Executive Risk Committee for acceptance. Mitigating controls are put in place and mitigation progress monitored until its effectiveness.
- The Executive Risk Committee (ERC) ensures the effective management of Operational Risk throughout the business/functions in support of the Group's strategy and in accordance with the Risk Management Framework. The ERC assigns ownership, requires actions to be taken and monitors progress of risks identified, in addition to confirming the risk grading provided at the business/unit level.
- The Executive Risk Committee (ERC) accepts operational risks arising in the country provided the residual risk rating is 'low' on the Group Operational



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

Risk Assessment Matrix. Risks categorized as Medium, High or Very High on the Group Operational Risk Assessment Matrix are reported to the Executive Risk Committee (ERC) for endorsement and escalated to the Group Process Owner through the relevant country process owner for acceptance through the relevant Process Governance Committees (PGCs).

- The Group Risk Committee (GRC) determines the Group's approach to the management of operational risk in accordance with the RMF. Group Operational Risk Committee (GORC) is responsible for governing operational risk across all functions, client segments and products. It is in turn supported by Business Process Governance Committees (PGCs) appointed by Process Universe Owners, which provide global oversight of all operational risks arising from end-to-end processes within their Process Universes. Additionally, Group Financial Crime Risk Committee (GFCRC) is responsible for governing financial crime risks across the Group Process Universe and Group Information Management Governance Committee (GIMGC) provides oversight and drives best practice in information management and data governance.

Market Risk

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

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

Liquidity Risk

Liquidity risk is the potential that the Bank either does not have sufficient liquid financial resources available to meet all its obligations as they fall due, or can only access these financial resources at excessive cost. The Liquidity Risk Framework governs liquidity risk and is managed by ALCO. In accordance with that policy, the Bank maintains a liquid portfolio of marketable securities as a liquidity buffer. The net liquid assets to total deposits ratio is 46.27% which includes a buffer of Rs.14.6 billion over the regulatory requirement.

Reputational Risk

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

The Country Head of Corporate Affairs is the Risk Control Owner (RCO) responsible for monitoring and reporting of reputational risk for the Bank. Reputational risk is managed by the EXCO and ERC, which are responsible for protecting the Group's reputation locally and has the responsibility to ensure that the Bank does not undertake any activities that may cause material damage to the Group's franchise. Reputational risk is registered, recorded and reviewed by the CEO through the ERC. Whilst the ERC covers all forms of reputational risks in the country, any significant business/function related reputational risks, if any, are also brought up and discussed in the ERC. Corporate Affairs has representation in the ERC. Monthly reporting from Corporate Affairs to Group Corporate Affairs is in place to ensure that significant risk issues are socialised and escalated to the Group.

Pension Risk

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

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

Internal Control

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

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

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

Capital Management

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

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

In compliance with the regulatory requirement of increasing the capital base as prescribed by the Central Bank, the Bank is comfortable in meeting the minimum capital requirements and is very strongly positioned to meet the performance benchmarks.

Crisis Management

The Bank has in place a Crisis Management Plan and a Country Crisis Management Team to manage and resolve the crises effectively which may affect the operations of the Bank. In addition to this, the Bank has Business Continuity Plan (BCP) to maintain, manage and restore critical business process to pre-



Standard Chartered Nepal was the recipient of Bank of the Year 2015 Awards from Financial Times, London

defined level when they are impacted by disaster both natural and manmade.

Health, Safety and Security

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

Relations with Shareholders

The Board recognizes the importance of good communications with all the shareholders. There is regular information, financial as well as non-financial, published by the Company for the shareholder’s



Our values and our brand promise are integral to the way we work every day.

information. The AGM is used as an opportunity to communicate with all the shareholders.

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

Group Code of Conduct – Summary

Standard Chartered is a company for which we can be proud to work. As a global bank, we have the privilege, opportunity and responsibility to be a force for good in the markets in which we operate. In an environment where the conduct of banking is under increasing scrutiny, our ethical standards must be beyond reproach. We need to understand and follow both the letter and the spirit of the law, to play a robust role in the fight against financial crime, and to be mindful of the reputational consequences of our actions.

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

Living the Group Code of Conduct is one way in which we can take a step towards achieving these outcomes. The Group Code of Conduct has been developed to help all of us live our values and deliver our brand promise in everything we do. The Code is supplemented with resources that will support you as you navigate through sometimes tough and unfamiliar situations.

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

Do the right thing – the importance of the Code:

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

Act responsibly and within authority: We are disciplined, responsible and take accountability for the risks we take and make sure that they are appropriate to your business or activity. We must keep to our limits and policies and not make decisions that are beyond our delegated authority.

OUR APPROACH TO CORPORATE GOVERNANCE

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

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

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

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

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

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

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

Manage conflicts of interest: It is important not to put ourselves in a position where our judgment could be

affected. We are responsible for identifying, assessing and managing conflicts of interest (whether actual or issues which could be viewed as conflicts) that arise in our daily working life.

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

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

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

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

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

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

Additional Information

as required by Section 109 of the Company Act, 2006

Un-audited first quarter result of financial year 2016/17 is as follows:

	Amount in Thousands (Rs.)
Loans and advances	32,391,272
Deposits	57,412,822
Operating profit	532,510
Profit before bonus and taxes	549,095
Net Profit	349,424

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

Please refer the 'Chairman's Statement' & CEO and Director's Report.

A review of the business during the previous year:

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

Industrial or Professional Relations of the Company

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

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

Please refer the section 'Corporate Governance' under Chairman's Statement.

Main factors affecting the business

Please refer the sections 'Economic Environment' and 'Conclusion' under Chairman's Statement and 'Credit Environment' under CEO & Director's Report.

Board of Directors' Reaction to Remarks made, if any, in the Audit Report

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

The amount recommended for distribution as dividend

The Board has recommended paying Rs. 49,340,807 by way of dividend and Rs. 937,475,333 by way of bonus share to the shareholders.

Forfeited Shares

There are no shares forfeited during the financial year.

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

The Bank does not have a subsidiary company.

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

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

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

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

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

Directors and office bearers, except mentioned above, have not involved in the shares transactions of the Bank in FY 2072/73 as per the declaration provided by them to the Bank.

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

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

Purchase of own Shares

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

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

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

Particulars of the total management expenses of the previous financial year

The management expense of the financial year is Rs. 923,049,513 (total of Staff Expenses and Other Operating Expenses as per Schedule 4.23 & 4.24 of the Financial Statements).

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

Please refer section 'Our approach to Corporate Governance'.

Remunerations, allowances and facilities:

Please refer section 'Our approach to Corporate Governance'

Functions discharged by the Committee:

Please refer section 'Our approach to Corporate Governance'.

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

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

Please refer section 'Our approach to Corporate Governance'

Remunerations, allowances and bonus paid to the Chief Executive Officer in FY 2072/73, is Rs. 21,258,874 (The tax at prevailing rate was borne by the Bank). Chief Executive Officer is entitled for the following facilities:

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

Dividends yet to be Collected by Shareholders

As of Ashadh end 2073, total dividends yet to be collected by the shareholders amounts to Rs. 140,154,411.

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

Nil.

Detail of the transactions held between Associated Companies

as per Clause 175
Nil.

Any other matter to be

mentioned in the Board of Directors' report under Companies Act, 2063
Nil.

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

Details to be incorporated in the Annual Report

Report Functions

1. Report of Board of Directors

Covered in the Chairman Statement of this Annual Report.

2. Report of Auditor

Included in the Annual Report.

3. Audited Financial Detail

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

4. Detail relating to Legal Actions

- (a) If any case filed by Organized Institution in the year,
Nil
- (b) If any case relating to commission of disobedience or criminal offence filed by or against the Promoter or Director of Organized Institution.
No such information has been received.
- (c) any case relating to commission of financial crime filed against any Promoter or Director.
No such information has been received.

5. Analysis of share transaction and progress of Organized Institution

- (a) Management view on share transaction of the Organized Institution happened at Securities Market.
Price and transactions of the Bank's shares are being determined by the open share market operations through a duly established Stock Exchange. Managements view on this is neutral.

(b) Maximum, minimum and last share price of Organized Institution including total transacted number of shares and transacted day during each quarter of last FY 2072/73.

Ashwin end:

Maximum- Rs. 3,150, Minimum- Rs. 1,926 Last- Rs. 2,700 total number of shares traded – 25,42,95 and transacted days -56.

Poush end:

Maximum- Rs. 27,50, Minimum- Rs. 22,94 Last- Rs. 2,675 total number of shares traded – 13,46,86 and transacted days -57.

Chaitra end:

Maximum- Rs.32,65 , Minimum- Rs. 26,00 Last- Rs. 3,198 total number of shares traded – ,2414,10 and transacted days -56.

Ashadh end:

Maximum- Rs.38,40 , Minimum- Rs. 28,22 Last- Rs. 32,45 total number of shares traded – ,57,55,75 and transacted days -64.

6. Problem and Challenge INTERNAL

Please refer Chairman Statement & CEO & Directors Report of this annual report

EXTERNAL

Please refer Chairman Statement & CEO & Directors Report of this annual report

STRATEGY

Please refer Chairman Statement & CEO & Directors Report of this annual report

7. Corporate Governance

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

Board of Directors

Sujit Mundul

Director

Sujit Mundul, Director of the Bank, holds the degree of M.Sc., BA (Hons) in Economics & English, LLB, CAIIB and AIB. He also served as a Lecturer in Kolkata and possesses over 42 years of banking experience with SCB in different senior positions.

Anurag Adlakha

Director

Anurag Adlakha, Director of the Bank, is a Chartered Accountant by profession. He has over 30 years of professional career of which 23 years in financial services industry including HSBC India. He is presently working as the Chief Financial Officer, India and South Asia.

Joseph Silvanus

Director & Chief Executive Officer

Joseph Silvanus has been with Standard Chartered Bank for more than 25 years. He had earlier assumed the role of CEO Afghanistan, and the Regional Head, Development Organizations, Southern Asia. Prior to joining the Bank, he also worked with other renowned organizations like Pepsi Foods and Voltas in India. He holds a Post Graduate degree in Management and an honours degree in Economics.

Ananth Narayan

Chairman

Ananth Narayan is currently the Regional Head of Financial Markets for ASEAN & South Asia of Standard Chartered Bank. He is presently a director on the boards of Standard Chartered Securities (India) Ltd, Central Deposit Services Ltd (CDSL) India, Fixed Income Money Market and Dealers Association (FIMMDA) India and Foreign Exchange Dealers Association of India (FEDAI). He has been a part of various RBI committees (including the one that launched FX Options in India, Interest Rate Futures, Financial Stability, Financial Benchmarks etc.). Mr Narayan has over 22 years of experience in the banking industry. He holds a B.Tech (Electric Engineering) from IIT, Bombay and a MBA from the IIM, Lucknow.



Shankar Lall Agrawal

Public Director

Shankar Lall Agrawal is an industrialist and possesses industrial and trading exposure spanning over five decades. He is an avid investor, and loves travelling, sports and movies. He holds a Master's Degree in Commerce.

Krishna Kumar Pradhan

Professional Director

Krishna Kumar Pradhan has been in the Board of the Bank since May 2014 in the capacity of a Professional Director. Prior to this assignment, he served in Nabil Investment Banking Limited as an Independent Director. He has also served at Naya Nepal Laghu Bitta Bikas Bank, Dhulikhel and Micro Finance Training and Research Institute (MIFTARI) Pvt. Ltd. in the capacity of Chairman. He has more than 28 years of service experience in Nepal Rastra Bank, mainly in the areas of Development Finance, Rural finance, Micro finance, Regulation etc.



Management Team

Suraj Lamichhane
Financial Controller

Diwakar Poudel
Head, Brand & Marketing and Corporate Affairs

Sujit Shrestha
Chief Information Officer

Bina Rana
Head, Human Resources



Joseph Silvanus
Chief Executive Officer & Head Retail Banking

Adarsha Bazgain
Head, Financial Markets & Financial Markets Sales

Shobha B. Rana
Head, Legal & Compliance

Michael Siddhi
Head, Transaction Banking

Gorakh Rana
Head, Commercial Banking & International Corporates

Gopi K Bhandari
Chief Risk Officer & Senior Credit Officer

Anil K Shrestha
Head, Financial Institutions



Sustainability

Our social and economic contribution

Sustainability and our business

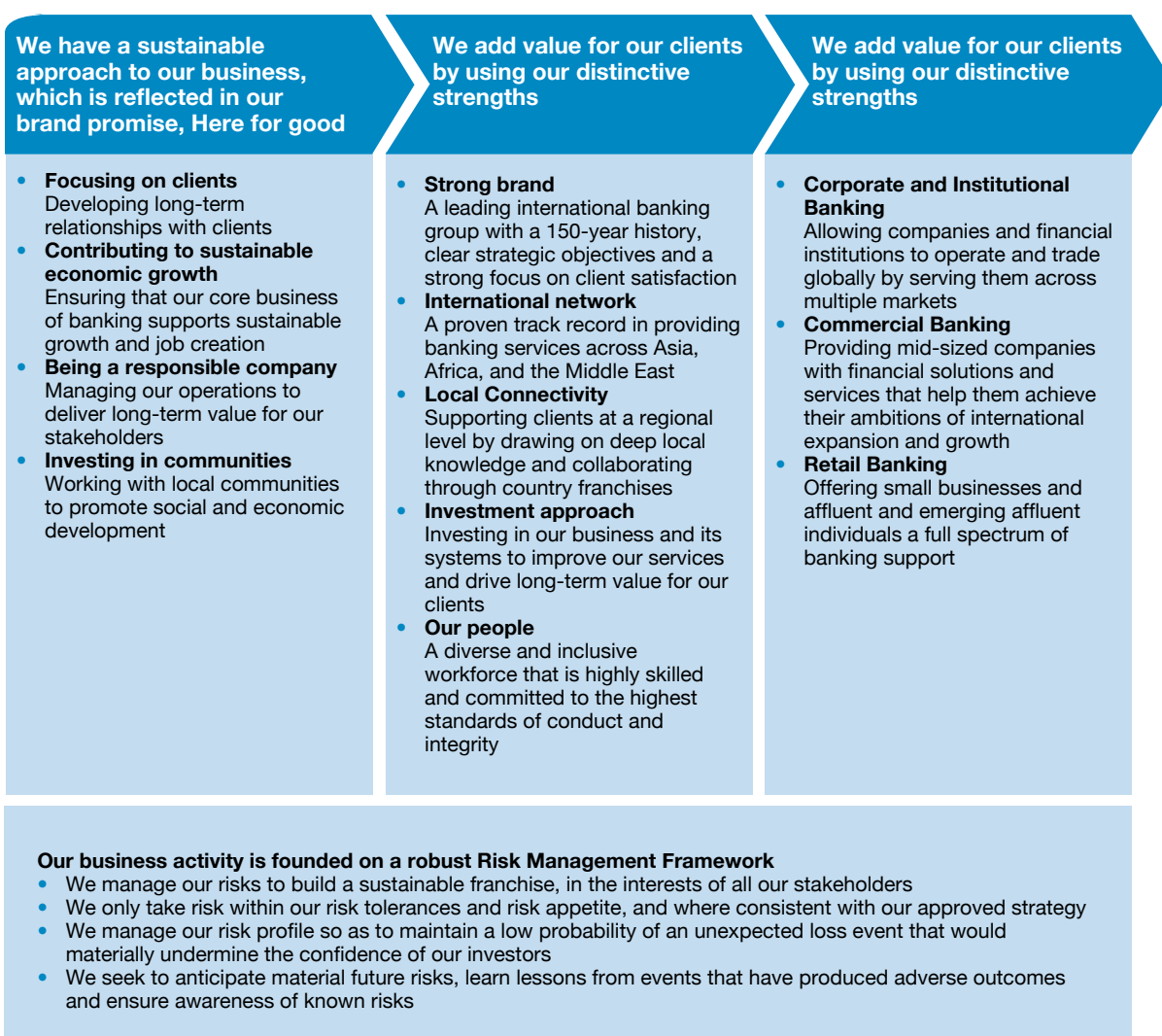
Sustainability is embedded in our brand promise, Here for good, and affects every single thing we do: the way we make decisions, the contribution we make to local economies and the impact that we have when we bank the people and companies driving investment, trade and the creation of wealth across Asia, Africa and the Middle East. Using our position as a leading financial institution, we are committed to promoting positive social and economic development in the countries where we operate. Sustainability to us

is not just about using less energy, or raising money for good causes, although we are proud of our efforts in both.

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

How we create value

Through our business model, we aim to create long-term value for a broad range of stakeholders.



We provide solutions that meet our clients' evolving needs

- **Retail Products**
Deposits, savings, mortgages, credit cards and personal loans, and other retail banking products
- **Wealth Management**
Insurance and advice and planning services
- **Transaction Banking**
Cash management, payments and transactions, and trade finance products
- **Corporate Finance**
Financing, strategic advice
- **Financial Markets**
Investment, risk management

Through our activities we aim to generate income, profits and return on equity

- **Income**
Net interest income, fee income and trading income
- **Profits**
Income gained from providing our products and services minus expenses, impairment and taxes
- **Return on equity**
Profit generated relative to the equity invested

We create long-term value for a broad range of stakeholders

- **Shareholders**
Aiming to deliver robust returns and long-term sustainable value for shareholders
- **Clients**
Enabling individuals to grow and protect their wealth, and helping businesses to invest, trade, transact, and expand
- **Regulators, governments and industry bodies**
Supporting governing bodies in their drive for monetary and fiscal improvement
- **Communities**
Supporting growth and job creation, delivering financial innovation and having a low environmental impact
- **Employees**
Providing learning and development opportunities and forming a collegial, values-driven team

We execute our business to the highest standards of conduct

- We uphold the Group's brand promise, Here for good and our Code of Conduct, through the way we conduct our business
- Good conduct is the creation and execution of an appropriate business strategy aligned to our stated risk tolerances
- We are guided by both the letter and the spirit of laws and regulations
- Our success in living up to the highest standards of conduct is measured by our ability to achieve fair outcomes for clients, investors, our reputation and the markets in which we operate

Financial crime prevention

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

Investing in communities

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

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

Nepal is one of the countries where the Group funded Seeing is Believing (SiB) projects are running. The local projects are also being supported through local fund raising. Walkathon is a major fund raising event of the Bank in support of Seeing is Believing program and other various community initiatives including Positive Living, Environmental initiatives and other various community activities.



Clockwise from bottom left

The Bank regularly organizes blood donation camps where staff participation are very high.

Bank employees actively participate in community activities under the Bank's Employee Volunteering program.

Standard Chartered Nepal is involved in the post earthquake reconstruction activities in Kavre district in partnership with Habitat for Humanity.



train 750 primary school teachers on basic eye care; screen school children and supply 3,810 spectacles and provide cataract surgery service to people in need through cross-subsidy model.

Similarly, the Bank has established a unique banking lounge created in an art gallery at its Lazimpat Branch premises. Aptly named Drishti, this in-house art gallery aims to provide emerging artists a platform to showcase their talent. Part of the proceeds of sales are applied towards funding the Bank's "Seeing is Believing" campaign on tackling avoidable blindness by increasing access to eye-care. The Bank believes that, this market-first initiative will go a long way in not only enhancing the banking experience but will help raise awareness about avoidable blindness and eye sight restoration.

In Nepal, the Bank has been instrumental in restoring sights to more than 7,000 people till date with the help of several eye hospitals in different parts of the country.

Under the project Eastern Region Eye Care Program (EREC-P), Standard Chartered Bank, with the help of the Group, extended a financial support of USD 1,000,000 (aprox NPR 100 million) in the construction of Biratnagar Eye Hospital. SCB's funding for the project was in the construction of pre-operative ward, canteen building, hostel building, establishment of a spectacles shop and state of the art affluent treatment plant. The Bank also supported in several other initiatives including establishing 5 community eye centers in different districts of the Eastern Region, up scaling capabilities of Human Resources, Finance and Administration staff through a project launched with Nepal Netra Jyoti Sangh (NNJS) and financing of a bus for transferring patients from different parts of the Eastern Region. The Project was inaugurated by Honorable President Ram Baran Yadav. The Project came to successful completion in 2013.

Positive Living

Bank's Positive Living (erstwhile Living with HIV) program provides education on HIV and AIDS to our staff and the communities where we operate. The Bank launched initially a 'Living with HIV' – a workplace HIV education in 1999 and currently has a large network of HIV Champions all across the countries. In Nepal, the Bank has ~ 12 Positive Living Champions who work to raise awareness of HIV and AIDS in the Bank, communities and the external organisations. 2016 is the 16th year of our Living with HIV program.

Similarly, project activities are currently underway in line with the Bank's agreement and partnership with Tilganga Institute of Ophthalmology (TIO) to fund a major expansion project of TIO. The Bank has agreed to grant USD 1,000,000 (approx. NPR 100 million) to fund the TIO's project.

Financial Literacy

The Bank runs Financial Literacy programs for the communities targeting schools and other community partners. The objective is to create awareness around by imparting knowledge related to basics of banking and finance. The Bank pioneered Financial Literacy program in year 2014 in partnership with World Vision Nepal (WVN) and then gave continuity to this in years 2015 and 2016 by mobilising the staff members. To this effect, the Financial Literacy programs were run through different locations,

The objective of the project is to construct two permanent eye centres in two districts, upgrade Bhaktapur District Community Eye Centre (DCEC) into Secondary Level Eye Centre (SLEC) and upgrade Nuwakot DCEC into a periodic surgical facility. The project also aims to create an awareness of eye care among school teachers through training program;



primarily targeting the government run schools in Kathmandu, Lalitpur, Biratnagar, Narayangarh, Birgunj, Pokhara etc. Our staff members in the Head Office and Branches volunteered actively in spreading the financial education in schools and the communities. This initiative of the Bank will be continued in 2016/17 as well.

Earthquake: Relief & Reconstruction Project

Nepal was hit by two devastating earthquakes on April 25 and 12 May. As a consequence, 9,000 people died, more than 20,000 injured, and 2.8 million people were displaced. It was one of the biggest tragedies in the history of Nepal.

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

Our global staff fundraising appeal in support of the relief and rehabilitation received huge support; the Bank raised over USD 670,000 including the Banks' matching across our markets. USD 271,000 was immediately absorbed by the Red Cross and Red Crescent Society of the UAE for conducting emergency search and rescue services, combined with first-aid relief. The Bank even funded their specialist health teams, mass water treatment facilities and mobile clinics.

The balance was then channelled through Habitat for Humanity in support of their 'Build Nepal' strategy, focussing on an owner-driven approach for reconstructing houses. Habitat has started utilising the funds to provide a permanent housing program in the Kavre district of Nepal.

We have now delivered 20 demonstration homes which will be used as 'technical assistance' to train 21 construction engineers and local community leaders. These engineers will support the communities in and around Karve district by assisting them in self-constructing around 18 to 19,000 homes over a 24 month period, commencing Q3 2016. These will be good, strong homes that use local materials and are resilient to nature and weather.

Employee volunteering

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

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

A summary of activities conducted during FYE 2015/16

- The Bank launched a new employee volunteering viral campaign #IOU (I Owe You) which motivated staff to record half-day Volunteering Leave.
- Our staff engaged passionately in Rubble Removal Program in collaboration with our disaster relief partners, Habitat for Humanity (HfH) at Bungmati, Lalitpur.
- The Bank activated Project Everyone to promote the UN's Global Goals campaign by hosting number of internal and external activities to create awareness around the Global Goals. Some of them were:
 - A Message to all staff from Regional CEO Sunil Kaushal was issued to activate the campaign.
 - Launch of #TellEveryone campaign to encourage all to support the UN's Global Goals.
 - Despatch of communication to clients by the CEO for raising awareness around Project Everyone and the Bank's partnership.
 - The Bank sensitized two key ministries viz. Home and Local Development seeking support of government in raising awareness around the Global Goals. A correspondence to this effect was issued from the CEO's Office.
 - Extensive coverage by the local media of Standard Chartered and its network's activities and participation in creating awareness around the Global Goals/Project Everyone.
 - All our internal communication channels viz. ATM, eStatement, Social Media, Website were activated. Branches put up standees to create awareness around the Global Goals.
 - Employee Volunteering programs were organised to address and link our work to the Global Goal Themes – Protect the Planet/Life Below Water/Life on Land.
 - To address the – Good Health theme, an eye camp was organised in partnership with Tilganga Institute of Ophthalmology (TIO) at Thimi, Bhaktapur.
 - Financial Literacy Sessions were held at different institutions and schools to address the Global Goal theme Quality Education. Bank's Financial Literacy Champions conducted these sessions.
 - A workshop on Positive Living (erstwhile Living with HIV/AIDS) was held at the Head Office targeting audience consisting of our cleaning, janitorial and kitchen staff and their family members.
 - The Bank organised a knowledge sharing session on Climate Change linking it to the Global Goal theme - Protect the Planet. More than 35 staff members attended the session held at our HO.
 - Head of Brand & Marketing and Corporate Affairs attended a Live Radio Talk Show on Kantipur FM (covering 67 districts), Radio Makalu (premier radio of Eastern Nepal) and Radio Annapurna (Premium radio channel of Western Nepal).
- The Bank organised its signature fund raising event Walkathon 2015 - #WalkForAReason on Saturday, 28 November.
- 3rd December was marked by the D&I Team as the International Day of People with Disability and an activity was organized at Khagendra Navajivan Kendra, Jorpati.
- To enhance Health & Safety awareness, Health and Safety Committee organized a Health and Safety Campaign for 2 days (23 & 24 December) covering 2 themes viz. Road Safety and Incident/Accidents.
- Various internal and external activities were organised to mark the World Aids Day on 1st of December.
- Sagarmatha Cement, in association with the Bank and Men's Room Reloaded (MRR) partnered in a Post-Earthquake relief program to the homeless people of Gorkha Earthquake victim by providing basic survival materials.
- The Bank participated in a week long World Water Week program (17-23 March 2016) to support activities launched by the Water and Energy Secretariat (WECS) together with other partners.
- To mark the International Women's Day 2016, the Bank organized a Financial Literacy Session at Khajurico Nepal Pvt Ltd on 12th March 2016.
- The Executive Committee members of the Bank volunteered in the Bank supported reconstruction project in Kavre undertaken with our disaster relief partner – Habitat for Humanity.
- To mark the World Day for Cultural Diversity – for Dialogue and Development, D&I Nepal organized a Cultural Attire Day at Work on Thursday, 19th May.
- Financial Literacy classes were organised at different schools by the Bank in different branch locations viz. Narayangarh, Birgunj, Pokhara and Biratnagar. Bank staff facilitated the sessions.
- On 5th of June, a knowledge sharing session was organised for Priority Clients at Lazimpat on the theme of Rain Water Harvesting to mark the World Environment Day.
- Environmental activities were organised on 4th of June at our preserved site Bishankhunaryan, Lalitpur and Laboratory School, Kirtipur to mark the World Environment Day.
- The Bank handed over five units of laptops to support Laboratory School to help the students learn computer literacy. The Bank had in the past supported the school by providing desk top computers.
- The Bank conducted Financial Crime Compliance Workshop for Correspondent Banking Clients based in Nepal which has been appreciated by all concerned stakeholders including the regulators.

Our success is built on its People which Defines our Employee Value Proposition

Our brand promise Here for good is a key reason why many of our people chose to join us, as well as why they stay.

We have been mindful not to lose focus on the elements of our people strategy that enable us to uphold our brand promise, Here for good. All our activities and initiatives for our people are always taken with a focus to make our organization a great place to work, enabling each employee to grow and teams to win. The performance based culture following the robust appraisal process includes emphasis on how our employees live up to our brand promise - 'Here for good'. Our reward practice ensures that great performance and behaviors' are recognized and rewarded.

Building employee engagement

My Voice survey was launched in October 2014 to benchmark employee engagement drivers, and measure employee sentiment and qualitative feedback across a variety of areas, including conduct, leadership and strategy of the Bank.

The My Voice survey conducted in April 2016 saw an encouraging enhancement in engagement in the country with a significant improvement in the overall engagement score and higher participation rate of 99%.

We strongly believe that focus on work life balance is one of the ways to motivate and keep our employees engaged. Our employee benefits set us apart, helping us retain talent. Facilities such as 5 days working week, crèche or child day care facilities, 90 days of paid maternity leave, 7 days of paid paternity leave, well managed cafeteria, availability of the Bank's doctor, 3 days paid employee volunteering leave, is appreciated by our employees as that has enabled them to balance personal commitments with professional ones.

Our people are encouraged to leverage on their strengths to contribute to the Bank's growth and their own. Our robust hiring process helps us to identify people with the right skills and attitude to partner with us to deliver on our ambitions and which in turn also offers them a fulfilling successful career in the Bank. We not only hire the new talents but also provide equal opportunity through job vacancy to the existing employees and rest of the staff who have the potential to move and prove in different roles cross-functionally.

This fiscal year, the Bank hired 45 experienced and fresh talents from the market and also made 21 conversions with a total of 66 hiring adding up to people strength of 437. The Bank also encourages cross border talent exchange through which a total of 24 employees have successfully moved to other Group points of Standard Chartered Bank in last 11 years. In the year under review, three employees of the Bank have moved to other locations of Standard Chartered Group for good job opportunities.

Embedding a culture of good conduct

Upholding good conduct is central to the Bank's approach to doing business. All senior leaders and Managers are required to take personal responsibility for their own conduct and that of their teams. 100% of our people committed or re-committed to the Bank's Code of Conduct which was refreshed to cover all aspects of conduct in September last year.

As part of the recommitment process, managers used real life case studies and dilemmas to engage their teams in discussions around the Code and to empower them to do the right things. Managers are also required to attest to the conduct of their teams at the end of the year as part of the Bank's annual performance and reward process.

Combating financial crime is a core pillar of good conduct and as part of our overall conduct agenda, an internal awareness campaign was launched towards the end of 2015. The purpose of the campaign was to help our people understand better the societal impacts of financial crime and to highlight the role each of them can play in helping to prevent it.

Investing in learning and development:

Opportunities to learn and grow which we ensure for our people is not only essential for our Business priorities, it is core in creating a great place to work, demonstrating how we are Here for our people and is a strong driver for retaining our people. As developing the next generation of leaders is critical for our performance, learning and talent development is an ongoing area of focus for the Bank. Reflecting which, our performance management process has been changed to provide greater emphasis on employee growth and development.

During the performance discussion in half yearly and annual basis, formal discussion is held between employees and Line Managers around the learning objectives. Employees are given the accountability to learn and develop themselves where the Bank makes best effort to provide the resources in order to acquire new skills, sharpen existing ones, perform better and increase productivity.

Other than investing in role specific trainings, professional development and leadership development programs have been motivating staff across the Bank. This fiscal year as well, employee participated in various face to face, local, in-house and Group learning programs and were able to achieve a total learning of approximately 1025 Mandays.

“Let’s Make Nepal Win”, an initiative to communicate the Bank’s top priorities and re-energize and motivate our people towards achieving the Bank’s objective, was planned and successfully delivered to 263 employees pan Bank through 11 Champions of the Bank between end of Feb and March 2016. The Champions have been recognized for their outstanding contribution towards the “Let’s Make Nepal Win” initiative, for their strong work ethics and exemplary achievements. The Nepal Champions for the Region initiated #solidASARock competition were also announced.

Other highlights of the training this fiscal year was the Learning Week 2016 which was held between June 14-18, 2016 where senior trainer and head of Learning Academy from Bangladesh supported by facilitating four programs covering 122 participants, thereby achieving a total of 115 Mandays of learning.

Health, safety and wellness

We are committed to providing a safe, secure and healthy working environment for our staff and our customers. This includes established global ergonomic design standards to minimize any occupational injury or illness, online health and safety training and an online safety and incident reporting portal. However, sometimes these standards are compromised by events outside of our control such as the massive earthquake of last year. The health and safety of our employees and customers during this crisis was paramount for us with various individuals and teams working around the clock to account for the whereabouts of our staff members, to secure buildings and also arrange for temporary accommodation and other logistics for people unable to return to their homes. Counselling sessions were conducted by experts for our people to help them overcome their anxiety and fears etc.

Our people responded proactively and upheld our commitment to be Here for good by overcoming the adversities to keep our business critical systems

running and providing services to customers within their best ability and capacity in the situation.

Unfortunately, during this earthquake one of our senior colleagues suffered a critical head injury at home and despite our best efforts and medical care with experts being flown in to the country, he could not be saved. The Bank and many of our colleagues stood by him and his family all through this period and provided them all the support that could have been possible.

Diversity & Inclusion

With the belief that greater diversity helps develop and retain our people, we encourage greater diversity in our workplace. The gender mix in the Bank is around 60:40 ratio and there are 2 differently-abled people working for the Bank.

Since the Bank started focusing on a diversity and inclusion about 10 years back, it has become an increasingly important part of the way we do business. Establishing a crèche, mother’s room, celebrating various festivals for both genders, raising awareness in areas of health, financial literacy etc. are an outcome of this focus.

Employee Volunteering Program:

The Bank encourages employees to help their local communities develop by contributing their knowledge, skills and talents, and provides 3 days paid leave to enable them to undertake volunteering activities which support the Bank’s Community Investment strategy.

Banks have an essential role in a prosperous and healthy society. We believe that by running our operations well, standing by our clients and customers and investing in the communities where we operate, we can be a powerful force for good. Through our employee volunteering and community investment programmes we work with partners to deliver programmes that promote positive social and economic outcomes for people in our markets.

We have very engaged employees who have consistently demonstrated their commitment to supporting communities by volunteering their time. This year, despite a difficult situation facing the country due to earthquake & blockades, we could see our employees actively participating in all the volunteering programs that were organised such as Walkathon, activities leading from the Global Goals: Project Everyone covering areas viz. health, eye camps, Positive Living under HIV and AIDS, blood donation, financial literacy, environment etc.

Our staff including the Management team also volunteered their time and labour towards re-building homes in the Group funded reconstruction project with Habitat for Humanity at Kavre district.

Branch Network

KATHMANDU

Boudha

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

Lazimpat

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

Naya Baneshwore

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

New Road

Branch - New Road
1st Floor, 22, People's Plaza (Pako Wing)
Pako, New road
Kathmandu
Tel: 977-1-4157527/28
Fax No:977-1- 4157530

LALITPUR

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

BIRATNAGAR

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

BIRGUNJ

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

BUTWAL

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

DHARAN

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

POKHARA

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

NARAYANGARH

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

NEPALGUNJ

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

Extension Counters

UN Counter

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

British Gurkhas PPO

Pokhara
Tel: 977 61 440517
Fax No:977 61 440517

ATM Network

KATHMANDU

Maharajgunj
Saleways Department Store

Boudha

Adjacent to the main
entrance gate of Boudhanath
Stupa

Standard Chartered Bank
Nepal Ltd.

Durbar Marg

Hotel De'l Annapurna

New Road

Shop No.88, Bishal Bazar

Naya Baneshwore,

Standard Chartered Bank
Nepal Ltd., Head Office

Lalitpur

Standard Chartered Bank Nepal
Ltd.

UN House

Standard Chartered Bank Nepal
Ltd

Near UNDP Complex, Lalitpur

Standard Chartered Bank Nepal
Limited

Thamel

Fire Club Building

Lazimpat Building

Standard Chartered Bank Nepal
Ltd.

DHARAN

Standard Chartered Bank Nepal
Ltd.

B P Koirala Institute Of Health
Science (BPKIHS) premises

BIRATNAGAR

Standard Chartered Bank Nepal
Limited

BIRGUNJ

Standard Chartered Bank Nepal
Ltd.

NARAYANGARH

Standard Chartered Bank
Nepal Ltd.

POKHARA

New Road
Standard Chartered Bank
Nepal Ltd

Lakeside

ATM Lounge, Centre Point

BUTWAL

Standard Chartered Bank
Nepal Limited

REPORT OF THE INDEPENDENT AUDITORS

ON THE FINANCIAL STATEMENT

OF STANDARD CHARTERED BANK NEPAL LIMITED

PREPARED AS PER DIRECTIVES OF NEPAL RASTRA BANK

1. We have audited the accompanying financial statements of Standard Chartered Bank Nepal Limited which comprise the Balance Sheet as at Ashad 31, 2073 (July 15, 2016), and the Profit and Loss Account, Profit and Loss Appropriation Account, Statement of Changes in Equity and Cash Flow Statement for the year then ended and a Summary of significant Accounting Policies and other explanatory notes. These financial statements have been prepared by management complying with the regulatory requirements of Nepal Rastra Bank.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of these financial Statements complying with the regulatory requirements of Nepal Rastra Bank and for such internal control as management determines is necessary to enable the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider the internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate

in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Bank's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

4. In our opinion, the accompanying financial statements give a true and fair view, in all material respects, the financial position of Standard Chartered Bank Nepal Limited as at Ashad 31, 2073 (15 July, 2016) and of the results of its financial performance and its cash flows for the year then ended in compliance with the Banks and Financial Institutions Act, 2063 and Directives of Nepal Rastra Bank.

Basis of Accounting

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

Report on Other Legal and Regulatory Requirements

6. On the basis of our examination, we would like to further report that:

- We have obtained all the information and explanations, which were considered necessary for the purpose for our audit.
- The Balance Sheet, Profit and Loss Account, Profit and Loss Appropriation Account, Statement of Changes in Equity, Cash Flow Statement and attached Schedules dealt with by this report are prepared as per Directives of Nepal Rastra Bank.

- iii. The Bank has accounted for Interest Income from Loans & Advances on cash basis as per Nepal Rastra Bank's Directives for this financial statement prepared as per regulatory requirements.
- iv. During our examination of the books of account of the Bank, we have not come across the cases where the Board of Directors or any member thereof or any representative or any office holder or any employee of the Bank has acted contrary to the provisions of law or caused loss or damage to the Bank.
- v. The operations of the Bank were within its jurisdiction
- vi. In our opinion, so far as it appeared from our examination of the book, the Bank has maintained adequate capital funds and adequate provisions for possible impairment of assets in accordance with the directives of Nepal Rastra Bank;
- vii. The Bank has written-off loans amounting Rs.. 2,567,996 during F/Y 2015/016;
- viii. The Bank has been functioning as per the directives of Nepal Rastra Bank.
- ix. The Bank has not acted in a manner to jeopardize the interest and security of the depositors and shareholders.
- x. The bank has a centralized core accounting system and details of the branches are adequate for the purpose of our audit, and
- xi. We have not come across any fraudulence in the accounts, so far as it appeared from our examination of the book.

Other Matter

- 7. Standard Chartered Bank Nepal Limited has prepared a separate set of financial statements for the year ended July 15, 2016 in accordance with Nepal Financial Reporting Standards on which we issued a separate auditor's report to the shareholders of Standard Chartered Bank Nepal Limited dated 19th October 2016.

Place: Kathmandu
Date: 19th October 2016

CA. Bhaskar Singh Lala
Partner

Balance Sheet

As at 15 July, 2016 (31 Ashad 2073)

Capital & Liabilities	Schedule	This Year Rs.	Previous Year Rs.
1. Share Capital	4.1	3,749,901,333	2,810,201,500
2. Reserves and Funds	4.2	3,774,273,853	3,282,542,250
3. Debentures and Bonds	4.3	-	-
4. Loans and Borrowings	4.4	500,000,000	-
5. Deposit Liability	4.5	55,727,178,456	57,286,482,037
6. Bills Payables	4.6	310,183,573	177,086,075
7. Proposed Dividend		49,340,807	431,883,592
8. Income Tax Liability		-	-
9. Other Liabilities	4.7	1,074,854,457	1,070,848,625
Total Liabilities		65,185,732,479	65,059,044,079

Assets	Schedule	This Year Rs.	Previous Year Rs.
1. Cash Balance	4.8	799,366,056	785,636,090
2. Balance with Nepal Rastra Bank	4.9	1,514,671,384	9,308,116,260
3. Balance with Banks/Financial Institutions	4.10	1,658,294,743	1,478,689,578
4. Money at Call and Short Notice	4.11	6,069,660,000	11,973,546,000
5. Investments	4.12	23,094,621,556	13,120,062,528
6. Loans, Advances and Bills Purchased	4.13	31,302,949,596	27,681,313,256
7. Fixed Assets	4.14	71,306,083	83,853,400
8. Non-Banking Assets	4.15	-	-
9. Other Assets	4.16	674,863,061	627,826,967
Total Assets		65,185,732,479	65,059,044,079

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

Schedules 4.1 to 4.17 form integral part of the Balance Sheet

As per our report of even date

Suraj Lamichhane
Financial Controller

Joseph Silvanus
CEO & Director

Ananth Narayan
Chairman

CA. Bhaskar Singh Lala
Partner
For and on behalf of
S.R. Pandey & Co.
Chartered Accountants

Anurag Adlakha
Director

Sujit Mundul
Director

Krishna Kumar Pradhan
Director

Shankar Lall Agrawal
Director

Date: 19 October 2016

Profit and Loss Account

for the period 17 July 2015 to 15 July 2016 (1 Shrawan 2072 to 31 Ashad 2073)

Particulars	Schedule	This Year Rs.	Previous Year Rs.
1. Interest Income	4.18	2,415,582,668	2,571,011,989
2. Interest Expenses	4.19	565,704,649	657,496,524
Net Interest Income		1,849,878,019	1,913,515,465
3. Commission and Discount	4.20	357,519,713	362,963,897
4. Other Operating Incomes	4.21	48,095,736	38,009,978
5. Exchange Fluctuation Income	4.22	629,555,473	613,935,937
Total Operating Income		2,885,048,940	2,928,425,277
6. Staff Expenses	4.23	484,135,635	468,277,976
7. Other Operating Expenses	4.24	438,913,878	420,973,157
8. Exchange Fluctuation Loss	4.22	-	-
Operating Profit Before Provision for Possible Loss		1,961,999,428	2,039,174,144
9. Provision for Possible Losses	4.25	260,751,090	188,682,237
Operating Profit		1,701,248,338	1,850,491,907
10. Non-Operating Income/ (Loss)	4.26	37,852,982	63,860,761
11. Provision for Possible Loss Written Back	4.27	257,973,683	149,688,331
Profit from Ordinary Activities		1,997,075,003	2,064,040,999
12. Income/(Expenses) from Extra Ordinary Activities	4.28	1,787,396	17,525,496
Net Profit after considering all Activities		1,998,862,399	2,081,566,495
13. Provision for Staff Bonus		181,714,764	187,099,491
14. Provision for Income Tax		524,653,003	584,115,087
- Current Year's Tax Provision		502,475,497	586,716,733
- Upto Previous Year's Tax Provision		856,419	7,746,200
- Current Year's Deferred Tax Income/Expenses		21,321,087	(10,347,846)
Net Profit/Loss		1,292,494,632	1,310,351,917

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

As per our report of even date

Suraj Lamichhane
Financial Controller

Joseph Silvanus
CEO & Director

Ananth Narayan
Chairman

CA. Bhaskar Singh Lala
Partner
For and on behalf of
S.R. Pandey & Co.
Chartered Accountants

Anurag Adlakha
Director

Sujit Mundul
Director

Krishna Kumar Pradhan
Director

Shankar Lall Agrawal
Director

Date: 19 October 2016

Profit and Loss Appropriation Account

for the period 17 July 2015 to 15 July 2016 (1 Shrawan 2072 to 31 Ashad 2073)

Particulars	Schedule	This Year Rs.	Previous Year Rs.
Income			
1. Accumulated Profit up to Previous Year		32,606,508	10,028,482
2. Adjustment to Opening Reserve			(443,643)
3. This Year's Profit		1,292,494,632	1,310,351,917
4. Exchange Fluctuation Fund		-	-
5. Deferred tax		89,556,937	
6. Actuarial Gain/(Losses)		880,000	2,099,000.00
7. First Time adoption of NFRS		(25,231,350)	(12,987,130)
8. Deferred Tax Previous Year		(264,000)	(629,700)
Total		1,390,042,728	1,308,418,926
Expenses			
1. Accumulated Loss up to Previous Year		-	-
2. Current Year's Loss		-	-
3. General Reserve Fund		258,498,926	258,005,070
4. Contingent Reserve		-	-
5. Institutional Development Fund		-	-
6. Dividend Equalisation Fund		-	-
7. Employees Related Reserves		-	-
8. Proposed Dividend		49,340,807	431,883,592
9. Proposed Issue of Bonus Shares		937,475,333	562,040,300
10. Special Reserve Fund		-	-
11. Exchange Fluctuation Fund		29,357,997	23,883,456
12. Capital Redemption Reserve Fund		-	-
13. Capital Adjustment Fund		-	-
14. Deferred Tax Reserve		-	-
15. Investment Adjustment Reserve		1,200	-
Total		1,274,674,264	1,275,812,418
Accumulated Profit/(Loss)		115,368,464	32,606,508

As per our report of even date

Suraj Lamichhane
Financial Controller

Joseph Silvanus
CEO & Director

Ananth Narayan
Chairman

CA. Bhaskar Singh Lala
Partner
For and on behalf of
S.R. Pandey & Co.
Chartered Accountants

Anurag Adlakha
Director

Sujit Mundul
Director

Krishna Kumar Pradhan
Director

Shankar Lall Agrawal
Director

Date: 19 October 2016

Statement of Changes in Equity

Financial Year 2012/13 (FY 2015/16)

Particulars	Share Capital	Share Accumulated Profit	General Reserve	Capital Reserve Fund	Share Premium	Exchange Fluctuation Fund	Deferred Tax Reserve	Investment Adjustment Reserve	Other Reserve & Fund	Rs. Total
Opening Balance as at 17 July 2015	2,810,201,500	24,241,412	2,639,029,861			384,481,144	89,556,937			5,947,510,854
Adjustments	-	8,365,096	-	-	-	-	-	136,867,800	-	145,232,896
Restated Balance as at 17 July 2015	2,810,201,500	32,606,508	2,639,029,861	-	-	384,481,144	89,556,937	136,867,800	-	6,092,743,750
Surplus/ Deficit on revaluation of properties	-	-	-	-	-	-	-	-	-	-
Surplus/ Deficit on revaluation of investments	-	-	-	-	-	-	-	-	-	-
Net Profit for the Period	-	1,292,494,632	-	-	-	-	-	-	-	1,292,494,632
First Time Adoption of NFRS	-	(25,231,350)	-	-	-	-	-	-	-	(25,231,350)
Actuarial Gains/(Losses)	-	880,000	-	-	-	-	-	-	-	880,000
Deferred Tax Through OCI	-	(264,000)	-	-	-	-	-	-	-	(264,000)
Transfer to General Reserve	-	(258,498,926)	258,498,926	-	-	-	-	-	-	-
Proposed Dividend	-	(49,340,807)	-	-	-	-	-	-	-	(49,340,807)
Issue of Bonus Share	-	-	-	-	-	-	-	-	-	-
Proposed Issue of Bonus Shares	937,475,333	(937,475,333)	-	-	-	-	-	-	-	-
Issue of Share Capital	2,224,500	-	-	-	-	-	-	-	-	2,224,500
Exchange Fluctuation Fund	-	(29,357,997)	-	-	-	29,357,997	-	-	-	-
Deferred Tax Reserve	-	89,556,937	-	-	-	-	(89,556,937)	-	-	-
Investment Adjustment Reserve	-	(1,200)	-	-	-	-	-	210,669,660	-	210,668,460
Closing Balance as at 15 July 2016	3,749,901,333	115,368,464	2,897,528,787			413,839,141		347,537,460		7,524,175,186

Cash Flow Statement

for the period 17 July 2015 to 15 July 2016 (1 Shrawan 2072 to 31 Ashad 2073)

Particulars	This Year Rs.	Previous Year Rs.
(A) Cash Flow from Operating Activities	2,865,532,070	6,528,653,388
1. Cash Receipts	3,471,731,701	3,491,062,288
1.1 Interest Income	2,398,116,214	2,452,635,409
1.2 Commission and Discount Income	378,075,401	364,838,482
1.3 Income from Foreign Exchange Transaction	629,555,473	613,935,937
1.4 Recovery of Loan Written Off	10,295,392	20,662,183
1.5 Other Income	55,689,220	38,990,277
2. Cash Payments	2,291,350,756	2,199,118,075
2.1 Interest Expenses	574,162,356	649,559,280
2.2 Staff Expenses	763,897,562	661,898,109
2.3 Office Operating Expenses	411,989,576	337,196,537
2.4 Income tax Payment	541,301,262	569,217,536
2.5 Other Expenses		(18,753,387)
Cash Flow before Changes in Working Capital	1,180,380,945	1,291,944,213
Decrease/ (Increase) of Current Assets	2,570,405,371	(5,806,008,259)
1. Decrease / (Increase) in Money at Call and Short Notice	5,903,886,000	(4,013,241,000)
2. Decrease / (Increase) in Short-term Investment		-
3. Decrease / (Increase) in Loan and Bills Purchase	(3,676,089,573)	(1,698,598,229)
4. Decrease / (Increase) in Other Assets	(113,645,057)	(5,869,030)
5. Decrease / (Increase) in Restricted Balance (CRR)	456,254,000	(88,300,000)
(Decrease) / Increase of Current Liabilities	(885,254,246)	11,042,717,434
1. (Decrease) / Increase in Deposits	(1,559,303,581)	10,987,949,997
2. (Decrease) / Increase in Certificate of Deposits		-
3. (Decrease) / Increase in Short Term Borrowings	500,000,000	-
4. (Decrease) / Increase in Other Liabilities	174,049,335	54,767,437
(B) Cash Flow from Investment Activities	(9,651,986,366)	(3,406,597,174)
1. Decrease/ (Increase) in Long term Investment	(9,767,215,941)	(3,579,852,869)
2. Decrease/ (Increase) in Fixed assets	12,779,819	22,405,684
3. Interest Income from Long Term Investment	93,077,074	139,716,630
4. Dividend Income	9,372,682	11,133,381
5. Others	-	-
(C) Cash Flow from Financing Activities	(357,401,449)	(826,218,493)
1. Increase/ (Decrease) in Long term Borrowings (Bond, Debenture etc)	-	-
2. Increase / (Decrease) in Share Capital	2,224,500	2,322,000
3. Increase / (Decrease) in Other Liability		-
4. Increase / (Decrease) in Refinance /Facilities received from Nepal Rastra Bank	-	-
5. Dividend paid to ordinary shareholders net of scrip	(359,625,949)	(828,540,493)
(D) Income/Expense from change in exchange rate in Cash and Bank Balance	-	-
(E) Current year's cash flow from all activities	(7,143,855,745)	2,295,837,720
(F) Opening Cash and Bank Balance	9,211,142,928	6,915,305,208
(G) Closing Cash and Bank Balance	2,067,287,183	9,211,142,928
Cash At Vault	799,366,056	785,636,090
Balances at Nepal Rastra Bank	1,514,671,384	9,308,116,260
Balances with Banks	1,658,294,743	1,478,689,578
Less Restricted Balances (CRR maintain at NRB)	(1,905,045,000)	(2,361,299,000)
Net Closing Cash and Bank Balances	2,067,287,183	9,211,142,928

As per our report of even date

Suraj Lamichhane
Financial Controller

Joseph Silvanus
CEO & Director

Ananth Narayan
Chairman

CA. Bhaskar Singh Lala
Partner
For and on behalf of
S.R. Pandey & Co.
Chartered Accountants

Anurag Adlakha
Director

Sujit Mundul
Director

Krishna Kumar Pradhan
Director

Shankar Lall Agrawal
Director

Date: 19 October 2016

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Schedule 4.1:

Share Capital and Ownership

As at 15 July, 2016 (31 Ashad 2073)

Particulars	This year Rs.	Previous Year Rs.
1. Share Capital		
1.1 Authorised Capital	4,000,000,000	3,000,000,000
A) 40,000,000 Ordinary Shares of Rs. 100 each	4,000,000,000	3,000,000,000
30,000,000 Ordinary Shares of Rs. 100 each (Last Year)		
B) - Non-Redeemable Preference Shares of Rs. - each	-	-
C) - Redeemable Preference Shares of Rs. - each	-	-
1.2 Issued Capital	2,812,426,000	2,248,161,200
A) 28,124,260 Ordinary Shares of Rs. 100 each	2,812,426,000	2,248,161,200
22,481,612 Ordinary Shares of Rs. 100 each (Last Year)		
B) - Non-Redeemable Preference Shares of Rs. - each	-	-
C) - Redeemable Preference Shares of Rs. - each	-	-
1.3 Paid Up Capital	2,812,426,000	2,248,161,200
A) 28,124,260 Ordinary Shares of Rs. 100 each	2,812,426,000	2,248,161,200
22,481,612 Ordinary Shares of Rs. 100 each (Last Year)		
B) - Non-Redeemable Preference Shares of Rs. - each	-	-
C) - Redeemable Preference Shares of Rs. - each	-	-
1.4 Proposed Bonus Share	937,475,333	562,040,300
1.5 Calls in Advance	-	-
1.6 Total	3,749,901,333	2,810,201,500

Share Ownership Details	This Year		Previous Year	
	%	Share Capital	%	Share Capital
1. Domestic Ownership	25.00	703,106,500	25.00	562,040,300
1.1 Government of Nepal	-	-	-	-
1.2 "Ka" Class Licensed Institutions	-	-	-	-
1.3 Other Licensed Institutions	-	-	-	-
1.4 Other Entities	0.64	18,123,500	0.94	21,194,100
1.5 Individuals	24.36	684,983,000	24.06	540,846,200
1.6 Others	-	-	-	-
2. Foreign Ownership	75.00	2,109,319,500	75.00	1,686,120,900
Total	100.00	2,812,426,000	100.00	2,248,161,200

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

S.N.	Name of the Shareholders	Number of Shares Held	% of Total Shares	Amount Rs.
1	Standard Chartered Grindlays Ltd., Sydney, Australia	14,062,130	50.00	1,406,213,000
2	Standard Chartered Bank, London, UK	7,031,065	25.00	703,106,500
3	Priyanka Agrawal	210,547	0.75	21,054,700
4	Avinash Agrawal	210,547	0.75	21,054,700
5	Komal Agrawal	210,547	0.75	21,054,700
6	Sashi Agrawal	210,547	0.75	21,054,700
7	Shankar Lall Agrawal	210,547	0.75	21,054,700
8	Arjun Bandhu Regmi	170,574	0.71	17,057,400

Schedule 4.2:**Reserves and Funds**

As at 15 July, 2016 (31 Ashad 2073)

Particulars	This Year Rs.	Previous Year Rs.
1. General Reserve Fund	2,897,528,788	2,639,029,861
2. Capital Reserve Fund	-	-
3. Capital Redemption Reserve	-	-
4. Capital Adjustment Fund	-	-
5. Other Reserves and Funds	347,537,460	226,424,737
5.1. Contingent Reserve	-	-
5.2. Institutional Development fund	-	-
5.3. Dividend Equalisation Fund	-	-
5.4. Special Reserve Fund	-	-
5.5. Assets Revaluation Reserve	-	-
5.6. Deferred Tax Reserve	0	89,556,937
5.7. Other Free Reserves	-	-
5.8. OCI Reserve	-	-
5.9. Other Reserves	347,537,460	136,867,800
6. Accumulated Profit/ (Loss)	115,368,464	32,606,508
7. Exchange Fluctuation Fund	413,839,141	384,481,144
Total	3,774,273,853	3,282,542,250

Schedule 4.3:**Debentures and Bonds**

As at 15 July, 2016 (31 Ashad 2073)

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

Schedule 4.4:**Loans and Borrowings**

As at 15 July, 2016 (31 Ashad 2073)

Particulars	This Year Rs	Previous Year Rs
A. Local		
1. Government of Nepal	-	-
2. Nepal Rastra Bank	-	-
3. Repo Liabilities	-	-
4. Inter Bank and Financial Institution	500,000,000	-
5. Other Institutions	-	-
6. Others	-	-
Total A	500,000,000	-
B. Foreign		
1. Banks	-	-
2. Others	-	-
Total B	-	-
Total (A+B)	500,000,000	-

Schedule 4.5:

Deposit Accounts

As at 15 July, 2016 (31 Ashad 2073)

Particulars	This Year Rs	Previous Year Rs
1. Non-Interest Bearing Accounts		
A. CURRENT DEPOSITS	13,690,280,642	16,125,878,269
1. Local Currency	9,103,897,871	10,346,421,348
1.1 Government of Nepal	203,664,328	42,210,593
1.2 "Ka" Class Licensed Institutions	154,337,632	113,718,380
1.3 Other Licensed Institutions	2,524,040	3,015,138
1.4 Other Organised Institutions	8,211,445,593	9,727,958,780
1.5 Individuals	385,562,560	397,094,879
1.6 Others	146,363,718	62,423,578
2 Foreign Currency	4,586,382,771	5,779,456,921
2.1 Government of Nepal	467,924,066	543,311,257
2.2 "Ka" Class Licensed Institutions	13,614,712	27,464,539
2.3 Other Licensed Institutions	-	-
2.4 Other Organised Institutions	3,855,225,055	5,049,962,827
2.5 Individuals	160,429,121	157,347,867
2.6 Others	89,189,817	1,370,431
B. MARGIN DEPOSITS	582,880,062	699,771,413
1. Employees Guarantee		
2. Guarantee Margin	437,131,851	245,449,096
3. Letter of Credit Margin	127,454,541	366,362,012
4. Others	18,293,670	87,960,305
C. OTHERS	-	-
1. Local Currency	-	-
1.1 Financial Institutions	-	-
1.2 Other Organised Institutions	-	-
1.3 Individuals	-	-
2. Foreign Currency	-	-
2.1 Financial Institutions	-	-
2.2 Other Organised Institutions	-	-
2.3 Individuals	-	-
Total of Non-Interest Bearing Accounts	14,273,160,704	16,825,649,682

Schedule 4.5:

Deposit Accounts (Continued)

As at 15 July, 2016 (31 Ashad 2073)

Particulars	This Year Rs.	Previous Year Rs.
2. Interest Bearing Accounts		
A. SAVING DEPOSITS	26,911,357,484	23,476,443,903
1. Local Currency	23,293,232,532	20,255,644,884
1.1 Organised Institutions	2,455,663,281	2,491,036,663
1.2 Individuals	20,837,555,340	17,763,797,462
1.3 Others	13,911	810,759
2. Foreign Currency	3,618,124,952	3,220,799,019
2.1 Organised Institutions	286,576,898	216,544,298
2.2 Individuals	3,331,548,054	2,994,971,031
2.3 Others	0	9,283,690
B. FIXED DEPOSITS	3,214,055,415	3,117,222,841
1. Local Currency	2,479,053,693	2,848,377,590
1.1 Organised Institutions	1,136,167,556	1,497,638,756
1.2 Individuals	1,342,886,137	1,350,738,834
1.3 Others		
2. Foreign Currency	735,001,722	268,845,251
2.1 Organised Institutions	710,182,985	255,805,543
2.2 Individuals	24,818,737	13,039,708
2.3 Others	-	-
C. CALL DEPOSITS	11,328,604,853	13,867,165,611
1. Local Currency	2,518,254,837	4,861,965,833
1.1 Government of Nepal	23,392,324	-
1.2 Other Licensed Institutions	3,494,048	3,416,125
1.3 Other Organised Institutions	2,433,497,447	4,658,229,583
1.4 Individuals	55,993,764	198,711,857
1.5 Others	1,877,254	1,608,268
2. Foreign Currency	8,810,350,016	9,005,199,778
2.1 "Ka" Class Licensed Institutions	-	-
2.2 Other Licensed Institutions	-	-
2.3 Other Organised Institutions	8,810,350,016	9,005,199,778
2.4 Individuals	-	-
2.5 Others	-	-
D. CERTIFICATE OF DEPOSITS	-	-
1. Organised Institutions	-	-
2. Individuals	-	-
3. Others	-	-
Total of Interest Bearing Accounts	41,454,017,752	40,460,832,355
Total Deposits (1+2)	55,727,178,456	57,286,482,037

Schedule 4.6:**Bills Payable**

As at 15 July, 2016 (31 Ashad 2073)

Particulars	This Year Rs.	Previous Year Rs.
1. Local Currency	269,573,409	145,068,342
2. Foreign Currency	40,610,164	32,017,733
Total	310,183,573	177,086,075

Schedule 4.7:**Other Liabilities**

As at 15 July, 2016 (31 Ashad 2073)

Particulars	This Year Rs.	Previous Year Rs.
1. Pension/Gratuity Fund	14,471,407	82,782,493
2. Employees Provident Fund	-	-
3. Employees Welfare Fund	-	-
4. Provision for Staff Bonus	181,714,762	187,099,490
5. Interest Payable on Deposits	60,908,204	73,121,282
6. Interest Payable on Borrowings	41,780	-
7. Unearned Discount and Commission	159,158,220	193,917,906
8. Sundry Creditors	360,740,199	350,399,956
9. Branch Adjustment Account	-	-
10. Deferred Tax Liability		
11. Dividend Payable	140,154,411	67,896,768
12. Others	157,665,473	115,630,730
a) Audit Fees Payable	2,050,000	776,060
b) Others	155,615,473	114,854,670
Total	1,074,854,457	1,070,848,625

Schedule 4.8:**Cash Balance**

As at 15 July, 2016 (31 Ashad 2073)

Particulars	This Year Rs.	Previous Year Rs.
1. Local Currency (including coins)	752,853,889	629,564,134
2. Foreign Currency	46,512,167	156,071,956
Total	799,366,056	785,636,090

Schedule 4.9:**Balance with Nepal Rastra Bank**

As at 15 July, 2016 (31 Ashad 2073)

Particulars	Local Currency Rs.	Foreign Currency Rs.			Grand Total Rs.	Previous Year Rs.
		INR	Convertible Foreign Currency	Total		
1. Nepal Rastra Bank	1,459,122,505	-	55,548,879	55,548,879	1,514,671,384	9,308,116,260
a) Current A/C	1,459,122,505	-	55,548,879	55,548,879	1,514,671,384	9,308,116,260
b) Other A/C	-	-	-	-	-	-

Schedule 4.10:**Balance with Banks / Financial Institutions**

As at 15 July, 2016 (31 Ashad 2073)

Particulars	Local Currency Rs.	Foreign Currency (Rs.)			Grand Total Rs.	Previous Year Rs.
		INR	Convertible Foreign Currency	Total		
1. Local Licensed Institutions	47,614,290	-	-	-	47,614,290	49,054,738
a. Current Account	47,614,290	-	-	-	47,614,290	49,054,738
b. Other Account	-	-	-	-	-	-
2. Foreign Banks	-	338,030,937	1,272,649,516	1,610,680,453	1,610,680,453	1,429,634,840
a. Current Account	-	338,030,937	1,272,649,516	1,610,680,453	1,610,680,453	1,429,634,840
b. Other Account	-	-	-	-	-	-
Total	47,614,290	338,030,937	1,272,649,516	1,610,680,453	1,658,294,743	1,478,689,578

Note: Balance as per the confirmation and statement received from respective banks is Rs 2,223,921,805.43 and the differences have been reconciled.

Schedule 4.11:**Money at Call and Short Notice**

As at 15 July, 2016 (31 Ashad 2073)

Particulars	This Year Rs.	Previous Year Rs.
1. Local Currency	-	-
2. Foreign Currency	6,069,660,000	11,973,546,000
Total	6,069,660,000	11,973,546,000

Schedule 4.12:**Investments**

As at 15 July, 2016 (31 Ashad 2073)

Particulars	Purpose		This Year Rs.	Previous Year Rs.
	Trading	Other		
1. Government of Nepal Treasury Bills	-	7,021,721,973	7,021,721,973	5,416,236,033
2. Government of Nepal Saving Bonds	-	-	-	-
3. Government of Nepal Other Securities	-	259,621,622	259,621,622	363,006,995
4. Nepal Rastra Bank Bonds	-	2,530,000,000	2,530,000,000	-
5. Foreign Securities	-	-	-	-
6. Local Licensed Institutions	-	-	-	-
7. Foreign Banks	-	12,880,800,000	12,880,800,000	7,149,070,000
8. Corporate Shares	-	402,477,960	402,477,960	197,749,500
9. Corporate Debenture and Bonds	-	-	-	-
10. Other Investments	-	-	-	-
Total Investments	-	23,094,621,556	23,094,621,556	13,126,062,528
Provision		-	-	6,000,000
Net Investments	-	23,094,621,556	23,094,621,556	13,120,062,528

Schedule 4.12(A):**Investment in Shares, Debentures and Bonds**

As at 15 July, 2016 (31 Ashad 2073)

Particulars	Cost Price Rs.	As per Market Price Rs.	Provision Amount Rs.	This Year Rs.	Previous Year Rs.
1. Investment in Shares	55,985,500	-	-	402,477,960	191,809,500
1.1 Nepal Grameen Bikas Bank Ltd. 600 Ordinary Shares of Rs.100 each fully paid up	60,000	540.00 NA (Note - 1, 2,4)	-	324,000	60,000
1.2 Rural Micro Finance Development Centre Ltd. 574,090 Ordinary Shares of Rs.100 each fully paid up (including 52,190 bonus shares fully paid up)	52,190,000	694 NA (Note - 4)	-	398,418,460	188,014,000
1.3 Credit Information Centre Ltd. 36,599 Ordinary Shares of Rs.100 each fully paid up (including 24,244 bonus shares fully paid up)	1,235,500	100.00 NA (Note - 3)	-	1,235,500	1,235,500
1.4 Nepal Clearing House Ltd. Ordinary Shares of Rs. 100 each fully paid up	2,500,000	100.00 NA (Note - 3)	-	2,500,000	2,500,000
2. Investment in Debentures and Bonds	-	-	-	-	-
Total Investment	55,985,500	-	-	402,477,960	191,809,500
3. Provision for Loss					
3.1 Upto Previous year	6,000,000				
3.2 Increase/Decrease this Year	(6,000,000)				
Total Provision	-				-
Net Investments	55,985,500				

NOTE:

- Nepal Grameen Bikas Bank has not distributed dividends in the last three years.
- After the merger of Purwanchal Grameen Bikas Bank and Sudur Paschimanchal Grameen Bikas Bank along with 3 other Bikas banks, the share certificate of the merged entity, Nepal Grameen Bikas Bank was issued to the Bank in exchange of 30,000 shares each of both the Bikas banks.
- Shares of Credit Information Centre Ltd and Nepal Clearing House Ltd are not listed at the Nepal Stock Exchange Ltd (NEPSE).
- Promoter shares are not traded in the stock exchange, thus the market value of these shares are taken as 50% of Market Price as per Level 2 Input of IAS 39.

schedule 4.12.1:**Business Investment (Held For Trading)**

As at 15 July, 2016 (31 Ashad 2073)

Particulars	Cost Price Rs.	Previous Market Price (a) Rs.	Current Market Price (b) Rs.	This Year Profit/ (Loss) (b-a) Rs.	Previous Year Profit/ (Loss) Rs.	Remarks
1. Nepal Government's Treasury Bills (Note 1)	7,021,721,973					
2. Nepal Government's Saving Bonds						
3. Nepal Government's Other Securities						
4. Nepal Rastra Bank Bond						
5. Foreign Securites						
6. Shares of Domestic Licensed Institution						
7. Debenture and Bond of Domestic Licensed Institution						
8. Shares, Debentures and Bond of Domestic Corporates						
9. Foreign Bank Investment (Placement)						
10. Interbank Lending						
11. Other Investments						
Total Investment	7,021,721,973	-	-	-	-	

Note 1: As per IAS 39, the investment in Treasury Bill has been classified as Fair Value Through Profit and Loss ie; "Designated at Fair Value"

Schedule 4.12.2:**Investment Held To Maturity**

As at 15 July, 2016 (31 Ashad 2073)

Particulars	Cost Price (a) Rs.	Impairment till Date (b) Rs.	Impairment this year (c) Rs.	This Year Profit/ (Loss) (a-b-c) Rs.	Previous Year Profit/ (Loss) Rs.	Remarks
1. Nepal Government's Treasury Bills	-	-	-			
2. Nepal Government's Saving Bonds	-	-	-			
3. Nepal Government's Other Securities	259,621,622	-	-			
4. Nepal Rastra Bank Bond	2,530,000,000	-	-			
5. Foreign Securites	-	-	-			
6. Shares of Domestic Licensed Institution	-	-	-			
7. Debenture and Bond of Domestic Licensed Institution	-	-	-			
8. Shares, Debentures and Bond of Domestic Corporates	-	-	-			
9. Foreign Bank Investment (Placement)	12,880,800,000	-	-			
10. Other Investments	-	-	-	-	-	
Total	15,670,421,622	-	-	-	-	

Schedule 4.12.3:**Business Investment (Available For Sale)**

As at 15 July, 2016 (31 Ashad 2073)

Particulars	Cost Price Rs.	Previous Market Price (a) Rs.	Current Market Price (b) Rs.	This Year Fund Adj (b-a) Rs.	Previous Year Profit/ (Loss) Rs.	Remarks
1. Nepal Government's Treasury Bills						
2. Nepal Government's Saving Bonds						
3. Nepal Government's Other Securities						
4. Nepal Rastra Bank Bond						
5. Foreign Securites						
6. Shares of Domestic Licensed Institution	52,250,000	188,074,000	398,742,460	210,668,460	(33,152,000)	
7. Debenture and Bond of Domestic Licensed Institution						
8. Shares, Debentures and Bond of Domestic Corporates	3,735,500	3,735,500	3,735,500	-	-	
9. Foreign Bank Investment (Placement)						
10. Other Investments						
Total	55,985,500	191,809,500	402,477,960	210,668,460	(33,152,000)	

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

Schedule 4.13:

Classification of Loans, Advances and Bills Purchased and Provisioning

As at 15 July, 2016 (31 Ashad 2073)

Particulars	Loans & Advances				Bills Purchased and Discounted				Previous Year Rs.	
	Domestic		Foreign		Domestic		Foreign			
	Insured Rs.	Uninsured Rs.	Other Rs.	Foreign Rs.	Total Rs.	Domestic Rs.	Foreign Rs.	Total Rs.		
1. Performing Loans	-	1,498,133,907	30,060,412,309	36,404,984	31,594,951,200	-	573,894	573,894	31,595,525,093	27,929,053,051
1.1 Pass	-	1,498,133,907	29,487,138,944	36,404,984	31,021,677,835	-	573,894	573,894	31,022,251,728	27,401,782,824
1.2 Watch list	-	-	573,273,365	-	573,273,365	-	-	-	573,273,365	527,270,227
2. Non-Performing Loans	-	-	101,819,490	-	101,819,490	-	-	-	101,819,490	94,769,956
2.1 Restructured/Rescheduled	-	-	-	-	-	-	-	-	-	-
2.2 Substandard	-	-	42,775,468	-	42,775,468	-	-	-	42,775,468	48,224,865
2.3 Doubtful	-	-	18,591,570	-	18,591,570	-	-	-	18,591,570	6,129,920
2.4 Loss	-	-	40,452,452	-	40,452,452	-	-	-	40,452,452	40,415,171
(A) Total Loans	-	1,498,133,907	30,162,231,799	36,404,984	31,696,770,690	-	573,894	573,894	31,697,344,583	28,023,823,007
3. Loan Loss Provision	-	-	-	-	-	-	-	-	-	-
3.1 Pass	-	14,981,339	294,831,418	364,050	310,176,807	-	5,739	5,739	310,182,546	276,427,999
3.2 Watch list	-	-	23,770,337	-	23,770,337	-	-	-	23,770,337	10,545,405
3.3 Rescheduled/ Restructured	-	-	-	-	-	-	-	-	-	-
3.4 Substandard	-	-	10,693,867	-	10,693,867	-	-	-	10,693,867	12,056,216
3.5 Doubtful	-	-	9,295,785	-	9,295,785	-	-	-	9,295,785	3,064,960
3.6 Loss	-	-	40,452,452	-	40,452,452	-	-	-	40,452,452	40,415,171
(B) Total Provision	-	14,981,339	379,043,859	364,050	394,389,248	-	5,739	5,739	394,394,987	342,509,751
4. Provision up to Previous Year	-	-	-	-	-	-	-	-	-	-
4.1 Pass	-	12,981,388	262,136,267	1,097,025	276,214,680	-	213,319	213,319	276,427,999	263,746,500
4.2 Watch list	-	-	10,545,405	-	10,545,405	-	-	-	10,545,405	-
4.3 Rescheduled/Restructured loan	-	-	-	-	-	-	-	-	-	-
4.4. Substandard	-	-	12,056,216	-	12,056,216	-	-	-	12,056,216	11,264,515
4.5 Doubtful	-	-	3,064,960	-	3,064,960	-	-	-	3,064,960	5,524,053
4.6 Loss	-	-	40,415,171	-	40,415,171	-	-	-	40,415,171	71,241,768
(C) Total Provision upto Previous Year	-	12,981,388	328,218,019	1,097,025	342,296,432	-	213,319	213,319	342,509,751	351,776,836
(D) Previous Year's Provision written back	-	11,200,049	191,202,299	1,097,025	203,499,373	-	213,319	213,319	203,712,692	149,688,331
(E) This Year's additional provision	-	13,200,000	242,028,140	364,050	255,592,190	-	5,739	5,739	255,597,929	140,421,246
Net Adjustments for the Year	-	1,999,951	50,825,840	(732,975)	52,092,816	-	(207,580)	(207,580)	51,885,236	(9,267,085)
Net Loan (A-B)	-	1,483,152,568	29,783,187,940	36,040,934	31,302,381,442	-	568,155	568,155	31,302,949,596	27,681,313,256

Schedule 4.13(A):**Securities Against Loan, Advance and Bills
Purchased**

As at 15 July, 2016 (31 Ashad 2073)

Particulars	This Year Rs.	Previous Year Rs.
(A) Secured	31,697,344,584	28,023,823,007
1. Movable / Immovable Assets	26,602,937,814	22,194,549,959
2. Guarantee of Local Licensed Institutions	-	-
3. Government Guarantee	138,807,033	138,807,033
4. Guarantee of Internationally Rated Banks	1,737,054,048	2,591,521,307
5. Export Documents	-	-
6. Fixed Deposit Receipts	410,959,409	313,732,453
(a) Own Fixed Deposit Receipts	24,576,997	3,554,202
(b) Fixed Deposit Receipts of Other Licensed Institutions	386,382,412	310,178,251
7. Government Securities/ Bonds	-	5,500,000
8. Counter Guarantee	-	-
9. Personal Guarantee	-	-
10. Other Securities	2,807,586,280	2,779,712,255
(B) Unsecured	-	-
Total	31,697,344,584	28,023,823,007

Schedule 4.14:

Fixed Assets

As at 15 July, 2016 (31 Ashad 2073)

Particulars	Assets					This Year Rs.	Previous Year Rs.
	Freehold and Buildings Rs.	Vehicles Rs.	Machinery Rs.	Office Equipment Rs.	Other Leasehold Assets Rs.		
1. Cost							
a. Balance upto Previous Year	10,424,408	58,867,417	-	258,249,912	95,301,247	422,842,984	398,539,607
b. Addition this year	-	-	-	8,070,250	2,469,320	10,539,571	38,381,036
c. Revaluation/ Written-back this year	-	-	-	-	-	-	-
d. Sold this year	(10,424,408)	-	-	(23,307,980)	(8,811,089)	(42,543,477)	(14,077,658)
e. Written-off this year	-	-	-	-	-	-	-
Total Cost (a+b+c+d+e)	-	58,867,417	-	243,012,182	88,959,478	390,839,078	422,842,985
2. Depreciation							
a. Upto Previous Year	3,127,287	53,868,751	-	227,627,046	63,906,559	348,529,643	340,744,290
b. For this Year	69,235	1,738,667	-	13,735,232	4,920,147	20,463,281	15,242,170
c. Depreciation on Revaluation / Written-back	-	-	-	-	-	-	-
d. Depreciation adjustment/ write back	(3,196,522)	-	-	(23,048,597)	(1,645,458)	(27,890,577)	(7,456,819)
Total Depreciation (a+b+c+d)	-	55,607,418	-	218,313,681	67,181,248	341,102,347	348,529,641
3. Book Value (WDV)* (1-2)	-	3,259,999	-	24,698,501	21,778,230	49,736,730	74,313,344
4. Land						-	8,511,756
5. Capital Work in Progress		-	-		21,569,353	21,569,353	1,028,300
(To be Capitalised)							
6. Leasehold Assets	-	-	-	-	-	-	-
Total (3+4+5+6)	-	3,259,999	-	24,698,501	43,347,583	71,306,083	83,853,400

*Written Down Value

Schedule 4.15:**Non-Banking Assets**

As at 15 July, 2016 (31 Ashad 2073)

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

Schedule 4.16:**Other Assets**

As at 15 July, 2016 (31 Ashad 2073)

Particulars	This Year Rs.	Previous Year Rs.
1. Stock of Stationery	-	-
2. Income Receivable on Investments	54,041,574	12,830,889
3. Accrued Interest on Loan	117,379,017	116,821,305
Less: Interest Suspense Amount	(117,379,017)	(116,821,305)
4. Commission Receivable	76,466,574	131,781,948
5. Sundry Debtors	25,084,300	32,421,470
6. Staff Loan and Advances	314,118,765	277,442,894
7. Prepayments	22,087,788	21,769,693
8. Cash in Transit	-	-
9. Other Transit Items (Including Cheques)	-	-
10. Drafts Paid without Notice	-	-
11. Expenses Not Written-off	-	-
12. Branch Adjustment Account	-	-
13. Deferred Tax Assets	77,880,183	99,465,269
14. Others	105,183,877	52,114,804
a) Advance Income Tax (net of Provision)	55,931,537	
b) Others	49,252,338	
Total	674,863,061	627,826,967

Schedule 4.16(A):**Other Assets (Additional Statement)**

As at 15 July, 2016 (31 Ashad 2073)

Particulars	This Year			Total	Previous Year Rs.
	Up to 1 Year	1 to 3 Years	Above 3 Years		
1. Accrued Interest on Loans and Advances	107,756,054	9,622,963	-	117,379,017	116,821,305
2. Drafts Paid without Notice	-	-	-	-	-
3. Branch Adjustment Account	-	-	-	-	-
4. Local/Foreign Agency Account	-	-	-	-	-

Schedule 4.17:**Contingent Liabilities**

As at 15 July, 2016 (31 Ashad 2073)

Particulars	This Year Rs.	Previous Year Rs.
1. Claims on Bank but not Acknowledged as Liabilities by the Bank	2,000,000	475,000
2. Letters of Credit (Full amount)	2,458,814,600	2,146,922,055
(a) Maturity period of less than 6 months	2,366,418,274	1,687,186,299
(b) Maturity period of more than 6 months	92,396,326	459,735,756
3. Rediscounted Bills	-	-
4. Unmatured Guarantees/Bonds	1,079,877,816	713,406,271
(a) Bid Bonds	43,637,500	55,694,495
(b) Performance Bonds	565,123,676	500,976,790
(c) Other Guarantee/Bonds	471,116,640	156,734,986
5. Unpaid amount on Investment in Shares	-	-
6. Outstanding Liabilities of Forward Exchange Contracts	2,226,620,057	1,377,680,957
7. Bills for Collection	756,880,383	608,583,127
8. Acceptance and Endorsements	331,057,625	321,817,055
9. Underwriting Commitment	-	-
10. Irrevocable Loan Commitments	6,698,707,078	6,595,213,162
11. Guarantee against Counter Guarantee of Internationally Rated Banks	11,080,380,603	10,237,012,285
12. Advance Payment Guarantee	22,164,388	106,464,088
13. Financial Guarantee	41,500,000	18,800,375
14. Contingent Liabilities on Income Tax	-	1,047,493
15. Others	550,902,660	929,308,410
Total	25,248,905,210	23,056,730,278

Schedule 4.18:**Interest Income**

for the period 17 July 2015 to 15 July 2016 (1 Shrawan 2072 to 31 Ashad 2073)

Particulars	This Year Rs.	Previous Year Rs.
A. On Loan, Advances and Overdraft	2,173,091,628	2,432,303,441
1. Loan and Advances	1,887,976,410	2,100,448,885
2. Overdrafts	285,115,218	331,854,556
B. On Investment	93,415,293	51,424,641
1. Government of Nepal Securities	93,077,074	51,424,641
a. Treasury Bills	76,186,822	32,776,104
b. Development Bonds	16,890,252	18,648,537
c. National Savings Certificates	-	-
2. Foreign Securities	-	-
3. Nepal Rastra Bank Bonds	338,219	-
4. Debenture and Bonds	-	-
5. Interest on Inter bank Investment	-	-
a. Financial Institutions	-	-
b. Other Organisations	-	-
C. On Agency Balances	1,305,659	3,287,053
1. Local Banks / Financial Institutions	-	-
2. Foreign Banks	1,305,659	3,287,053
D. On Money at Call and Short Notice	28,509,350	16,629,504
1. Local Banks / Financial Institutions	-	-
2. Foreign Banks	28,509,350	16,629,504
E. On Others	119,260,738	67,367,350
1. Certificate of Deposits	-	-
2. Inter-Bank / Financial Institution Loan	24,268,546	415,411
3. Placement with Foreign Banks	94,450,263	66,951,939
4. Others	541,929	-
Total	2,415,582,668	2,571,011,989

Schedule 4.19:**Interest Expenses**

for the period 17 July 2015 to 15 July 2016 (1 Shrawan 2072 to 31 Ashad 2073)

Particulars	This Year Rs.	Previous Year Rs.
A. On Deposit Liabilities	561,332,428	656,474,775
1. Fixed Deposits	125,144,917	126,196,014
1.1. Local Currency	123,756,674	123,273,637
1.2. Foreign Currency	1,388,243	2,922,377
2. Savings Deposits	329,796,092	351,352,192
2.1. Local Currency	324,560,503	339,209,517
2.2. Foreign Currency	5,235,589	12,142,675
3. Call Deposits	106,391,419	178,926,569
3.1. Local Currency	105,415,660	174,379,957
3.2. Foreign Currency	975,759	4,546,612
4. Certificate of Deposits	-	-
B. On Borrowings	63,014	-
1. Debentures and Bonds	-	-
2. Loans from Nepal Rastra Bank	-	-
3. Inter Bank /Financial Institutions Borrowings	63,014	-
4. Other Institutions	-	-
5. Other Loans	-	-
C. On Others	4,309,208	1,021,749
1. Others	4,309,208	1,021,749
Total	565,704,649	657,496,524

Schedule 4.20:**Commission and Discount**

for the period 17 July 2015 to 15 July 2016 (1 Shrawan 2072 to 31 Ashad 2073)

Particulars	This Year Rs.	Previous Year Rs.
A. Bills Purchased and Discounted	11,322,570	9,505,619
1. Domestic	100,292	83,909
2. Foreign	11,222,278	9,421,710
B. Commission	253,531,408	250,364,609
1. Letters of Credit	30,001,449	35,726,675
2. Guarantees	142,610,291	131,796,875
3. Collection Fees	8,225,650	9,459,424
4. Remittance Fees	48,951,937	41,528,830
5. Credit Cards	23,736,856	31,850,113
6. Share Underwriting/Issues	-	-
7. Government Transactions	-	-
8. E.Pra. Commission	-	-
9. Exchange Fees (Batta Income)	5,225	2,692
C. Others	92,665,735	103,093,669
1. Management Fees	1,889,394	5,438,467
2. Loan Processing Fees	46,207,918	54,552,908
3. Ledger and Activity Fees	19,069	5,718
4. Commission on Travellers Cheque	-	-
5. Others (including income from Derivatives)	44,549,354	43,096,576
Total	357,519,713	362,963,897

Schedule 4.21:**Other Operating Income**

for the period 17 July 2015 to 15 July 2016 (1 Shrawan 2072 to 31 Ashad 2073)

Particulars	This Year Rs.	Previous Year Rs.
1. Rental on Safe Deposit Locker	5,236,549	5,428,422
2. Issue and Renewals of Credit Cards	17,246,201	12,594,609
3. Issue and Renewals of ATM Cards	10,166,671	4,485,118
4. Telex /T.T.	14,133,776	14,092,392
5. Service Charges	-	-
6. Renewal Fees	-	-
7. Others	1,312,539	1,409,437
Total	48,095,736	38,009,978

Schedule 4.22:**Exchange Fluctuation Gain/Loss**

for the period 17 July 2015 to 15 July 2016 (1 Shrawan 2072 to 31 Ashad 2073)

Particulars	This Year Rs.	Previous Year Rs.
A. Revaluation Gain	117,431,988	95,533,824
B. Trading Gain (except Batta)	512,123,485	518,402,113
Total Income (Loss)	629,555,473	613,935,937

Schedule 4.23:**Staff Expenses**

for the period 17 July 2015 to 15 July 2016 (1 Shrawan 2072 to 31 Ashad 2073)

Particulars	This Year Rs.	Previous Year Rs.
1. Salary	300,485,037	293,216,453
2. Allowances	1,258,665	1,302,054
3. Contribution to Provident Fund	16,140,020	14,319,040
4. Training Expenses	2,295,460	2,457,880
5. Uniform	254,625	239,484
6. Medical	7,338,473	6,752,729
7. Insurance	3,925,477	3,116,507
8. Pension and Gratuity Provision	20,673,000	21,353,000
9. Others	131,764,877	125,520,829
a) Staff Incentive	89,396,735	83,061,354
b) Others	42,368,143	42,459,475
Total	484,135,635	468,277,976

Schedule 4.24:**Other Operating Expenses**

for the period 17 July 2015 to 15 July 2016 (1 Shrawan 2072 to 31 Ashad 2073)

Particulars	This Year Rs.	Previous Year Rs.
1. House Rent	81,044,617	83,701,466
2. Light, Electricity and Water	25,614,975	24,424,734
3. Repair and Maintenance	21,480,068	22,246,928
(a) Building	6,692,836	5,512,993
(b) Vehicles	2,047,872	2,837,495
(c) Others	12,739,359	13,896,440
4. Insurance	14,173,565	14,075,192
5. Postage, Telex, Telephone, Fax	27,977,282	26,571,842
6. Office Equipment, Furniture and Repair	37,138,567	35,381,126
(a) Office Equipment and Furniture (non capitalised item)	25,872,367	23,923,079
(b) Repairs	11,266,200	11,458,047
7. Travelling Allowances and Expenses	15,207,756	18,013,143
8. Stationery and Printing	17,947,045	17,177,446
9. Periodicals and Books	99,766	175,365
10. Advertisement	21,095,755	16,266,874
11. Legal Expenses	405,880	1,275,130
12. Donations	-	-
13. Expenses Relating to Board of Directors	1,278,609	1,081,728
(a) Meeting Allowance	702,500	822,500
(b) Others Expenses	576,109	259,228
14. General Meeting Expenses	1,458,070	1,061,186
15. Expenses Relating to Audit	2,050,000	1,100,001
(a) Audit Fees	2,050,000	786,501
(b) Other Expenses	-	313,500
16. Commission on Remittances	-	-
17. Depreciation on Fixed Assets	20,463,281	15,242,170
18. Amortization of Pre Operating Expenses	-	-
19. Share Issue Expenses	-	-
20. Technology Support Cost (Technical Services Fees)	62,726,476	48,145,906
21. Entertainment	2,102,430	2,253,612
22. Written Off Expenses	5,181,869	1,286,833
23. Security Expenses	23,724,375	29,870,569
24. Credit Guarantee Premium	-	-
25. Commission and Discount	9,602,142	10,498,989
26. Others	48,141,350	51,122,917
(a) Software Expenses	8,034,695	9,142,362
(b) Cleaning, Pest Control and Waste Management	9,617,341	11,047,370
(c) Share Listing and Registration Expenses	670,000	1,109,371
(d) Other Professional Fees	13,385,143	12,093,940
(e) Hire of Vehicle and Equipments	1,561,750	2,977,430
(f) Clearing House Charges	1,480,345	1,887,591
(g) Credit information and Collection Expenses	818,015	788,594
(h) Professional & regulatory body fees	759,500	374,000
(i) IT infrastructure expenses	1,295,165	1,048,160
(j) Property & Signage Fee	888,362	1,067,748
(k) Others	9,631,034	9,586,351
Total	438,913,878	420,973,157

Schedule 4.25:**Provision for Possible Losses**

for the period 17 July 2015 to 15 July 2016 (1 Shrawan 2072 to 31 Ashad 2073)

Particulars	This Year Rs.	Previous Year Rs.
1. Increase in Loan Loss Provision	255,597,928	140,421,246
2. Increase in Provision for Loss on Investments	-	-
3. Provision for Non-Banking Assets	-	-
4. Provision for Other Assets	5,153,162	48,260,991
Total	260,751,090	188,682,237

Schedule 4.26:**Non Operating Income/ (Loss)**

for the period 17 July 2015 to 15 July 2016 (1 Shrawan 2072 to 31 Ashad 2073)

Particulars	This Year Rs.	Previous Year Rs.
1. Profit (Loss) on Sale of Investment		
2. Profit (Loss) on Sale of Assets	20,695,782	51,747,081
3. Dividend (Net)	9,372,682	11,133,381
4. Subsidies Received from Nepal Rastra Bank	-	-
a. Compensation against Losses of Specified Branches	-	-
b. Interest Indemnity	-	-
c. Exchange Counter	-	-
5. Others	7,784,518	980,299
Net Non Operating Income/ (Loss)	37,852,982	63,860,761

Schedule 4.27:**Provision for Possible Loss Written Back**

for the period 17 July 2015 to 15 July 2016 (1 Shrawan 2072 to 31 Ashad 2073)

Particulars	This Year Rs.	Previous Year Rs.
1. Loan Loss Provision Written Back	203,712,692	149,688,331
2. Provision against Non-Banking Assets Written Back	-	-
3. Investment Provision Written Back	6,000,000	-
4. Provision against Other Assets Written Back	48,260,991	-
Total	257,973,683	149,688,331

Schedule 4.28:**Income / (Expenses) from Extra-Ordinary Activities**

for the period 17 July 2015 to 15 July 2016 (1 Shrawan 2072 to 31 Ashad 2073)

Particulars	This Year Rs.	Previous Year Rs.
1. Recovery of Loans Written Off	10,295,392	20,662,183
2. Voluntary Retirement Scheme Expenses	-	-
3. Unrecoverable Loan Write Off (Schedule 4.28A)	(2,567,996)	(3,136,687)
4. Other Expenses/Income	(5,940,000)	-
Total	1,787,396	17,525,496

Schedule 4.28 A:**Statement of Loans Written Off**

for the period 17 July 2015 to 15 July 2016 (1 Shrawan 2072 to 31 Ashad 2073)

S.N	Types of Loan	Written off Amount Rs.	Type of Security and Amount Rs.	Basis of Valuation of Security	Loan Approving Authority / Designation	Initiations made for Recovery	Remarks
1	Working Capital Loan	-					
2	Project Loan	-					
3	Fixed Capital Loan	-					
4	Personal Loan						
5	Other Loan	2,567,996					
	a) Credit Cards	1,294,905	None	NA	Manager Credit/ Head Retail Bank	Follow up through phone calls, SMS, letters & visit. Accounts written off as per Loan Write Off Bylaws and Collection & Recovery Guidelines of the Bank.	Recoveries from Current year write off is Rs. 402,194; previous Fiscal Years is Rs. 1,028,159 and *release from provisioned accounts Rs. 218,974.
	b) Gramin Prathamik Karja	1,273,091	None	NA	Manager Credit/ Head Retail Bank	Follow up through phone calls, SMS, letters & visit. Accounts written off as per Loan Write Off Bylaws and Collection & Recovery Guidelines of the Bank.	Recoveries from Current year write off is Rs. 358,000 and previous fiscal years is Rs. 348,786.
	c) Auto Loan	-					
	d) Corporate loan		Term loan		Manager Credit/ GSAM Head		
	Total Loan	2,567,996					

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

Schedule 4.29:

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

As at 15 July, 2016 (31 Ashad 2073)

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

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

Note:

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

Schedule 4.30 (Ka 1):

Capital Adequacy Table

As at 15 July, 2016 (31 Ashad 2073)

amount in Rs. '000

1.1 RISK WEIGHTED EXPOSURES		This Year	Previous Year
A	Risk Weighted Exposure for Credit Risk	41,402,347	41,171,574
B	Risk Weighted Exposure for Operational Risk	4,350,273	4,291,049
C	Risk Weighted Exposure for Market Risk	1,155,729	627,249
	Adjustments Under Pillar-II	-	-
	Add: 2% of the Gross Income (6.4 a 7)	577,121	582,781
	Add: 3% of the total RWE due to non compliance to Disclosure Requirement (6.4 a 10)	-	-
	Add: ...% of the total deposits due to insufficient liquid assets (6.4 a 6)	-	-
	Total Risk Weighted Exposures (A+B+C)	47,485,471	46,672,653
1.2 CAPITAL FUND		This Year	Previous Year
Core Capital (Tier 1)		6,684,918	5,446,972
a	Paid up Equity Share Capital	2,812,426	2,248,161
b	Irredeemable Non-cumulative preference shares	-	-
c	Share Premium	-	-
d	Proposed Bonus equity Shares	937,475	562,040
e	Statutory General Reserves	2,897,529	2,639,030
f	Retained Earnings	115,368	24,241
g	Current year profit/loss	-	-
h	Capital Redemption Reserve	-	-
i	Capital Adjustment Reserve	-	-
j	Dividend Equalization Reserves	-	-
k	Debenture Redemption Reserves	-	-
l	Other Free Reserve	-	89,557
	Less		
a	Goodwill	-	-
b	Deferred Tax Assets	(77,880)	(103,050)
c	Fictitious Assets	-	(13,007)
d	Investment in equity in licensed Financial Institutions	-	-
e	Investment in equity of institutions with financial interests	-	-
f	Investment in equity of institutions in excess of limits	-	-
g	Investments arising out of underwriting commitments	-	-
h	Reciprocal crossholdings	-	-
i	Land building unutilised and purchased in excess of limits	-	-
j	Other Deductions	-	-
	Adjustments Under Pillar-II	-	-
	Less: Shortfall in provisions (6.4 a 1)	-	-
	Less: Loans and Facilities extended to related parties and restricted lending (6.4 a 2)	-	-
	Supplementary Capital (Tier 2)	1,094,490	664,816
a	Cumulative and/or Redeemable Preference Share	-	-
b	Subordinated Term Debt	-	-
c	Hybrid Capital Instruments	-	-
d	General Loan Loss Provision	333,114	279,291
e	Exchange Equalization Reserve	413,839	384,481
f	Investment Adjustment Reserve	347,537	1,044
g	Assets Revaluation Reserve	-	-
h	Other Reserves	-	-
	Total Capital Fund (Tier 1 and Tier 2)	7,779,409	6,111,788
1.3 Capital Adequacy Ratios		Current Period	Previous Period
Tier 1 Capital to Total Risk Weighted Exposures (After Bank's Adjustments of Pillar II)		14.08%	11.67%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures (After Bank's Adjustments of Pillar II)		16.38%	13.10%

Schedule 4.30 (Kha):

Credit Risk

As at 15 July, 2016 (31 Ashad 2073)

Rs. '000

Assets	15th July, 2016 (31 Asadh 2073)					Previous Year		
	Book Value a	Specific Provision b	Eligible CRM c	Net Value d=a-b-c	Risk Weight e	Risk Weighted Exposures f=d*e	Net Value	Risk Weighted Exposures
Cash Balance	799,366	-	-	799,366	0%	-	785,636	-
Balance With Nepal Rastra Bank	1,514,671	-	-	1,514,671	0%	-	9,308,116	-
Gold	-	-	-	-	0%	-	-	-
Investment in Nepalese Government Securities	7,281,344	-	-	7,281,344	0%	-	5,766,236	-
All claims on Government of Nepal	138,807	-	-	138,807	0%	-	138,807	-
Investment in Nepal Rastra Bank securities	2,530,000	-	-	2,530,000	0%	-	-	-
All claims on Nepal Rastra Bank	-	-	-	-	0%	-	-	-
Claims on Foreign Government and Central Bank (ECA Rating 0-1)	-	-	-	-	0%	-	-	-
Claims on Foreign Government and Central Bank (ECA Rating 2)	-	-	-	-	20%	-	-	-
Claims on Foreign Government and Central Bank (ECA Rating 3)	-	-	-	-	50%	-	-	-
Claims on Foreign Government and Central Bank (ECA Rating 4-6)	-	-	-	-	100%	-	-	-
Claims on Foreign Government and Central Bank (ECA Rating 7)	-	-	-	-	150%	-	-	-
Claims On BIS, IMF, ECB, EC and on Multilateral Development Banks (MDBs) recognized by the framework.	-	-	-	-	0%	-	-	-
Claims on Other Multilateral Development Banks	-	-	-	-	100%	-	-	-
Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	20%	-	-	-
Claims on Public Sector Entity (ECA 2)	-	-	-	-	50%	-	-	-
Claims on Public Sector Entity (ECA 3-6)	-	-	-	-	100%	-	-	-
Claims on Public Sector Entity (ECA 7)	-	-	-	-	150%	-	-	-
Claims on domestic banks that meet capital adequacy requirements	1,404,865	-	-	1,404,865	20%	280,973	1,206,822	241,364
Claims on domestic banks that do not meet capital adequacy requirements	2,076	-	-	2,076	100%	2,076	1,565	1,565
Claims on foreign bank (ECA Rating 0-1)	16,253,043	-	-	16,253,043	20%	3,250,609	13,363,575	2,672,715
Claims on foreign bank (ECA Rating 2)	1,809	-	-	1,809	50%	904	-	-
Claims on foreign bank (ECA Rating 3-6)	4,293,600	-	-	4,293,600	100%	4,293,600	7,149,070	7,149,070
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	12,689	-	-	12,689	20%	2,538	39,606	7,921

Schedule 4.30 (Kha):

Credit Risk (Continued)

As at 15 July, 2016 (31 Ashad 2073)

Rs. '000

Assets	15th July, 2016 (31 Asadh 2073)						Previous Year	
	Book Value a	Specific Provision b	Eligible CRM c	Net Value d=a-b-c	Risk Weight e	Risk Weighted Exposures f=d*e	Net Value	Risk Weighted Exposures
Claims on Domestic Corporates	14,500,029	-	1,171,499	13,328,530	100%	13,328,530	11,237,529	11,237,529
Claims on Foreign Corporates (ECA rating 0-1)	-	-	-	-	20%	-	-	-
Claims on Foreign Corporates (ECA rating 2)	-	-	-	-	50%	-	-	-
Claims on Foreign Corporates (ECA rating 3-6)	-	-	-	-	100%	-	-	-
Claims on Foreign Corporates (ECA rating 7)	-	-	-	-	150%	-	-	-
Regulatory Retail Portfolio (Not Overdue)	4,018,780	-	-	4,018,780	75%	3,014,085	3,713,628	2,785,221
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	100%	-	-	-
Claims secured by residential properties	4,539,220	-	-	4,539,220	60%	2,723,532	4,187,849	2,512,709
Claims not fully secured by residential properties	-	-	-	-	150%	-	-	-
Claims secured by residential properties (Overdue)	125,631	22,078	-	103,553	100%	103,553	79,738	79,738
Claims secured by Commercial real estate	5,002,393	-	-	5,002,393	100%	5,002,393	4,984,409	4,984,409
Past due claims (except for claim secured by residential properties)	254,568	39,200	-	215,368	150%	323,052	294,209	441,314
High Risk claims	1,758,589	3	59,465	1,699,121	150%	2,548,682	1,799,119	2,698,679
Investment in equity and other capital instruments of institutions listed in the stock exchange	398,742	-	-	398,742	100%	398,742	52,190	52,190
Investment in equity and other capital instruments of institutions not listed in the stock exchange	3,736	-	-	3,736	150%	5,603	3,736	5,604
Staff loan secured by residential property	162,848	-	-	162,848	60%	97,709	131,879	79,127
Interest Receivable/claim on government securities	2,372	-	-	2,372	0%	-	4,225	-
Cash in transit and other cash items in the process of collection	-	-	-	-	20%	-	-	-
Other Assets	620,449	299,029	-	321,419	100%	321,419	579,162	579,161
Total	65,619,626	360,311	1,230,963	64,028,352		35,698,001	64,827,106	33,767,390

Schedule 4.30 (Kha):

Credit Risk (Continued)

As at 15 July, 2016 (31 Ashad 2073)

	15th July, 2016 (31 Asadh 2073)							Previous Year	
	Book Value a	Specific Provision b	Eligible CRM c	Net Value d=a-b-c	Risk Weight e	Risk Weighted Exposures f=d*e	Net Value	Risk Weighted Exposures	
Revocable Commitments	466,586	-	-	466,586	0%	-	211,774	-	
Bills Under Collection	756,880	-	-	756,880	0%	-	608,583	-	
Forward Exchange Contract	2,226,620	-	-	2,226,620	10%	222,662	1,377,681	137,768	
LC Commitments With Original Maturity Up to 6 months (domestic counterparty)	2,366,418	-	132,131	2,234,287	20%	446,857	1,500,537	300,107	
Foreign Counterparty ECA Rating 0-1	-	-	-	-	20%	-	-	-	
Foreign Counterparty ECA Rating 2	-	-	-	-	50%	-	-	-	
Foreign Counterparty ECA Rating 3-6	-	-	-	-	100%	-	-	-	
Foreign Counterparty ECA Rating 7	-	-	-	-	150%	-	-	-	
L C Commitments With Original Maturity Over 6 months (domestic counterparty)	92,396	-	25,156	67,240	50%	33,620	33,520	16,760	
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)	443,308	-	222,024	221,284	50%	110,642	209,608	104,804	
Foreign Counterparty ECA Rating 0-1	4,738,298	-	3,715,384	1,022,914	20%	204,583	849,704	169,941	
Foreign Counterparty ECA Rating 2	3,432,449	-	1,623,460	1,808,989	50%	904,494	1,647,974	823,987	
Foreign Counterparty ECA Rating 3-6	158,614	-	-	158,614	100%	158,614	315,910	315,910	
Foreign Counterparty ECA Rating 7	14,903	-	-	14,903	150%	22,355	-	-	
Underwriting commitments	-	-	-	-	50%	-	-	-	
Lending of Bank's Securities or Posting of Securities as collateral	-	-	-	-	100%	-	-	-	
Repurchase Agreements, Assets sale with recourse	-	-	-	-	100%	-	-	-	
Advance Payment Guarantee	2,918,368	-	1,907,694	1,010,674	100%	1,010,674	1,119,341	1,119,341	
Financial Guarantee	46,867	-	4,609	42,259	100%	42,259	20,618	20,618	
Acceptances and Endorsements	331,058	-	10,045	321,013	100%	321,013	313,466	313,466	
Unpaid Portion of Partly paid shares and Securities	-	-	-	-	100%	-	-	-	
Irrevocable credit commitments (short term)	6,222,707	-	402,840	5,819,867	20%	1,163,973	6,517,641	1,303,528	

Schedule 4.30 (Kha):

Credit Risk (Continued)

As at 15 July, 2016 (31 Ashad 2073)

Rs. '000

	15th July, 2016 (31 Asadh 2073)					Previous Year		
	Book Value a	Specific Provision b	Eligible CRM c	Net Value d=a-b-c	Risk Weight e	Risk Weighted Exposures f=d*e	Net Value	Risk Weighted Exposures
Irrevocable Credit commitments (Long Term)	476,000	-	-	476,000	50%	238,000	-	-
Other Contingent Liabilities	1,022,019	-	201,420	820,599	100%	820,599	1,016,125	1,016,125
Unpaid Guarantee Claims	2,000	-	-	2,000	200%	4,000	451	902
Total	25,715,491	-	8,244,761	17,470,730		5,704,346	15,742,933	5,643,257
Total RWE for Credit Risk (A) + (B)	91,335,117	360,311	9,475,724	81,499,082		41,402,347	80,570,039	41,171,573
Adjustments under Pillar-II	-	-	-	-	-	-	-	-
Add: 10% of the loan and facilities in excess of Single Obligor Limits (6.4 a 3)	-	-	-	-	-	-	-	-
Add: 1% of the contract (sale) value in case of the sale of credit with recourse (6.4 a 4)	-	-	-	-	-	-	-	-
Total RWE for Credit Risk (After Bank's adjustments of Pillar II)	91,335,117	360,311	9,475,724	81,499,082		41,402,347	80,570,039	41,171,573
Investment in equity and other capital instruments listed in the stock exchange	398,742	-	-	398,742	100%	398,742	52,190	52,190
Investment in equity and other capital instruments of institutions not listed in the stock exchange	3,736	-	-	3,736	150%	5,603	3,736	5,604
High Risk claims	1,758,589	3	59,465	1,699,121	150%	2,548,682	1,799,119	2,698,679
Investment in equity and other capital instruments listed in the stock exchange	398,742	-	-	398,742	100%	398,742	52,190	52,190
Investment in equity and other capital instruments of institutions not listed in the stock exchange	3,736	-	-	3,736	150%	5,603	3,736	5,604
Staff loan secured by residential property	162,848	-	-	162,848	60%	97,709	131,879	79,127
Interest Receivable/claim on government securities	2,372	-	-	2,372	0%	-	4,225	-
Cash in transit and other cash items in the process of collection	-	-	-	-	20%	-	-	-
Other Assets	620,449	299,029	-	321,419	100%	321,419	579,162	579,161
Total	65,619,626	360,311	1,230,963	64,028,352		35,698,001	64,827,106	33,767,390

Schedule 4.30 (Ga):

Eligible Credit Risk Mitigants

As at 15 July, 2016 (31 Ashad 2073)

Credit exposures	Deposits with Bank	Deposits with other banks/FI	Gold	Govt. & NRB Securities	G'tee of Govt. of Nepal	Sec/G'tee of Other Sovereigns	G'tee of domestic banks	G'tee of MDBs	Sec/ G'tee of Foreign Banks	Total
Balance Sheet Exposures	-	-	-	-	-	-	-	-	-	-
Cash Balance	-	-	-	-	-	-	-	-	-	-
Balance With Nepal Rastra Bank	-	-	-	-	-	-	-	-	-	-
Gold	-	-	-	-	-	-	-	-	-	-
Investment in Nepal Government Securities	-	-	-	-	-	-	-	-	-	-
All claims on Government of Nepal	-	-	-	-	-	-	-	-	-	-
Investment in Nepal Rastra Bank securities	-	-	-	-	-	-	-	-	-	-
All claims on Nepal Rastra Bank	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Government and Central Bank (ECA Rating 0-1)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Government and Central Bank (ECA Rating 2)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Government and Central Bank (ECA Rating 3)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Government and Central Bank (ECA Rating 4-6)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Government and Central Bank (ECA Rating 7)	-	-	-	-	-	-	-	-	-	-
Claims on Other Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 2)	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 3-6)	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 7)	-	-	-	-	-	-	-	-	-	-
Claims on domestic banks that meet capital adequacy requirements	-	-	-	-	-	-	-	-	-	-
Claims on domestic banks that do not meet capital adequacy requirements	-	-	-	-	-	-	-	-	-	-
Claims on foreign bank (ECA Rating 0-1)	-	-	-	-	-	-	-	-	-	-
Claims on foreign bank (ECA Rating 2)	-	-	-	-	-	-	-	-	-	-
Claims on foreign bank (ECA Rating 3-6)	-	-	-	-	-	-	-	-	-	-
Claims on foreign bank (ECA Rating 7)	-	-	-	-	-	-	-	-	-	-

Schedule 4.30 (Ga):

Eligible Credit Risk Mitigants (Continued)

As at 15 July, 2016 (31 Ashad 2073)

Credit exposures	Deposits with Bank	Deposits with other banks/FI	Gold	Govt. & NRB Securities	G'tee of Govt. of Nepal	Sec/G'tee of Other Sovereigns	G'tee of domestic banks	G'tee of MDBs	Sec/ G'tee of Foreign Banks	Total
Claims on Foreign bank incorporated in SAARC Region operating with a buffer of 1% above their respective regulatory capital requirement	-	-	-	-	-	-	-	-	-	-
Claims on Domestic Corporates	-	32,956	-	-	-	-	-	-	1,138,543	1,171,499
Claims on Foreign Corporates (ECA 0-1)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Corporates (ECA 2)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Corporates (ECA 3-6)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Corporates (ECA 7)	-	-	-	-	-	-	-	-	-	-
Regulatory Retail Portfolio (Not Overdue)	-	-	-	-	-	-	-	-	-	-
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	-	-	-	-	-	-
Claims secured by residential properties	-	-	-	-	-	-	-	-	-	-
Claims not fully secured by residential properties	-	-	-	-	-	-	-	-	-	-
Claims secured by residential properties (Overdue)	-	-	-	-	-	-	-	-	-	-
Claims secured by commercial real estate	-	-	-	-	-	-	-	-	-	-
Past due claims (except for claim secured by residential properties)	-	-	-	-	-	-	-	-	-	-
High Risk claims	59,465	-	-	-	-	-	-	-	-	59,465
Investment in equity and other capital instruments of institutions listed in the stock exchange	-	-	-	-	-	-	-	-	-	-
Investment in equity and other capital instruments of institutions not listed in the stock exchange	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-

Schedule 4.30 (Ga):

Eligible Credit Risk Mitigants (Continued)

As at 15 July, 2016 (31 Ashad 2073)

Credit exposures	Deposits with Bank	Deposits with other banks/FI	Gold	Govt. & NRB Securities	Govt. of Nepal	Sec/G'tee of Other Sovereigns	G'tee of domestic banks	G'tee of MDBs	Sec/ G'tee of Foreign Banks	Total
Off Balance Sheet Exposures										
Forward Exchange Contract Liabilities	-	-	-	-	-	-	-	-	-	-
LC Commitments With Original Maturity Up to 6 months (domestic counterparty)	132,131	-	-	-	-	-	-	-	-	132,131
Foreign Counterparty ECA Rating 0-1	-	-	-	-	-	-	-	-	-	-
Foreign Counterparty ECA Rating 2	-	-	-	-	-	-	-	-	-	-
Foreign Counterparty ECA Rating 3-6	-	-	-	-	-	-	-	-	-	-
Foreign Counterparty ECA Rating 7	-	-	-	-	-	-	-	-	-	-
L C Commitments With Original Maturity Over 6 months (domestic counterparty)	25,156	-	-	-	-	-	-	-	-	25,156
Foreign Counterparty ECA Rating 0-1	-	-	-	-	-	-	-	-	-	-
Foreign Counterparty ECA Rating 2	-	-	-	-	-	-	-	-	-	-
Foreign Counterparty ECA Rating 3-6	-	-	-	-	-	-	-	-	-	-
Foreign Counterparty ECA Rating 7	-	-	-	-	-	-	-	-	-	-
Bid Bond, Performance Bond and Counter Guarantee (domestic counterparty)	222,024	-	-	-	-	-	-	-	-	222,024
Foreign Counterparty ECA Rating 0-1	-	-	-	-	-	-	-	-	3,715,384	3,715,384
Foreign Counterparty ECA Rating 2	-	-	-	-	-	-	-	-	1,623,460	1,623,460
Foreign Counterparty ECA Rating 3-6	-	-	-	-	-	-	-	-	-	-
Foreign Counterparty ECA Rating 7	-	-	-	-	-	-	-	-	-	-
Underwriting commitments	-	-	-	-	-	-	-	-	-	-
Lending of Bank's Securities or Posting of Securities as collateral	-	-	-	-	-	-	-	-	-	-
Repurchase agreements, Assets sale with recourse	-	-	-	-	-	-	-	-	-	-

Schedule 4.30 (Ga):

Eligible Credit Risk Mitigants (Continued)

As at 15 July, 2016 (31 Ashad 2073)

Credit exposures	Deposits with Bank	Deposits with other banks/ FI	Gold	Govt. & NRB Securities	Govt. of Nepal	G'tee of Other Sovereigns	G'tee of domestic banks	G'tee of MDBs	Sec/ G'tee of Foreign Banks	Total
Advance Payment Guarantee	-	-	-	-	-	-	-	-	1,907,694	1,907,694
Financial Guarantee	1,925	-	-	-	-	-	-	-	2,684	4,609
Acceptance and Endorsements	10,045	-	-	-	-	-	-	-	-	10,045
Unpaid Portion of Partly paid shares and Securities	-	-	-	-	-	-	-	-	-	-
Irrevocable Credit Commitments(short term)	-	67,983	-	-	-	-	-	-	334,857	402,840
Irrevocable Credit Commitments(long term)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign bank incorporated in SAARC Region operating with a buffer of 1% above their respective regulatory capital requirement	-	-	-	-	-	-	-	-	-	-
Other Contingent Liabilities	201,420	-	-	-	-	-	-	-	-	201,420
Claim Received on Guarantee (As per directive 13/065/66)	-	-	-	-	-	-	-	-	-	-
Total Eligible CRM	652,164	100,939	-	-	-	-	-	-	8,722,618	9,475,724

Schedule 4.30 (Gha):

Operational Risk

As at 15 July, 2016 (31 Ashad 2073)

Rs.' 000

S.N.	Particulars	16.07.2014	16.07.2015	15.07.2016	16.07.2015
1	Net Interest Income	2,007,659	1,913,515	1,849,878	
2	Commission and Discount Income	383,611	362,964	357,520	
3	Other Operating Income	44,157	38,010	48,096	
4	Exchange Fluctuation Income	477,996	613,936	629,555	
5	Additional/ Deduction Interest Suspense during the period	(12,389)	(14,520)	558	
	Gross Income (a)	2,901,034	2,913,906	2,885,607	
	Fixed Percentage (b)	15%	15%	15%	
	Gross Income as per Fixed Percentage[c=(a*b)]	435,155	437,086	432,841	
	Capital Requirement for Operational Risk(d) (average of c)			435,027	429,105
	Risk Weight (reciprocal of capital requirement of 10% in times (e))			10	10
	Equivalent Risk Weight Exposure for Operational Risk[f=(d*e)]			4,350,273	4,291,050
Pillar-II Adjustments					
If Gross Income for all the last three years is negative (6.4 a 8)					
	Total Credit and investments (net of Specific Provision)				-
	Capital Requirement for operational risk (5%)				-
	Risk Weight (reciprocal of capital requirement of 10%) in times				-
	Equivalent Risk Weight Exposure (g)				-
	Equivalent Risk Weight Exposure [(h=f or g)]			4,350,273	4,291,050

Schedule 4.30 (Nga):

Market Risk

As at 15 July, 2016 (31 Ashad 2073)

Rs.' 000

S. No.	Currency	As on 15 July, 2016			Previous Year Relevant Open Position (Rs.) as on 16.07.2015
		Open Position (FCY)	Open Position (Rs.)	Relevant Open Position (Rs.)	
1	INR	1,400,363	2,241,631	2,241,631	1,177,282
2	USD	(419)	(44,951)	44,951	60,984
3	GBP	3	466	466	2,670
4	EUR	14	1,654	1,654	2,187
5	THB	31	95	95	1
6	CHF	(3)	(359)	359	541
7	AUD	53	4,349	4,349	49
8	CAD	40	3,325	3,325	2,492
9	SGD	35	2,795	2,795	2,219
10	JPY	4,120	4,185	4,185	617
11	HKD	118	1,631	1,631	949
12	DKK	93	1,488	1,488	1,395
13	SEK	99	1,257	1,257	1,070
14	SAR	20	562	562	957
15	QAR	2	61	61	29
16	AED	4	129	129	355
17	MYR	18	478	478	412
18	KRW	360	34	34	44
19	CNY	116	1,871	1,871	223
20	KWD	0	137	137	22
21	BHD	-	-	-	-
Total Open Position (a)				2,311,459	1,254,498
Fixed Percentage (b)				5%	5%
Capital Charge for Market Risk [c=(a*b)]				115,573	62,725
Risk Weight (reciprocal of capital requirement of 10%) in times (d)				10	10
Equivalent Risk Weight Exposures for Market Risk [e=(c*d)]				1,155,729	627,255

Schedule 4.31:

Key Indicators

Particulars	Indicators	FY	FY	FY	FY	FY
		2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
1. Net Profit/Gross Income	Percent	30.12	34.96	36.73	33.76	34.46
2. Earning Per Share	Rs.	72.60	65.70	65.47	57.38	45.96
3. Market Value Per Share	Rs.	1,799	1,820	2,799	1,943	3,600
4. Price Earning Ratio	Ratio	24.78	27.70	42.75	33.86	78.33
5. Dividend (including bonus) on Share Capital	Percent	60.00	50.00	51.50	44.21	35.09
6. Cash Dividend on Share Capital	Percent	45.00	40.00	41.50	19.21	1.75
7. Interest Income/Loan & Advances	Percent	11.16	9.76	9.31	8.68	6.86
8. Staff Expenses/Total Operating Expenses	Percent	22.19	29.79	33.80	32.13	32.52
9. Interest Expenses on Total Deposit and Borrowings	Percent	2.80	1.55	1.24	1.15	1.01
10. Exchange Fluctuation Income/ Total Income	Percent	12.07	14.78	13.14	16.06	16.78
11. Staff (statutory) Bonus/Total Staff Expenses	Percent	30.22	29.24	28.30	27.01	27.29
12. Net Profit/Loan and Advances	Percent	5.90	5.26	5.08	4.60	4.08
13. Net Profit/Total Assets	Ratio	2.80	2.67	2.51	1.99	1.98
14. Total Credit/Deposit	Percent	55.13	58.63	56.87	48.92	56.88
15. Total Operating Expenses/Total Assets	Percent	4.18	3.10	2.67	2.42	2.28
<u>16. Adequacy of Capital Fund on Risk Weighted Assets</u>						
a. Core Capital	Percent	12.29	11.03	10.83	11.67	14.08%
b. Supplementary Capital	Percent	1.64	1.51	1.44	1.43	2.30%
c. Total Capital Fund	Percent	13.93	12.54	12.27	13.10	16.38%
17. Liquidity (CRR)	Ratio	22.40	16.43	21.18	24.03	7.98
18. Non-performing Credit/Total Credit	Percent	0.78	0.77	0.48	0.34	0.32
19. Weighted Average Interest Rate Spread (different basis till 2012/13)	Percent	3.92	4.12	7.09	5.27	4.64
20. Book Net-worth	Rs'000	4,122,169	4,617,574	5,088,091	5,948,555	7,524,175
21. Total Shares	No.	16,101,680	18,539,000	20,416,720	22,481,612	28,124,260
22. Total Staff	No.	424	454	460	433	435
23. Networth Per Share	Rs.	256	249	249	265	268
24. Return on Equity	Percent	28.36	26.38	26.27	21.69	17.18
25. Profit per Employee	Rs'000	2,757	2,683	2,906	2,979	2,971

Schedule 4.32:

Significant Accounting Policies

Financial Year 17 July 2015 to 15 July 2016 (1 Shrawan 2072 to 31 Ashad 2073)

1. General Information

Standard Chartered Bank Nepal Limited (SCBNL or “the Bank”) has been in operation in Nepal since 1987. It was initially registered as a joint venture operation. Today it is an integral part of Standard Chartered Group, which has ownership of 75% in the company and remaining 25% is owned by the Nepalese public.

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

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

2. Statement of Compliance

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

Approval of financial statements

Accompanied financial statements have been adopted by the Board of Directors on its meeting held on 19 October 2016 and have been recommended for approval by shareholders in the Annual General Meeting

3. Basis of Preparation

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

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

4. This Regulatory purpose financial statements has been prepared under the historical cost convention on the accrual basis of accounting (except for interest income on loans and advances which is accounted for on cash basis), and in accordance with Nepal Financial Reporting Standards (NFRS) to the extent they are in conformity with the regulatory requirements and in accordance with the Statutory requirements of Banks and Financial Institutions Act 2063 BS, The Companies Act 2063 and directives, circulars and guidelines issued by Nepal Rastra Bank (NRB) from time to time. A reconciliation report between these Financial Statements and the NFRS compliant Financial Statements has been presented in notes to Annual Accounts.

5. Use of Estimates

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

6. Significant Accounting Policies

6.1 Income Recognition

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

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

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

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

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

6.2 Foreign Currency Transactions and Balances

Transactions in Foreign currency are recorded at exchange rates prevailing on the date of transaction. Exchange differences arising on foreign exchange transactions settled during the year are recognised as trading gains/losses in the Profit and Loss Account.

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

6.3 Loans, Advances and Bills Purchased

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

Classification

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

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

Provisioning

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

Write off

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

6.4 Investments

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

Classification

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

The Bank follows the settlement date accounting for its investments.

Valuation

Investments classified as HTM are carried at acquisition cost. Any premium or discount on acquisition is amortised over the remaining period till maturity on the basis of a constant yield to maturity. Where in the opinion of management and in accordance with NRB guidelines, there is a diminution in the value of any HTM security, which is other than temporary, appropriate provisions are made and charged to Profit and Loss Account

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

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

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

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

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

6.5 Property Plant & Equipment (PPE)

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

PPE Individually costing less than or equal to Rs. 400,000 (Rs. Four Lakhs) is expensed in the year of purchase. Costs of refurbishment and renovation of leasehold/owned premises are capitalised provided they are in excess of Rs. 400,000 (Rs. Four Lakhs).

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

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

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

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

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

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

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

6.6 Accounting for Leases

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

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

6.7 Retirement and Other Employee Benefits

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

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

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

6.8 Taxation

a. Current Income Tax

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

b. Deferred Income Tax

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

The principal temporary differences arise on account of differences in depreciation of PPE, provision for diminution in the value of investment in shares, provisions for gratuity, performance bonus and premium on development bonds between financial statements and tax bases. Deferred tax created on temporary differences adjusted in PL Account is charged to PL Account while those charged to PL Appropriation Account (Other Comprehensive Income- OCI) are charged to OCI. Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets are deducted from the calculation of core capital.

Deferred Tax Reserve equivalent to Deferred Tax Assets has been created as per the regulatory requirement and is transferred to accumulated profit as the directive relating to creation of deferred tax reserve has been withdrawn by Nepal Rastra Bank.

6.9 Stationery

Stationery purchased is expended directly for consumption.

6.10 Non Banking Assets

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

6.11 Provisions, Contingent Liabilities and Contingent Assets

The Bank creates a provision when there is a present obligation as a result of past events that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are neither recognised nor disclosed in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs. Liabilities on account of derivative contracts are reported under Contingent liabilities under sub heading Outstanding Liabilities for Forward Exchange Contract. These include notional principal on outstanding forward rate agreements. .

6.12 Provision for reward points awarded to customers

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

6.13 Provision for Staff Bonus

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

6.14 Rounding off

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

Schedule 4.33:

Notes to Accounts

Financial Year 17 July 2015 to 15 July 2016 (1 Shrawan 2072 to 31 Ashad 2073)

1. Provision for Bonus

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

2. Staff Housing Fund

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

3. Taxation Assessment Status

Financial Year 2005-06

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

Financial Year 2009-10

For financial year 2009-10 (2066-67) LTPO raised a demand for Rs. 1.5 Mio of tax and 0.3 Mio of interest. The Bank contested the order on few issues and filed for Administrative Review. The bank has now settled the case by payment of Rs 1.13 Mio and the same has been charged in this year's P&L Account.

Financial Year 2010-11 and 2011-12

For financial year 2010-11 (2067-68) LTPO had done the reassessment of tax in the previous year and demanded reverse VAT on payments made to Visa and Master Card for the services provided by them. A demand of Rs. 13 Mio was made (including interest of Rs. 3.6 Mio). The Bank contested the order and filed for Administrative Review.

Similarly For financial year 2011-12 (2068-69) LTPO completed the reassessment during the year and a demand of Rs. 14.2 Mio was made (including interest of Rs. 4 Mio). The Bank contested the order and filed for Administrative Review.

During the year, decisions were made on the above applications in the Bank's favour. Accordingly the provision of Rs. 48.3 Mio that was made in the previous year for the years 2010-11 to 2014-15 was reversed during the year and taken to the Profit and Loss Account.

Financial Year 2012-13 to 2014-15

The self assessment returns filed by the Bank for financial year 2012-13 (2069-70 BS) to 2014-15 (2071-72 BS), has not yet been opened for reassessment by the LTPO.

4. Provision for Gratuity

During the year, the Bank has revised its accounting policy to account for gratuity liability on actuarial basis. The net amount charged/movement is given below:

Defined Benefit Plan – Liabilities

	Rs. '000		
Particulars	2015-16	2014-15	2013-14
Opening Liability (excluding pre-payment)	231,226	209,354	191,264
Interest Charge (unwinding interest)	15,991	14,475	13,228
Current Service cost	18,716	17,351	16,532
Less: Gratuity Paid during the year	(14,071)	(7,855)	(6,319)
Closing Liability			
Actuarial Gain or Loss	(880)	(2,099)	(5,350)
Assessed Liability (actuarial assessment)	250,982	231,226	209,354

Defined Benefit Plan – Assets

Particulars	FY 2012/13	FY 2011/12	FY 2010/11
Opening Assets	148,443	134,093	112,213
(+) Estimated Investment Returns for the year	14,035	10,473	8,227
(+) Additional Investment during the year	88,105	11,732	19,972
(-) Withdrawal (payouts during the year)	(14,071)	(7,855)	(6,319)
Closing Assets	236,512	148,443	134,093
Net Defined Benefit Plan Liability	14,471	82,783	75,261
Net Charge	19,793	19,254	16,182
Net Charge - P&L	20,673	21,353	21,532
Net Charge (credit) – SoCE (P&L App.)	(880)	(2,099)	(5,350)

Principal actuarial assumptions

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

5. Performance Bonus

The Bank's total reward consists of fixed and variable compensation. Performance Bonus is a variable component based on the Bank's overall performance and individual employee's annual performance. It is provisioned on the basis of the individual targets set and paid in line with the actual achievements. A total of Rs 58,015,568 has been provided for the performance bonus in this year.

6. Dividend and Bonus

The Board has recommended Rs. 49,340,807 as cash dividend and Rs. 937,475,333 bonus shares as appropriation for the reported year. This proposal of the Board has been shown under Proposed Dividend for the cash portion and under Share Capital for the Proposed Bonus Shares issue respectively.

7. Investment Adjustment Reserve

There has been change in the Investments Adjustment Reserve due to change in accounting policy for recognition of increase in market price of Investments classified as Available for sale (AFS)(Investment in Corporate Shares as per IAS 39.

The total increase this year amounts to Rs. 210668460 while the retrospective adjustment in the previous year is Rs 135824000. Further IAR of Rs. 1200 is created from accumulated profit for reinstated value of shares of Grameen Bikas Bank. No adjustments are made in the earlier balance of Investment adjustment Reserve.

Particulars	Balance 15.07.2016	Balance 16.07.2015	Remarks
Total Available For Sale (AFS) Investments	559,85,500	61,925,500	
Less; Provision held in the books		6,000,000	
Less; Exempted for Reserve creation as per NRB directives	3,735,500	3,735,500	Credit Information Company and Nepal Clearing House Ltd are exempted
Net AFS Investment	52,250,000		
	52,190,000		
Investment Adjustment Reserve@2%	1,045,000		
	1,043,800		
Closing balance of Investment Adjustment Reserve	1,045,000		
	1,043,800		
	Balance in Other Reserves before adjustment for share price		
Increase due to share price - this year	210,668,460		
Retrospective increase due to share price - this year increase- previous year	135,824,000	135,824,000	
Closing balance of Investment Adjustment Reserve	347,537,460	136,867,800	Balance reported as Other Reserves

8. Unpaid Dividend

As on the balance sheet date, unpaid dividend for over five years amounts to Rs. 6,989,871. The Bank published a notice in a national daily detailing the information about the unclaimed dividend on 5th August 2016.

9. Paid up share capital

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

Financial Year	Cumulative Paid up Capital Rs.	Remarks
1987-88 (2044-45 BS)	30,000,000	Opening Share Capital at Rs. 60 paid up
1990-91 (2047-48 BS)	50,000,000	Capitalisation of Reserve Rs. 100 paid up
1992-93 (2049-50 BS)	100,000,000	Issuance of 100% Bonus Shares
1994-95 (2051-52 BS)	150,000,000	Issuance of 50% Bonus Shares
1996-97 (2053-54 BS)	225,571,800	Issuance of 50% Bonus Shares
1997-98 (2054-55 BS)	339,548,800	Issuance of 50% Bonus Shares
2002-03 (2059-60 BS)	374,640,400	Issuance of 10% Bonus Shares
2005-06 (2062-63 BS)	413,254,800	Issuance of 10% Bonus Shares
2006-07 (2063-64 BS)	620,784,000	Issuance of 50% Bonus Shares
2007-08 (2064-65 BS)	931,966,400	Issuance of 50% Bonus Shares
2008-09 (2065-66 BS)	1,398,483,600	Issuance of 50% Bonus Shares
2009-10 (2066-67 BS)	1,610,168,000	Issuance of 15% Bonus Shares
2011-12 (2068-69 BS)	1,853,900,000	Issuance of 15% Bonus Shares
2012-13 (2069-70 BS)	2,041,672,000	Issuance of 10% Bonus Shares
2013-14 (2070-71 BS)	2,248,161,200	Issuance of 10% Bonus Shares
2014-15 (2071-72 BS)	2,812,426,000	Issuance of 25% Bonus Shares

Share capital of Rs. 2,224,500 is issued after collecting cash from the shareholders for any odd lot bonus share.

10. Related Party Disclosures

Accounting Policy

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

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

Explanatory Notes

Ultimate Parent and the Group

- i) Ultimate Parent Company : Standard Chartered Plc, London UK
- ii) Major Shareholders
 - (a) Standard Chartered Grindlays Ltd., Australia : Holding 50% of shares
 - (b) Standard Chartered Bank, UK: Holding 25% of shares

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

(a) Head Office and Branches of Head Office

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

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

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

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

Rs. '000

Transaction during the year	SCB Group	
	2015-16	2014-15
Placements (total placements made during the year)	2,462,434,945	2,041,170,105
Interest on placements	155,769	102,865
Shared Service Center Costs	620,001	47,758
Training Fees	-	-
Other transactions	-	-

Rs. '000

Year end Balance	SCB Group		
	15.07.2016	16.07.2015	16.07.2014
Placements	14,656,860	11,973,546	7,960,305
Nostro Balances	1,204,156	652,392	645,948
Interest Receivable	31,435	39	27
Shared Service Cost Payable	-	-	-
Trade Contingents	4,958,486	1,130,403	16,366,395
Fee Income Receivables	16,543	44,123	83,407

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

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

Transactions with and payments to directors of the bank

Following payments have been made to the directors of the bank

Particulars	Rs. '000	
	2015-16	2014-15
Directors' sitting fees	703	823
Directors' travel and meeting expenses	576	259
Other directors' expenses (if any)	-	-
Remuneration and bonus of the executive director(s)	21,259	19,478
Other benefits of the executive director(s)	12,505	11,046
	35,042	31,606

Payments to the executive director are net of taxes

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

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

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

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

Particulars	Rs. '000	
	2015-16	2014-15
Remuneration and current employee benefits	22,810	17,833
Terminal benefit (gratuity)	5,645	11,632
Bonus (statutory bonus and welfare assistance)	14,437	11,646
Performance Bonus	9,245	6,855
Vehicle benefit - car allowance	3,960	3,510
Other benefits and payments	1,722	1,299
	57,819	52,775

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

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

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

11. Operating Lease Commitment

The future minimum lease payment under non-cancellable operating leases, where the Bank is lessee is NIL. Lease rental for premises are charged on straight line basis in accordance to the lease. All other expenses are recognised when they become due for payment. The change in the accounting policy has resulted in an increase of lease expenses by Rs 10,659,000 the current year and Rs 13,919,000 in the previous year. The impact of this in the opening retained earning is Rs 18,660,000.

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

Rs. Mio				
S. No.	Particulars	Outstanding	% of total Loans	Requirement
a.	As of 15th July 2016	1,550	5.94%	5. %
b.	As of 16th July 2015	1,356	4.60%	4.50%

13. Concentration of Deposits, Loans & advances and Contingents

Rs. Mio			
S. No.	Particulars	As at 15th July 2016	As at 16th July 2015
a.	Total deposits	55,727	57,286
b.	Total deposits of twenty largest depositors	18,469	21,624
c.	Total Deposit of a single largest depositor	8790	8,901
d.	Percentage of deposits of twenty largest depositors to total deposit of the Bank	33.14%	37.75%
e.	Percentage of highest single depositor	15.77%	15.54%
f.	Total Loans & Advances	31,697	28,024
g.	Total loans & advances of twenty largest borrowers	14,629	12,201
h.	Total loans & advances to a single largest borrower	2,227	1,973
i.	Percentage of twenty largest borrowers to total loans and advances	46.15%	43.54%
j.	Percentage of highest exposure in a single largest borrower	7.03%	7.04%
k.	Total Contingent Liabilities	25,249	23,088
l.	Total Contingent to a single largest customer	382.13	410
m.	Highest exposure in a single largest customer	1.51%	1.78%

14. Reconciliation status

Particulars	Total Amount	< 3 Months	>3<9 Months	> 9<12 Months	> 12 Months
Branch Adjustments Accounts	-	-	-	-	-
Agency Accounts	646,175,286	644,762,468	1,412,818		

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

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

Rs. In '000

Particulars	Amount
Loans Disbursed	56,095,693
Loans Recovered	52,421,938
Loans Written-off	2,568
Interest Written-off	-

16. Summary of Changes in Deposit Liabilities:

Rs. In '000

Particulars	Balance as at 16.07.2015	Received/ (Withdrawn)	Balance as at 15.07.2016
Current and Margin Accounts	16,825,650	(2,552,489)	14,273,161
Saving Account	23,476,444	3,434,914	26,911,357
Call Deposits	13,867,166	(2,538,561)	11,328,605
Fixed Deposits	3,117,223	96,833	3,214,055
Total	57,286,482	(1,559,304)	55,727,178

17. Weighted Average Interest Spread:

Particulars	Rate %
a. Weighted average yield on loans and investments (Gsec)	5.90
b. Average Cost of local currency deposits	1.26
c. Spread (Yield - Cost) i.e. c=b-a	4.64

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

Rs. in '000

Particulars	Amount
Software Costs	-
Licence Fees	-
Premium on Development Bonds	9,622
Total	9,622

19. Classification of Assets and Liabilities based on Maturity

Rs. In Mio

Particulars	1-90 Days	91-180 Days	181-270 Days	271 Days - 1 Year	Over 1 Year	Total
Assets						
Cash Balance	799	-	-	-	-	799
Balance with Banks & FIs	3,173	-	-	-	-	3,173
Investment in Foreign Banks	6,440	1,610	1,610	3,220	-	12,881
Call Money	6,070	-	-	-	-	6,070
Government Securities	1,398	1,364	1,283	2,987	250	7,281
Nepal Rastra Bank Bonds	-	-	-	2,530	-	2,530
Inter Bank & FI Lending	-	-	-	-	-	-
Loans, Advances & Bills Purchased	10,949	4,878	2,078	1,488	12,305	31,697
Interest Receivable	31	8	5	8	2	54
Reverse Repo	-	-	-	-	-	-
Receivables from other Institutions under Commitment	-	-	-	-	-	-
Payments under S.No. 20,21 & 22	-	-	-	-	-	-
Other Assets	-	-	-	621	474	1,095
Total Assets	28,860	7,860	4,976	10,854	13,030	65,580
Liabilities						
Current Deposits	6,603	-	-	-	7,088	13,690
Saving Deposits (Including call)	15,086	-	-	-	23,154	38,240
Fixed Deposits	550	973	996	658	37	3,214
Debentures and Bonds	-	-	-	-	-	-
Borrowings	500	-	-	-	-	500
Call/Short Notice	-	-	-	-	-	-
Inter-bank/Financial Institutions	500	-	-	-	-	500
Refinance	-	-	-	-	-	-
Others	-	-	-	-	-	-
Other Liabilities and Provisions	732	182	-	471	261	1,646
Sundry Creditors	361	-	-	-	-	361
Bills Payable	310	-	-	-	-	310
Interest Payable	61	-	-	-	-	61
Provisions	-	182	-	-	394	576
Others	-	-	-	471	-	471
Payable to other institutions under Commitment	-	-	-	-	-	-
Irrevocable Loan Commitment	5,639	75	722	131	131	6,699
Letter of Credit/Guarantee (Net of Margin)	3,345	1,379	2,307	2,648	4,470	14,149
Repo	-	-	-	-	-	-
Payable under s.no.11	-	-	-	-	-	-
Others	47	-	-	-	7,524	7,571
Total Liabilities	32,501	2,609	4,025	3,908	42,665	85,709
Net Financial Assets	(3,641)	5,251	951	6,945	(29,635)	(20,129)
Cumulative Net Financial Assets	(3,641)	1,610	2,561	9,506	(20,129)	-

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

21. Closure of branches at Hetauda and Bhairahawa and disposal of assets

The Bank has closed its branches located at Hetauda and Bhairahawa and sold its land and building at a total price of Rs. 44.11 million. This has resulted into a gain of Rs. 27.63 million and the same has been disclosed as profit on sale of assets under Non-operating Income.

22. Details of Customer complaints

S. No.	Particulars	For the fiscal year 2015/16
a.	No. of complaints pending at the beginning of the year	0
b.	No. of complaints received during the year	510
c.	No. of complaints redressed during the year	499
d.	No. of complaints pending at the end of the year	11

23. Penalties

There were no penalties other than the one mentioned below paid by the Bank during the last two fiscal years to the regulators i.e. NRB, Company Registrar's Office, SEBON and NEPSE. During the year the Bank paid a fine of Rs. 25,000 for breach of Section 76 (1) of the Company Act, 2063 BS which requires the companies to hold their Annual General Meeting every year within six months after the expiry of the financial year.

24. Interest Realisation after Year End

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

25. Impact of Change in accounting Policy

The Bank has changed its accounting policy relating to gratuity, operating lease and Investment classified as available for sale (AFS). The net impact of change is given in the table below

Account Head	Schedule	Revised	Before Revision	Change	Impact	Reason of Change
Gratuity Provision	4.23	20,673,000	65,489,058	44,816,058	Expenses Reduced	Accounting Policy change to Actuarial Valuation
Rent (Operating Lease)	4.24	81,044,617	70,385,617	(10,659,000)	Expenses Increased	Accounting Policy Change as per SLM on Lease Accounting
Deferred Tax Expenses	P&L	21,321,087	18,643,374	(2,677,712)	Income Reduced	Revised Computation of Deferred Tax
Net Profit	P&L	1,292,494,632	1,261,015,316	31,479,346	Profit Increased	
Actuarial Gain/(losses) on Gratuity Provision routed through PL App.	PL App	880,000	-	880,000	Routed through PL App.	Accounting Policy change to Actuarial Valuation
Deferred Tax on Actuarial Gain through PL App.	PL App	(264,000)	-	(264,000)	Routed through PL App.	Accounting Policy change to Actuarial Valuation
First Time NFRS Adoption	PL App	(25,231,350)	-	(25,231,350)	Routed through PL App.	First Time NFRS Adoption
General Reserve	4.2	2,897,528,788	2,891,232,924	6,295,863	Net Impact on General Reserve	
Investment Adjustment Reserve	4.2	347,537,460	1,043,800	346,493,660	Increase in Reserve	Corporate Share Marked to Market through PL App.

In Rs..

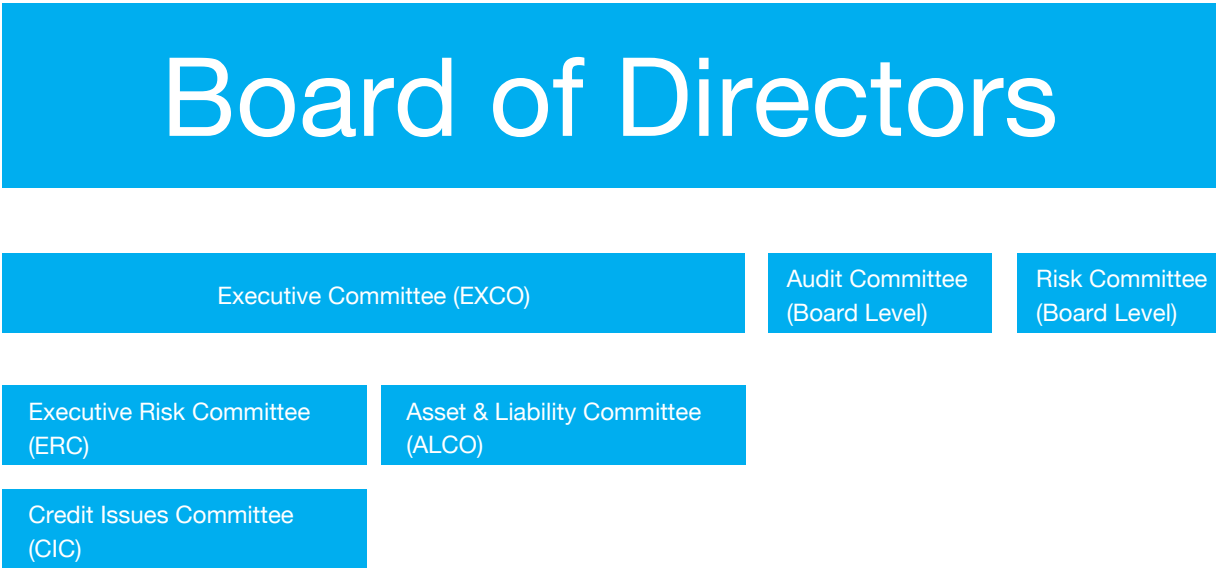
Reclassification of Previous Years Figures

The reconciliation of changes in the PY figures is given in the table below

Account Head	Schedule	Revised	Last Year Reported	Change	Impact	Reason of Change
Gratuity Provision	4.23	21,353,000	58,744,097	37,391,097	Expenses Reduced	Accounting Policy change to Actuarial Valuation
Rent	4.24	83,701,466	69,782,466	(13,919,000)	Expenses Increased	Accounting Policy Change as per SLM on Lease Accounting
Deferred Tax Income	P&L	10,347,846	13,493,374	(3,145,528)	Income Reduced	Revised Computation of Deferred Tax
Net Profit	P&L	1,310,351,917	1,290,025,348	20,326,569	Profit Increased	
Investment in Corporate Shares	4.12	197,749,500	61,925,500	135,824,000	Increase in Investment	Corporate Share Marked to Market thorough PL App.
Deferred Tax Assets	4.16	99,465,269	103,050,310	(3,585,041)	Decrease in other Assets	Revised Computation of Deferred Tax
Expenses Not Written off	4.16	-	13,006,995	(13,006,995)	Reclassified into Value of Bond	As per IAS 39
Government of Nepal Bond	4.12	363,006,995	350,000,000	13,006,995	Reclassified from Write off Expenses	As per IAS 39
Gratuity Provision	4.7	82,782,493	127,311,630	(44,529,137)	Liability Reduced due to Actuarial Valuation	Accounting Policy change to Actuarial Valuation
Sundry Creditors	4.7	350,399,956	317,820,956	32,579,000	Liability Increased due to Lease accounting	Accounting Policy Change as per SLM on Lease Accounting
Investment Adjustment Reserve	4.2	136,867,800	1,043,800	135,824,000	Increase in Reserve	Corporate Share Marked to Market thorough PL App.
Accumulated Profit	4.2	32,606,508	24,241,412	8,365,096	Net Impact of Last year and earlier years	
Cash flow						
Other expenses-cash flow from operating activities		18,753,387	828,540,493	(809,787,106)	Nil	Reclassification of dividend paid to financing activity
Dividend paid to ordinary shareholders net of scrip		828,540,493	-	828,540,493		
Other Liabilities		54,767,437	73,520,824	(18,753,387)		
Closing cash balance		9,211,142,928	11,572,441,927	(2,361,299,000)	Nil	Reclassification of restricted balance (CRR)
Decrease / (Increase) in Restricted Balance (CRR)		88,300,000	-	88,300,000		
Opening Cash and Bank Balance		6,915,305,208	9,188,304,208	22,72,99,000		

26. Country Governance Framework with Chart.

The diagram below illustrates the high level risk committee structure.



Schedule 4.34:**Statement of loan availed by bank's promoter/
promoters' group from other bank and financial
institutions by pledging their shares.**

as on 16th July 2015 (31 Ashad 2073)

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

Schedule 4.35:

Comparison of Unaudited and Audited Financial Statement as of FY 2072/73

S. No.	Particulars	As per Unaudited Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
				In Amount	In %	
1	Total Capital and Liabilities (1.1 to 1.7)	65,239,806	65,580,127	340,321	0.52%	
	1.1 Paid up Capital	2,812,426	3,749,901	(937,475)	-33.33%	Proposed Bonus Shares
	1.2 Reserve and Surplus	4,403,851	3,774,274	(629,577)	-14.30%	Recognition of fair value of Investment held as AFS & Proposed Bonus Shares
	1.3 Debenture and Bond	-	-	-	0.00%	
	1.4 Borrowings	500,000	500,000	-	0.00%	
	1.5 Deposits (a+b)	55,727,178	55,727,178	-	0.00%	
	a. Domestic Currency	37,883,973	37,883,973	-	0.00%	
	b. Foreign Currency	17,843,205	17,843,205	-	0.00%	
	1.6 Income Tax Liability	-	-	-	0.00%	
	1.7 Other Liabilities	1,796,351	1,828,774	32,423	1.80%	Proposed Dividend & provision created on leases as per SLM
2	Total Assets (2.1 to 2.7)	65,239,806	65,580,127	340,321	0.52%	
	2.1 Cash and Bank Balance	3,972,332	3,972,332	0	0.00%	
	2.2 Money at Call and Short Notice	6,069,660	6,069,660	-	0.00%	
	2.3 Investments	22,738,262	23,094,622	356,360	1.57%	Recognition of fair value of Investment held as AFS
	2.4 Loans and Advances (a+b+c+d+e+f)*	31,697,345	31,697,345	(0)	0.00%	
	a. Real Estate Loan	1,773,787	1,773,787	-	0.00%	
	1. Residential Real Estate Loan (Except Personal Home Loan upto Rs.10 million)	572,765	572,765	-	0.00%	
	2. Business Complex and Residential Apartments Construction Loan	-	-	-		
	3. Income generating Commercial Complex Loan	-	-	-		
	4. Other Real Estate Loan (including land purchase and plotting)	1,201,022	1,201,022	-	0.00%	
	b. Personal Home Loan of Rs. 10 million or Less	4,835,523	4,835,523	-	0.00%	
	c. Margin Type Loan	-	-	-		
	d. Term Loan	1,987,523	1,987,523	-	0.00%	
	e. Overdraft/ TR Loan/WC Loan	14,455,608	14,455,608	-	0.00%	
	f. Others	8,644,904	8,644,904	-	0.00%	
	2.5 Fixed Assets	49,737	71,306	21,569	43.37%	Reclassification from Other Assets
	2.6 Non Banking Assets	-	-	-	0.00%	
	2.7 Other Assets	712,470	674,863	(37,607)	-5.28%	Reclassification and decrease in deferred tax assets
3	Profit and Loss Account					
	3.1 Interest Income	2,426,886	2,415,583	(11,303)	-0.47%	
	3.2 Interest Expense	569,090	565,705	(3,385)	-0.59%	

Schedule 4.35:

Comparison of Unaudited and Audited Financial Statement as of FY 2072/73 (Continued)

S. No.	Particulars	As per Unaudited Financial Statement	As per Audited Financial Statement	Variance	Reasons for Variance
A.	Net Interest Income (3.1 - 3.2)	1,857,796	1,849,878	(7,918)	-0.43%
	3.3 Fees, Commission and Discount	349,845	357,520	7,675	2.19% Reclassification
	3.4 Other Operating Income	55,365	48,096	(7,269)	-13.13% Reclassification
	3.5 Foreign Exchange Gain/Loss (Net)	621,638	629,555	7,918	1.27% Reclassification
B.	Total Operating Income (A+3.3+3.4+3.5)	2,884,644	2,885,049	405	0.01%
	3.6 Staff Expenses	528,952	484,136	(44,816)	-8.47% Impact on gratuity as per actuarial valuation
	3.7 Other Operating Expenses	427,233	438,914	11,681	2.73% Straightlining of lease expenses
C.	Operating Profit Before Provision (B -3.6 - 3.7)	1,928,459	1,961,999	33,540	1.74%
	3.8 Provision for Possible Losses	255,598	260,751	5,153	2.02% Increase in Provision amount
D.	Operating Profit (C -3.8)	1,672,861	1,701,248	28,387	1.70%
	3.9 Non Operating Income/ Expenses (Net)	33,102	37,853	4,751	14.35% Revision in non operating income
	3.10 Write Back of Provision for Possible Loss	243,332	257,974	14,642	6.02% Reclassification
E.	Profit from Regular Activities (D+3.9+3.10)	1,949,295	1,997,075	47,780	2.45%
	3.11 Extraordinary Income/ Expenses (Net)	16,429	1,787	(14,642)	-89.12% Reclassification
F.	Profit before Bonus and Taxes (E +3.11)	1,965,724	1,998,862	33,139	1.69%
	3.12 Provision for Staff Bonus	178,702	181,715	3,013	1.69% Increase in staff bonus due to increase in profit
	3.13 Provision for Tax	521,524	524,653	3,129	0.60% Increase in tax due to increase in profit
G.	Net Profit/Loss (F - 3.12 - 3.13)	1,265,498	1,292,495	26,997	2.13%
					Increase in profit due to actuarial valuation netted off by SLM of rent expenses

* Loans and advances are shown on gross value.

Schedule 4 A

Unaudited Financial Results (Quarterly)

As at the end of Fourth Quarter (15/07/2016) of the Fiscal Year 2072/73 (FY 2015-2016)

S.N. Particulars	This Quarter Ending (Unaudited)	Previous Quarter Ending (Unaudited)	Corresponding Previous Year (Audited)
1 Total Capital and Liabilities	65,239,806	67,202,529	65,269,315
1.1 Paid-up Capital	2,812,426	2,248,161	2,810,202
1.2 Reserves and Surplus	4,403,851	4,607,173	3,138,353
1.3 Debenture and Bond	-	-	-
1.4 Borrowings	500,000	-	-
1.5 Deposits (a+b)	55,727,178	58,124,051	57,286,482
a Domestic Currency	37,883,973	39,102,051	38,814,201
b Foreign Currency	17,843,205	19,022,000	18,472,281
1.6 Income Tax Liability (Net)	-	(35,126)	-
1.7 Other Liabilities	1,796,351	2,258,269	2,034,278
2 Total assets	65,239,806	67,202,529	65,269,315
2.1 Cash & Bank Balance	3,972,332	6,490,721	11,572,442
2.2 Money at Call and Short Notice	6,069,660	9,375,775	11,973,546
2.3 Investments	22,738,262	20,973,486	12,971,232
2.4 Loans and Advances	31,697,345	29,696,191	28,023,823
a. Real Estate Loan	1,773,787	1,571,138	1,455,682
1. Residential Real Estate Loan (Except Personal Home Loan upto Rs 10 million)	572,765	461,467	408,172
2. Business complex and residential apartments construction loan	-	-	-
3. Income generating Commercial Complex Loan	-	-	-
4. Other Real Estate Loan (including land purchase and plotting)	1,201,022	1,109,671	1,047,509
b. Personal Home Loan of Rs. 10 million or less	4,835,523	4,696,905	4,989,718
c. Margin Type Loan	-	-	-
d. Term Loan	1,987,523	1,796,517	2,169,257
e. Overdraft/ TR loan/WC loan	14,455,608	12,281,279	10,511,099
f. Others	8,644,904	9,350,352	8,898,068
2.5 Fixed Assets	49,737	54,047	83,853
2.6 Non Banking Assets	-	-	-
2.7 Other assets	712,470	612,309	644,419
3 Profit and Loss Account	Up to This Quarter	Up to Previous Quarter	Up to Corresponding Previous Year Quarter
3.1 Interest Income	2,426,886	1,750,789	2,574,590
3.2 Interest Expense	569,090	443,534	661,075
A Net Interest Income	1,857,796	1,307,255	1,913,515
3.3 Fees, Commission and Discount	349,845	252,226	362,964
3.4 Other Operating Income	55,365	26,077	38,010
3.5 Foreign Exchange gain / Loss (Net)	621,638	467,028	613,936
B Total Operating Income	2,884,644	2,052,586	2,928,425
3.6 Staff Expense	528,952	354,615	505,669
3.7 Other Operating Expenses	427,233	291,723	407,054

Schedule 4 A

Unaudited Financial Results (Quarterly) (Continued)

As at the end of Fourth Quarter (15/07/2016) of the Fiscal Year 2072/73 (FY 2015-2016)

S.N. Particulars	This Quarter Ending (Unaudited)	Previous Quarter Ending (Unaudited)	Corresponding Previous Year (Audited)
C Operating Profit Before Provision	1,928,460	1,406,247	2,015,702
3.8 Provision for Possible Losses	255,598	87,036	188,682
D Operating Profit	1,672,862	1,319,211	1,827,020
3.9 Non Operating Income / Expense (Net)	33,102	32,127	63,861
3.10 Write back of Provision for Possible Losses	243,332	68,501	149,688
E Profit from Regular Activities	1,949,296	1,419,839	2,040,568
3.11 Extraordinary Income/ Expenses (Net)	16,429	5,101	17,525
F Profit Before Bonus and Taxes	1,965,724	1,424,940	2,058,094
3.12 Provision for Staff Bonus	178,702	129,540	187,099
3.13 Provision for Tax	521,524	388,620	580,970
G Net Profit / Loss	1,265,498	906,780	1,290,025
4 Ratios	At the End of This Quarter	At the End of Previous Quarter	At the End of Corresponding Previous Year Quarter
4.1 Capital Fund to RWA	15.82%	14.91%	13.10%
4.2 Non Performing Loan (NPL) to Total Loan	0.32%	0.29%	0.34%
4.3 Total Loan Loss Provision to Total NPL	387.35%	414.02%	361.41%
4.4 Cost of Funds (LCY)	1.24%	1.52%	1.74%
4.5 Credit to Deposit Ratio (as per NRB Directive)	70.34%	64.87%	62.34%
4.6 Base Rate	4.47%	4.63%	4.92%
4.7 Average Yield	5.88%	6.27%	7.01%
4.8 Net Interest Spread	4.64%	4.74%	5.27%

Note:

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

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

1. Capital structure and capital adequacy

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

	As on 15.07.2016
Core Capital (Tier 1)	6,684,918,431
a Paid up Equity Share Capital	2,812,426,000
b Proposed Bonus Equity Share	937,475,333
c Statutory General Reserves	2,897,528,788
d Retained Earnings	115,368,464
e Current year profits	-
f Other Free Reserve	-
g Less: Deferred Tax Assets	(77,880,153)
h Less: Deferred Revenue Expenses	-

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

	As on 15.07.2016
Supplementary Capital (Tier 2)	1,094,490,308
a General loan loss provision	333,113,707
b Exchange Equalization Reserve	413,839,141
c Investment Adjustment Reserve	347,537,460

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

- Not applicable.

d. Deductions from capital;

- Rs. 77,880,153.

e. Total qualifying capital;

- Rs 7,779,408,740.

f. Capital adequacy ratio;

- 16.38%.

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

Board and Senior Management Oversight

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

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

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

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

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

Executive Committee reviews the inputs received from CERC and ALCO and provides a synopsis to the Board along with its view on the risks exposure and the adequacy of capital, for review and noting.

Sound Capital Assessment

In order to ensure a sound capital assessment process, all three risks that have direct impact on the capital adequacy level are managed in a structured manner with clear roles and responsibilities.

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

Roles and responsibilities for risk management are defined under a 'three lines of defense' model. Each 'line of defense' describes a specific set of responsibilities for risk management and control.

- The First Line of defense comprises of all individuals that have management responsibility to ensure the effective management of risks within the scope of their direct organizational responsibilities and align business strategy with risk appetite.
- The Second Line of defense comprises of the Risk Control Owners, supported by their respective control functions. The Second Line is independent of the origination, trading and sales functions and is responsible for ensuring that the residual risks within the scope of their responsibilities remain within appetite.
- The Third Line of defense comprises the independent assurance provided by the Group Internal Audit (GIA) function, which has no responsibilities for any of the activities it examines. GIA provides independent assurance of the effectiveness of management's control of its own business activities (the First Line) and of the processes maintained by the Risk Control Functions (the Second Line). As a result, GIA provides assurance that the overall system of control effectiveness is working as required within the Risk Management Framework. The findings from GIA's audits are reported to all relevant management and governance bodies – accountable line managers, relevant oversight function or committee and committees of the Board.

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

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

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

Comprehensive assessment of risks

The Country Executive Risk Committee is responsible for overseeing the effective implementation of the Risk Management Framework, including the clear assignment of the roles and responsibilities of Risk Control Owners for the effective management of risk throughout the Bank. ERC is responsible for the management of all risks, except those for which ALCO and Country Pension Committee have direct responsibilities. Risk limits

and risk exposure approval authority frameworks are set by the ERC in respect of all risks including credit risk, country risk and market risk.

Credit risk

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

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

Operational Risk

Operational Risk is the potential for loss resulting from inadequate or failed internal processes, people and systems or from the impact of external events, including legal risks. Operational Risk Framework (ORF) adopted by the Bank provides the Bank's approach to the management of operational risk in accordance with the RMF and the Board's Risk Tolerance level. The bank's operational risk management approach serves to continually improve the Bank's ability to anticipate all material risks and to increase our ability to demonstrate, with a high degree of confidence, that those risks are well controlled. It also clarifies and reinforces the need for clear ownership and accountability for all processes across the Bank, with no significant gaps or duplication.

We seek to minimize our exposure to operational risk, subject to cost trade-offs. Operational risk exposures are managed through a consistent set of management processes that drive risk identification, assessment, control and monitoring.

The OR governance structure is as follows:

- Operational Risk governance ensures consistent oversight across all levels regarding the execution and effectiveness of Operational Risk Framework (ORF).
- Risk Control Owners for all major Risk Types are appointed as per the RMF and are responsible for effective management of operational risk of their respective control function.
- Operational risks are identified and graded at the business/unit level. For all risk graded low and above along with the treatment plan are agreed with the Risk Control Owner before raising the risk in the system (Phoenix) and tabling the risks in Country Executive Risk Committee for acceptance. Mitigating controls are put in place and mitigation progress monitored until its effectiveness.
- The Executive Risk Committee (ERC) ensures the effective management of Operational Risk throughout the business/functions in support of the Group's strategy and in accordance with the Risk Management Framework. The ERC assigns ownership, requires actions to be taken and monitors progress of risks identified, in addition to confirming the risk grading provided at the business/unit level.
- The Executive Risk Committee (ERC) accepts operational risks arising in the country provided the residual risk rating is 'low' on the Group Operational Risk Assessment Matrix. Risks categorized as Medium, High or Very High on the Group Operational Risk Assessment Matrix are reported to the Executive Risk Committee (ERC) for endorsement and escalated to the Group Process Owner through the relevant country process owner for acceptance through the relevant Process Governance Committees (PGCs).
- The Group Risk Committee (GRC) determines the Group's approach to the management of operational risk in accordance with the RMF. Group Operational Risk Committee (GORC) is responsible for governing operational risk across all functions, client segments and products. It is in turn supported by Business Process Governance Committees (PGCs) appointed by Process Universe Owners, which provide global oversight of all operational risks arising from end-to-end processes within their Process Universes. Additionally, Group Financial Crime Risk Committee (GFCRC) is responsible for governing financial crime risks across the Group Process Universe and Group Information Management Governance Committee (GIMGC) provides oversight and drives best practice in information management and data governance.

Market Risk

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

Risks arising out of adverse movements in exchange rates, interest rates, liquidity and equity are covered under market risk management. In line with capital framework prescribed by NRB, the bank focuses on exchange rate risk management for managing / computing the capital charge on market risk. In addition the interest rate risk,

currency exchange rate risk, liquidity risk and equity price risk are assessed at a regular interval to strengthen market risk management. The market risk is managed within the risk tolerance limit set by the Board. Market risk is tightly monitored using value at risk (VaR) methodologies complemented by sensitivity measures, gross nominal limits and loss triggers at a detailed portfolio level. This is supplemented with extensive stress testing which takes account of more extreme price movements.

Other risks

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

Monitoring and Reporting

All risks, including credit, operational and market risks are identified, escalated, monitored and mitigated to the satisfaction of the Risk Control Owner. The Risk Control Owner is responsible for ensuring that risks are adequately identified, escalated monitored and mitigated. The Bank has adequate system for monitoring and reporting risk exposures and assessing how the changing risk profile affects the need for capital. The Country Executive Risk Committee reviews and assesses the credit risk, operational risk, reputational risk, market risk, etc. and provides a summary report to the Executive Committee.

Internal Control Review

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

The effectiveness of the Bank's internal control system is reviewed regularly by the Board, its committees, Management and Internal Audit. The Audit Committee has reviewed the effectiveness of the internal control system during the FY 2072/73 BS and reported on its review to the Board. The Internal Audit monitors compliance with policies and standards and the effectiveness of internal control structures across the Bank through its program of business/unit audits. The Internal Audit function is focused in the areas of greatest risk as determined by a risk-based assessment methodology. Internal Audit reports regularly to the Audit Committee. The findings of all adverse audits are also notified to the Chief Executive Officer and Business Heads for immediate corrective actions.

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

- Bank has fully paid equity shares as qualifying capital.

2. Risk exposures

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

RISK WEIGHTED EXPOSURES		As on 15.07.2016
A	Risk Weighted Exposure for Credit Risk	41,402,346,764
B	Risk Weighted Exposure for Operational Risk	4,350,273,086
C	Risk Weighted Exposure for Market Risk	1,155,729,446
D	Adjustments under Pillar-II	577,121,331
	Total Risk Weighted Exposures (a+b+c)	47,485,470,626

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

In Rs.

No.	Particulars	Claim As on 15.07.2016	RWE as on 15.07.2016
1	Claims on govt. and central Bank	11,464,822,013	-
2	Claims on other official entities	-	-
3	Claims on Banks	21,968,081,619	7,830,700,050
4	Claims on corporate and securities firm	14,500,028,610	13,328,529,669
5	Claims on regulatory retail portfolio	4,018,780,346	3,014,085,260
6	Claim secured by residential properties	4,827,699,028	2,924,793,636
7	Claims secured by commercial real state	5,002,393,032	5,002,393,032
8	Past due Claims	254,568,080	323,052,157
9	High risk claims	2,161,066,973	2,953,027,716
10	Other Assets	1,422,186,404	321,419,242
11	Off Balance sheet Items	25,715,490,744	5,704,346,002
	Total	91,335,116,850	41,402,346,764

c. Total risk weighted exposure calculation table;

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

d. Amount of NPAs (both Gross and Net)

- Restructure/Reschedule Loan
NIL
- Substandard Loan
Gross value Rs. 42,775,468 Net values Rs. 32,081,601
- Doubtful Loan
Gross value Rs. 18,591,570 Net value Rs 9,295,785
- Loss Loan
Gross value Rs. 40,452,452, Net value: NIL

e. NPA ratios

- Gross NPA to gross advances
0.32%
- Net NPA to net advances
0.13 %

f. Movement of Non Performing Assets

Year on year upward movement of Rs. 7,049,534

g. Write off of Loans and Interest Suspense

Loans Write off during the year is Rs. 2,567,996 and interest suspense charged off during the year is Rs 472,102

h. Movements in Loan Loss Provisions and Interest Suspense

Year on year upward movement in Loan Loss Provisions of Rs. 51,885,236.

Year on year upward movement in Interest suspense of Rs. 557,712.

i. Details of additional Loan Loss Provisions

No major additional provisions have been made.

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

Investment Portfolio	Net Amount (Rs.)
Held For Trading	7,021,721,973
Held To Maturity	15,670,421,622
Available For Sale	402,477,960

3. Risk Management Function

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

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

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

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

A standard alphanumeric credit risk grade system is used for quantifying the risk associated with the counterparty for Corporate and Institutional Banking and Commercial Banking Clients (including Business Banking clients). The grading is based on our internal estimate of probability of default over a one year horizon, with customers or portfolios assessed against a range of quantitative and qualitative factors. The numeric grades run from 1 to 14 and some of the grades are further sub-classified into A, B or C. Lower credit grades are indicative of a lower likelihood of a default. Credit Grades 1A to 12C are assigned to performing customers or accounts, while credit grades 13 and 14 are assigned to non-performing or default customers.

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

The independence of the Risk function is effectively maintained to ensure that the necessary balance in risk/return decisions is not compromised by short term pressures to generate revenues. This is particularly important given that revenues are recognized from the point of sale while losses arising from risk positions typically manifest themselves over time.

Credit function in Retail Banking uses standard application forms which are processed in central units and credit approval process is guided by Credit Approval Document (CAD) and Credit Procedure Manual. The probably of default is calculated using portfolio delinquency flow rates and judgement, where applicable.

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

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

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

Internal risk information reports are presented to the Executive Risk Committee containing information on key environmental, political and economic trends, portfolio delinquency and loan impairment performance. Corporate and Institutional and Business Banking clients' accounts or portfolios are placed on early alert when they display signs of actual or potential weakness or financial deterioration. Such accounts and portfolios are subjected to a dedicated process overseen by the Credit Issue Committee. Client account plans and credit grades are re-evaluated. In addition, remedial actions are agreed and monitored. Remedial actions include, but are not limited to, exposure reduction, security enhancement, exiting the account, or immediate movement of the account into the control of Group Special Assets Management (GSAM), our special recovery unit.

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

Collateral is held to mitigate credit risk exposures and risk mitigation policies determine the eligibility of collateral types. Regular valuation of collateral is required in accordance with the Risk Mitigation Policy and Portfolio Standards, which prescribe both the process and the frequency of valuation for different collateral types. Collateral held against impaired loans is maintained at fair value.

The Executive Risk Committee which has been formed by and receives authority from the Executive Committee is responsible for ensuring the effective risk governance and management of credit, reputational, market, operational, country cross-border risk, etc. throughout the Bank. Liquidity and capital risks are managed and monitored by ALCO.

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

No.	Credit Risk Mitigants	As on 15.07.2016
1	Deposits with Bank	652,165,032
2	Deposits with other banks/FI*	100,939,000
3	Govt. & NRB Securities	
4	G'tee of Domestic Banks*	
5	Sec/G'tee of Foreign Banks*	8,722,620,316
	Total	9,475,724,348

* net of supervisory haircut

Nepal Rastra Bank's Approval and Directions

On the basis of submitted financial statements and other documents, since the provisions of Sub-section (1) of Section 46 of Bank and Financial Institutions Act, 2063 appeared to have been complied; as per Sub-section (2) of the above Section, approval has been granted to distribute the proposed cash dividend Rs. 49,340,807 (1.75 percent of paid up capital) and bonus share of Rs. 937,475,333 (33.33 percent of paid up capital) only after the approval from the annual general meeting. Also the consent has been granted to publish the financial statement of FY 2072/73 for the purpose of approval by annual general meeting with following directives

1. To comply with the provisions of the Securities Act, 2063 and Securities Registration & Issue Regulation, 2073 while making the further public issue of shares to increase its paid up capital by way of proposed Further Public Offering and to restructure the formation of the Board as per the shareholding structure and in line with the provisions of the Bank and Financial Institution Act, 2063
2. To take steps to completely address the observations of the auditors and make arrangement so that such observations are not repeated.

Five years Financial Summary

Balance Sheet

(figures in Rs. '000)

Particulars	2068-69	2069-70	2070-71	2071-72	2072-73
	2011-12	2012-13	2013-14	2014-15	2015-16
Assets					
Cash and Bank Balance	6,366,233	6,404,999	9,188,304	11,572,442	3,972,332
Money at Call and Short Notice	2,126,035	3,009,064	7,960,305	11,973,546	6,069,660
Investments	12,966,635	12,753,518	9,391,379	13,120,063	23,094,622
Loans and Advances	19,575,968	22,828,838	25,976,585	27,681,313	31,302,950
Fixed Assets	89,633	81,518	68,726	83,853	71,306
Other Assets	552,548	553,163	738,804	627,827	674,863
Total Assets	41,677,052	45,631,100	53,324,102	65,059,044	65,185,732
Liabilities					
Borrowings	-	-	-	-	500,000
Deposits	35,965,631	39,466,453	46,298,532	57,286,482	55,727,178
Other Liabilities	1,589,253	1,547,073	1,937,479	1,679,818	1,434,379
Total Liabilities	37,554,883	41,013,526	48,236,011	58,966,300	57,661,557
Shareholders Fund					
Paid Up Capital	1,610,168	1,853,900	2,041,672	2,248,161	2,812,426
Proposed Bonus Shares	241,525	185,390	204,167	562,040	937,475
Reserve (including Exchange Reserve)	2,261,536	2,546,916	2,832,223	3,249,936	3,658,905
Undistributed Profit	8,940	31,368	10,028	32,607	115,368
Total Shareholders Fund	4,122,169	4,617,574	5,088,091	6,092,744	7,524,175
Contingent Liabilities					
Letter of Credit	2,605,897	3,046,891	3,583,307	2,146,922	2,458,815
Guarantees	6,535,797	8,560,504	12,779,883	11,075,683	12,223,923
Forward Exchange Contracts	249,067	3,097,266	1,100,001	1,377,681	2,226,620
Other Contingent Liabilities	3,590,037	3,389,423	4,715,704	8,456,444	8,339,548
Total Contingent Assets	12,980,797	18,094,084	22,178,895	23,056,730	25,248,905

Five years financial Summary

Profit & Loss Account

(figures in Rs. '000)

Particulars	2068-69	2069-70	2070-71	2071-72	2072-73
	2011-12	2012-13	2013-14	2014-15	2015-16
Interest Income	2,870,971	2,535,359	2,583,958	2,571,012	2,415,583
Interest Expenses	1,007,199	611,382	576,299	657,497	565,705
Net Interest Income	1,863,772	1,923,977	2,007,659	1,913,515	1,849,878
Commission and Discount	267,766	294,968	383,611	362,964	357,520
Other Operating Incomes	38,355	42,727	44,157	38,010	48,096
Exchange fluctuation Income	468,557	515,050	477,996	613,936	629,555
Total Operating Income	2,638,449	2,776,721	2,913,423	2,928,425	2,885,049
Staff Expenses	386,823	421,631	482,083	468,278	484,136
Other Operating Expenses	349,365	382,484	368,030	420,973	438,914
Exchange fluctuation Loss					
Operating Profit Before Provision for Possible Loss	1,902,261	1,972,607	2,063,310	2,039,174	1,961,999
Provision for Possible Losses	208,251	110,125	84,401	188,682	260,751
Operating Profit	1,694,010	1,862,481	1,978,909	1,850,492	1,701,248
Non-Operating Income/ (Loss)	708	1,170	51,874	63,861	37,853
Provision for Possible Loss Written Back	190,918	50,135	63,531	149,688	257,974
Profit from Ordinary Activities	1,885,635	1,913,786	2,094,314	2,064,041	1,997,075
Income/(Expenses) from Extra Ordinary Activities	(42,577)	2,410	(1,524)	17,525	1,787
Net Profit after considering all Activities	1,843,059	1,916,196	2,092,790	2,081,566	1,998,862
Provision for Staff Bonus	167,551	174,200	190,254	187,099	181,715
Provision for Income Tax	506,540	524,056	565,947	584,115	524,653
Net Profit/Loss	1,168,967	1,217,941	1,336,589	1,310,352	1,292,495
Accumulated Profit up to Previous Year	44,407	10,795	31,582	10,028	32,607
Adjustment to Opening Reserve				(444)	-
This Year's Profit	1,168,967	1,217,941	1,336,589	1,310,352	1,292,495
Deferred tax				-	89,557
Actuarial Gain/(Losses)				2,099	880
First Time adoption of NFRS				(12,987)	-25,231
Deferred Tax Previous Year				(630)	-264
Capital Adjustment fund upto Previous Year					
Total	1,213,375	1,228,736	1,368,171	1,308,419	1,390,043
General Reserve Fund	233,793	243,588	267,318	258,005	258,499
Proposed Dividend	724,576	741,560	847,294	431,884	49,341
Proposed Issue of Bonus Shares	241,525	185,390	204,167	562,040	937,475
Exchange Fluctuation Fund	47,691	27,971	25,742	23,883	29,358
Capital Adjustment Fund				0	0
Other Appropriations	(43,151)	(1,141)	13,622	-	1
Accumulated Profit/(Loss)	8,940	31,368	10,028	32,607	115,368
Profit Before Tax	1,675,508	1,741,996	1,902,536	1,894,467	1,817,148
Return on Shareholder's Fund	28.36%	26.38%	26.27%	21.69%	17.18%
Cost Income ratio	34.25%	35.23%	35.71%	36.76%	38.29%
Profit per employee	2,757	2,683	2,906	2,979	2,971
Dividend Cover ratio	1.21	1.31	1.27	1.30	1.31

Financial Statements as per
**Nepal Financial
Reporting Standards**

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF STANDARD CHARTERED BANK NEPAL LIMITED

1. We have audited the accompanying financial statements of Standard Chartered Bank Nepal Limited, which comprise the Statement of Financial Position as at Ashad 31, 2073 (July 15, 2016), the Statement of Profit or Loss Account, Statement of Other Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a Summary of Significant Accounting Policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

4. In our opinion, the accompanying financial statements give a true and fair view, in all material respects, the financial position of Standard Chartered Bank Nepal Limited as at Ashad 31, 2073 (15 July, 2016) and of the results of its financial performance and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards and The Company Act 2063.

Report on Other Legal and Regulatory Requirements

5. On the basis of our examination, we would like to further report that:

- i. We have obtained all the information and explanations, which were considered necessary for the purpose for our audit.
- ii. The financial statements are in agreement with the books of account maintained by the Bank.
- iii. In our opinion, proper books of accounts as required by the law have been kept by the Bank.
- iv. During our examination of the books of account of the Bank, we have not come across the cases where the Board of Directors or any member thereof or any representative or any office holder or any employee of the Bank has acted contrary to the provisions of law or caused loss or damage to the Bank.
- v. The operations of the Bank were within its jurisdiction
- vi. The Bank has not acted in a manner to jeopardize the interest and security of the depositors and shareholders.
- vii. The bank has a centralized core accounting system and details of the branches are adequate for the purpose of our audit, and
- viii. We have not come across any fraudulence in the accounts, so far as it appeared from our examination of the book.

Statement of Financial Position

As on 15 July 2016

			Rs. '000	
	Notes	15-Jul-16	Restated 16-Jul-15	Restated 17-Jul-14
Assets				
Cash	4.1	799,366	785,636	613,768
Balances at central bank	4.2	1,514,672	9,308,116	6,862,452
Treasury Bills	4.3	7,021,722	5,416,236	1,983,923
Government Bonds	4.4	2,789,622	363,006	366,585
Balances with other banks	4.5	1,658,294	1,478,690	1,712,084
Loans and advances to banks	4.6	18,950,461	19,122,616	14,961,835
Loans and advances to customers	4.7	31,469,116	27,815,970	26,112,494
Investment in securities	4.8	402,478	191,810	225,022
Other assets	4.9	700,295	635,750	759,997
Property, plant and equipment	7	71,306	83,853	68,726
Deferred tax assets / (liability)	12.4	(28,906)	5,505	(2,222)
Total Assets		65,348,426	65,207,189	53,664,663
Liabilities and Equity				
Liabilities				
Deposits by banks	4.10	173,971	147,614	94,624
Customer accounts	4.11	55,553,208	57,138,869	46,203,908
Bills payable	4.12	310,184	177,085	67,440
Borrowings	4.13	500,000	-	-
Other liabilities	4.14	1,060,383	988,065	948,119
Retirement benefit obligations (net)	8.2	14,471	82,783	75,261
Total liabilities		57,612,217	58,534,416	47,389,351
Equity				
Share capital	10	2,812,426	2,248,161	2,041,672
Reserves	11	4,923,783	4,424,612	4,233,640
Total shareholders' equity		7,736,209	6,672,773	6,275,312
Non-controlling interests				
Total equity		7,736,209	6,672,773	6,275,312
Total equity and liabilities		65,348,426	65,207,189	53,664,663

As per our report of even date

Suraj Lamichhane
Financial Controller

Joseph Silvanus
CEO & Director

Ananth Narayan
Chairman

CA. Bhaskar Singh Lala
Partner
For and on behalf of
S.R. Pandey & Co.
Chartered Accountants

Anurag Adlakha
Director

Sujit Mundul
Director

Krishna Kumar Pradhan
Director

Shankar Lall Agrawal
Director

Date: 19 October 2016

Statement of Profit or Loss

for the period 17 July 2015 - 15 July 2016

	Notes	2015-16 Rs. '000	Restated 2014-15 Rs. '000
Interest income	6.1	2,440,004	2,593,579
Interest expense	6.2	(565,705)	(661,075)
Net interest income		1,874,299	1,932,504
Fees and commission income	6.3	311,312	308,411
Net trading income	6.4	629,555	613,936
Other operating income	6.5	85,948	101,870
Non-interest income		1,026,815	1,024,217
Operating income		2,901,114	2,956,721
Staff costs	8.1	(681,811)	(670,750)
Premises costs	15	(137,077)	(143,510)
General administrative expenses	16	(281,374)	(262,221)
Depreciation and amortisation	7, 17	(20,463)	(15,242)
Operating expenses		(1,120,724)	(1,091,723)
Operating profit before impairment losses and taxation		1,780,390	1,864,998
Impairment losses on loans and advances to customers	5	(40,129)	(33,919)
Impairment on loans and advances to customers reversed	5	17,008	78,350
Other impairment	-	43,108	(48,261)
Others	18	1,787	17,525
Profit from associates and joint ventures		-	-
Profit before taxation		1,802,164	1,878,693
Taxation		-	-
Income Taxes	12.1	(503,332)	(594,462)
Deferred tax income / (expense)	12.4	(34,148)	8,357
Profit for the year		1,264,684	1,292,588
Profit attributable to:			
Non-controlling interests		-	-
Equity shareholders		1,264,684	1,292,588
Profit for the year		1,264,684	1,292,588
Earnings per share:			
Basic earnings per ordinary share (Rs.)	19	54.68	59.63
Diluted earnings per ordinary share (Rs.)	19	54.68	59.63

As per our report of even date

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Director

Krishna Kumar Pradhan
Director

Shankar Lall Agrawal
Director

Date: 19 October 2016

Statement of Other Comprehensive Income

for the period 17 July 2015 - 15 July 2016

	Notes	2015-16 Rs. '000	Restated 2014-15 Rs. '000
Profit for the year		1,264,684	1,292,588
Other comprehensive income:			
Items that will not be reclassified to statement of profit or loss:			
Actuarial (losses)/gains on retirement benefit obligations	8.2	880	2,099
Deferred tax implication of actuarial gain / (losses)	12.4	(264)	(630)
Items that may be reclassified subsequently to statement of profit or loss:			
Available-for-sale investments:			
Net valuation gains taken to equity	4.8	210,668	(33,211)
Reclassified to statement of profit or loss		-	-
Other comprehensive income for the year, net of taxation	S	-	-
Total comprehensive income for the year		1,475,968	1,260,846
Total comprehensive income attributable to:			
Non-controlling interests		-	-
Equity shareholders		1,475,968	1,260,846
		1,475,968	1,260,846

As per our report of even date

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Director

Krishna Kumar Pradhan
Director

Shankar Lall Agrawal
Director

Date: 19 October 2016

Statement of Cash Flows

for the period 17 July 2015 - 15 July 2016

	Notes	2015-16 Rs. '000	Restated 2014-15 Rs. '000
Cash flows from operating activities			
Loss / (profit) before taxation		1,802,164	1,878,693
Adjustments for non-cash items and non operating adjustments			
Depreciation		20,463	15,242
Gain on disposal of assets		(20,696)	(51,747)
Dividend income		(9,373)	(11,133)
Defined benefit plan net charge		20,673	21,353
Changes in Operating assets and Liabilities			
Change in operating assets		(7,134,928)	(9,293,811)
Change in operating liabilities		(857,505)	11,111,897
Contributions to defined benefit schemes		(88,104)	(11,732)
Taxes paid		(541,301)	(569,216)
Net cash from operating activities		(6,808,608)	3,089,546
Cash flows from investing activities			
Purchase of property, plant and equipment		(31,079)	(39,408)
Disposal of property, plant and equipment		43,860	60,786
Investment in subsidiaries, associates & joint ventures		-	-
Purchase of investment securities		-	-
Disposal and maturity of investment securities		-	-
Dividends received from investment in securities		9,373	11,133
Net cash used in investing activities		22,154	32,511
Cash flows from financing activities			
Issue of ordinary and preference share capital, net of expenses		2,225	2,322
Dividends paid to ordinary shareholders, net of scrip		(359,627)	(828,541)
Net cash (used in)/from financing activities		(357,402)	(826,219)
Net increase/(decrease) in cash and cash equivalents		(7,143,856)	2,295,838
Cash and cash equivalents at beginning of year	27.2	9,211,143	6,915,305
Effect of exchange rate changes on cash & cash equivalents		-	-
Cash and cash equivalents at end of year	27.2	2,067,287	9,211,143

As per our report of even date

Suraj Lamichhane
Financial Controller

Joseph Silvanus
CEO & Director

Ananth Narayan
Chairman

CA. Bhaskar Singh Lala
Partner
For and on behalf of
S.R. Pandey & Co.
Chartered Accountants

Anurag Adlakha
Director

Sujit Mundul
Director

Krishna Kumar Pradhan
Director

Shankar Lall Agrawal
Director

Date: 19 October 2016

Statement of Changes in Equity

for the period 17 July 2015 - 15 July 2016

	Share Capital	Retained Earnings	General Reserve	Exchange Fluctuation Reserve	Deferred Tax Reserve	Available for sale Reserve	Total
As at 16 July 2014	2,245,839	10,028	2,381,025	360,598	89,557	1,044	5,088,091
Adjustments (Note 23.7)	(204,167)	1,311,849	-	-	(89,557)	169,096	1,187,221
Restated Balance as at 17 July 2014	2,041,672	1,321,877	2,381,025	360,598	-	170,140	6,275,312
Profit for the year	-	1,260,846	-	-	-	-	1,260,846
Transfer to General Reserve	-	(258,005)	258,005	-	-	-	-
Issue of Bonus Share	204,167	(204,167)	-	-	-	-	-
Issue of Share Capital	2,322	-	-	-	-	-	2,322
Exchange Fluctuation Fund	-	(23,883)	-	23,883	-	-	-
Deferred Tax Reserve	-	-	-	-	-	-	-
Investment Adjustment Reserve	-	(1)	-	-	-	1	-
Adjustments (Note 23.7)	-	(832,496)	-	-	-	(33,211)	(865,707)
As at 16 July 2015	2,248,161	1,264,171	2,639,030	384,481	-	136,930	6,672,773
As at 16 July 2015	2,248,161	1,264,171	2,639,030	384,481	-	136,930	6,672,773
Profit for the year	-	1,475,968	-	-	-	-	1,475,968
Transfer to General Reserve	-	(258,499)	258,499	-	-	-	-
Issue of Bonus Shares	562,040	(562,040)	-	-	-	-	-
Issue of Share Capital	2,225	-	-	-	-	-	2,225
Exchange Fluctuation Fund	-	(117,432)	-	117,432	-	-	-
Deferred Tax Reserve	-	-	-	-	-	-	-
Investment Adjustment Reserve	-	-	-	-	-	-	-
Adjustments (Note 23.7)	-	(625,425)	-	-	-	210,668	(414,757)
As at 15 July 2016	2,812,426	1,176,743	2,897,529	501,913	-	347,598	7,736,209

Accounting Policies and Explanatory Notes

2015-16

1. General Information

Standard Chartered Bank Nepal Limited (SCBNL or “the Bank”) has been in operation in Nepal since 1987. It was initially registered as a joint venture operation. Today it is an integral part of Standard Chartered Group, which has ownership of 75% in the company and remaining 25% is owned by the Nepalese public.

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

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

2. Statement of Compliance

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

2.1 Approval of financial statements

Accompanied financial statements have been adopted by the Board of Directors on its meeting held on 19 October 2016 and have been recommended for approval by shareholders in the Annual General Meeting

3. Basis of Preparation

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

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

3.1 Reporting Pronouncements

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

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

3.2 Accounting Conventions

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

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

3.3 New reporting standards in issue but not yet effective

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

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

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

3.4 Presentation

The financial statements have been presented in the nearest thousand Nepalese Rupees (Rs. '000).

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

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

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

3.4.1 Presentation currency

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

3.4.2 Current and Non-Current distinction

Assets

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

Liabilities

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

3.5 Accounting Policies and accounting estimates

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

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

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

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

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

3.6 Financial Periods

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

Relevant Financial Statement	Nepalese Calendar	English Calendar
	Date / Period	Date / Period
Opening NFRS SFP* date	1 Shrawan 2071	17 July 2014
Comparative SFP* Date	31 Ashad 2072	16 July 2015
Comparative reporting period	1 Shrawan 2071 - 31 Ashad 2072	17 July 2014 - 16 July 2015
First NFRS SFP* Date	31 Ashad 2073	15 July 2016
First NFRS reporting period	1 Shrawan 2072 - 31 Ashad 2073	17 July 2015 - 15 July 2016

* SFP = Statement of financial position

3.7 Discounting

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

3.8 Limitation of NFRS implementation

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

4. Financial Instruments

Accounting Policy

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

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

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

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

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

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

Loans and receivables

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

Held-to-maturity

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

Available-for-sale

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

Financial liabilities held at amortised cost

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

Initial recognition

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

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

Loans are recognised when cash is advanced to the borrowers.

Subsequent measurement

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

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

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

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

Derecognition

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

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

Explanatory Notes

As at 15 July 2016

Financial Assets	Assets at fair value				Assets at amortised costs			Total
	Notes	Trading	Designated at FVTPL	Available for sale	Loans and Receivables	Held to maturity		
Cash at vault	4.1	-	-	-	799,366	-	799,370	
Balance with central bank	4.2	-	-	-	1,514,672	-	1,514,676	
Treasury bills	4.3	-	7,021,722	-	-	-	7,021,726	
Government bond	4.4	-	-	-	-	2,789,622	2,789,626	
Balances with banks	4.5	-	-	-	1,658,294	-	1,658,299	
Loans and Advances to banks	4.6	-	-	-	18,950,461	-	18,950,466	
Loans and Advances to Customers	4.7	-	-	-	31,469,116	-	31,469,121	
Investment in corporate securities	4.8	-	-	402,478	-	-	402,483	
Other Financial Assets	4.9	-	-	-	603,871	-	603,876	
		-	7,021,722	402,478	54,995,780	2,789,622	65,209,643	

Liabilities at fair value **Liabilities at amortised costs**

Financial Liabilities	Notes	Trading	Designated at FVTPL	Total
Deposit by Bank	4.10	-	173,971	173,971
Customer Accounts	4.11	-	55,553,208	55,553,208
Bills Payable	4.12	-	310,184	310,184
Borrowings	4.13	-	500,000	500,000
Other Financial Liabilities	4.14	-	901,225	901,225
		-	57,438,588	57,438,588

As at 16 July 2015

Financial Assets	Assets at fair value				Assets at amortised costs			Total
	Notes	Trading	Designated at FVTPL	Available for sale	Loans and Receivables	Held to maturity		
Cash at vault	4.1	-	-	-	785,636	-	785,636	
Balance with central bank	4.2	-	-	-	9,308,116	-	9,308,116	
Treasury bills	4.3	-	5,416,236	-	-	-	5,416,236	
Government bond	4.4	-	-	-	-	363,006	363,006	
Balances with banks	4.5	-	-	-	1,478,690	-	1,478,690	
Loans and Advances to banks	4.6	-	-	-	19,122,616	-	19,122,616	
Loans and Advances to Customers	4.7	-	-	-	27,815,970	-	27,815,970	
Investment in corporate securities	4.8	-	-	191,810	-	-	191,810	
Other Financial Assets	4.9	-	-	-	547,733	-	547,733	
		-	5,416,236	191,810	59,058,761	363,006	65,029,813	

Financial Assets

4.1 Cash at vault

	15-Jul-16	16-Jul-15	17-Jul-14
LCY	752,854	629,564	558,692
FCY	46,512	156,072	55,076
	799,366	785,636	613,768

NRs. '000

The fair value of cash is the carrying amount.

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

4.2 Balance with central bank (non interest bearing)

	15-Jul-16	16-Jul-15	17-Jul-14
LCY	1,459,123	9,248,094	6,761,831
FCY	55,549	60,022	100,621
	1,514,672	9,308,116	6,862,452

NRs. '000

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

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

4.3 Treasury bills

	15-Jul-16	16-Jul-15	17-Jul-14
Treasury Bills (LCY)	7,021,722	5,416,236	1,983,923
	7,021,722	5,416,236	1,983,923

NRs. '000

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

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

4.4 Government bonds

	15-Jul-16	16-Jul-15	17-Jul-14
Government of Nepal - Bonds	2,789,622	363,006	366,585
	2,789,622	363,006	366,585

NRs. '000

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

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

	NRs. '000		
	15-Jul-16	16-Jul-15	17-Jul-14
Current	2,530,000	100,000	-
Non-Current	259,622	263,006	366,585
Total	2,789,622	363,006	366,585

4.5 Balance with banks (non-interest bearing)

	NRs. '000		
	15-Jul-16	16-Jul-15	17-Jul-14
LCY			
With BFI Class A	47,614	49,055	255,803
FCY			
With Foreign banks	1,610,680	1,429,635	1,456,281
	1,658,294	1,478,690	1,712,084

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

Risks associated with these assets are regularly assessed.

4.6 Loans and advances to banks

	NRs. '000		
	15-Jul-16	16-Jul-15	17-Jul-14
Money at Call – Foreign Banks (FCY)	6,069,661	11,973,546	7,960,305
Short term Placements in Foreign Banks (FCY)	12,880,800	7,149,070	7,001,530
Less: Individual Impairment	-	-	-
Less: Portfolio Impairment	-	-	-
Loans and advances to banks net of impairments	18,950,461	19,122,616	14,961,835

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

Risks associated with these assets are regularly assessed.

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

4.7 Loans and advances to customers

	NRs. '000		
	15-Jul-16	16-Jul-15	17-Jul-14
Gross Loan	31,663,672	27,987,405	26,328,360
Less: Individual Impairment	(26,651)	(43,659)	(9,740)
Less: Portfolio Impairment	(167,905)	(127,776)	(206,126)
Loans and advances to customers net of impairments	31,469,116	27,815,970	26,112,494

4.7.1 Current and Non-current portion of Loans and advances to customers

	NRs. '000		
	15-Jul-16	16-Jul-15	17-Jul-14
Current	19,392,513	16,026,304	14,208,601
Non-Current	12,271,159	11,961,101	12,119,759
Total	31,663,672	27,987,405	26,328,360

4.7.2 Segments of loans and advances to customers

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

i) Corporate and Institutional customers

	NRs. '000		
	15-Jul-16	16-Jul-15	17-Jul-14
Gross Loan	16,154,830	13,477,193	12,543,900
Less: Individual Impairment	-	-	(234)
Less: Portfolio Impairment	(121,789)	(66,665)	(164,851)
Loans and advances to customers net of impairments	16,033,041	13,410,528	12,378,815

ii) Retail customers (including SME)

	NRs. '000		
	15-Jul-16	16-Jul-15	17-Jul-14
Gross Loan	15,508,842	14,510,212	13,784,460
Less: Individual Impairment	(26,651)	(43,659)	(9,506)
Less: Portfolio Impairment	(46,116)	(61,111)	(41,275)
Loans and advances to customers net of impairments	15,436,075	14,405,442	13,733,679

4.7.3 Collateral securities against loans and advances to customers

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

	15-Jul-16	16-Jul-15	17-Jul-14
Secured			
Movable / Immovable assets	26,602,938	22,194,550	20,850,021
Guarantee of NRB licensed BFI	-	-	-
Government Guarantee	138,807	138,807	138,807
Guarantee of international rated bank	1,737,054	2,591,521	2,202,356
Export documents	-	-	-
Fixed Deposit receipts			
Own	24,577	3,554	13,185
Other BFIs	386,382	310,178	443,093
Government securities / bonds	-	5,500	61,847
Counter guarantee	-	-	-
Personal guarantee	-	-	-
Other securities	2,807,586	2,779,712	2,619,052
Unsecured	-	-	-
Total	31,697,344	28,023,822	26,328,361

4.8 Investments in corporate securities

	15-Jul-16	16-Jul-15	17-Jul-14
Corporate Securities	402,478	191,810	225,022
	402,478	191,810	225,022

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

Investments in CIC Ltd. and NCH Ltd.

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

4.8.1 Nepal Grameen Bikas Bank Ltd. (NGBB)

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

4.8.2 Rural Micro-Finance Development Centre Limited (RMDC)

Investment in RMDC includes 574,090 ordinary shares of Rs. 100 each fully paid up. This includes 52,190 bonus shares received by the Bank.

4.8.3 Credit Information Centre Ltd. (CICL)

Investment in CIC includes 36,599 ordinary shares of Rs. 100 each fully paid up, including 24,244 bonus shares received by the Bank.

4.8.4 Nepal Clearing House Ltd. (NCHL)

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

Fair Value Movement AFS Corporate Securities

	15-Jul-16	16-Jul-15	17-Jul-14
Investment at cost			
NGBB Ltd.	-	-	-
PGBBL	-	-	3,000
SPGBBL	-	-	3,000
RMDC Ltd .	52,190	52,190	52,190
CIC Ltd.	1,236	1,236	1,236
NCH Ltd.	2,500	2,500	2,500
	55,926	55,926	61,926
No of shares			
NGBB Ltd.	600	600	-
PGBBL	-	-	30,000
SPGBBL	-	-	30,000
RMDC Ltd.	574,090	574,090	521,900
CIC Ltd.	36,599	36,599	30,499
NCH Ltd.	25,000	25,000	25,000
Fair Value (also refer Note 4.15)			
NGBB Ltd.	324	60	-
PGBBL	-	-	-
SPGBBL	-	-	-
RMDC Ltd .	398,418	188,014	221,286
CIC Ltd.	1,236	1,236	1,236
NCH Ltd.	2,500	2,500	2,500
	402,478	191,810	225,022
Changes in Fair value	210,668	(33,211)	-

NGBB Ltd (or the erstwhile entities in which the Bank had investments and that merged to form NGBB) and NCH Ltd have not declared or distributed dividend in the past three years.

4.9 Other Assets

Accounting Policy

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

Explanatory Notes

	NRs. '000		
Particulars	15-Jul-16	16-Jul-15	17-Jul-14
Other Financial Assets			
Income Receivable on investments	54,042	12,831	30,593
Accrued interest on loans	103,312	107,387	127,335
Commission receivable	76,466	131,782	199,155
Staff loans and advances	314,119	277,443	267,166
Cash in transit	-	-	2,825
Advance Income Tax	55,932	18,290	43,536
	603,871	547,733	670,610
Other Non-Financial Assets			
Sundry debtors	25,084	32,422	19,301
Pre payments	22,088	21,770	22,822
Expenses not written off	-	-	-
Others	49,252	33,825	47,264
	96,424	88,017	89,387
	700,295	635,750	759,997

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

	NRs. '000		
	15-Jul-16	16-Jul-15	17-Jul-14
Current	107,576	141,496	82,056
Non-Current	592,719	494,254	677,941
Total	700,295	635,750	759,997

Financial Liabilities

4.10 Deposits by banks

	NRs. '000		
	15-Jul-16	16-Jul-15	17-Jul-14
Non-Interest Bearing			
Current Accounts LCY			
Class A BFIs *	154,338	113,718	63,924
Other BFIs **	2,524	3,015	1,193
Current Accounts FCY			
Class A BFIs	13,615	27,465	28,954
Interest Bearing			
Call Deposits LCY			
Other BFIs	3,494	3,416	553
Call Deposits FCY			
Class A BFIs	-	-	-
	173,971	147,614	94,624

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

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

4.11 Customer Accounts

	15-Jul-16	16-Jul-15	17-Jul-14
			NRs. '000
Non Interest Bearing			
Current Account deposits (LCY)			
GoN	203,664	42,211	32,228
Other Organised Bodies	8,779,215	9,727,959	6,464,388
Individuals /Others	531,926	459,518	396,757
Current Account deposits (FCY)			
GoN	467,924	543,311	40,019
Other Organised Bodies	3,855,225	5,049,963	5,120,013
Individuals /Others	249,619	158,718	167,960
Margin deposits (LCY)			
Guarantee Margin	456,605	245,449	149,894
LC Margin	79,256	366,362	1,214,998
Others	47,019	87,960	339,194
Other deposits (LCY)			
Individuals/ Others	-	-	1,203
Interest Bearing			
Saving Account deposits (LCY)			
Other Organised Bodies	1,887,894	2,491,037	1,343,587
Individuals /Others	20,837,555	17,763,797	15,238,090
Others	14	811	2,387
Saving Account deposits (FCY)			
Other Organised Bodies	286,577	216,544	179,892
Individuals /Others	3,331,548	2,994,971	2,745,170
Others	-	9,284	17,847
Fixed deposits (LCY)			
Other Organised Bodies	1,136,168	1,497,639	1,114,518
Individuals /Others	1,342,886	1,350,739	1,229,663
Fixed deposits (FCY)			
Other Organised Bodies	710,183	255,806	720,157
Individuals /Others	24,819	13,040	10,890
Call deposits (LCY)			
Other Organised Bodies	2,433,498	4,658,230	4,040,944
GoN	23,392	-	-
Individuals/ Others	55,994	198,712	929,486
Others	1,877	1,608	1,216
Call deposits (LCY)			
Other Organised Bodies	8,810,350	9,005,200	4,703,407
	55,553,208	57,138,869	46,203,908

	15-Jul-16	16-Jul-15	17-Jul-14
			NRs. '000
Current	55,516,588	57,130,519	46,144,072
Non-Current	36,620	8,350	59,836
Total	55,553,208	57,138,869	46,203,908

4.12 Bills payables

	NRs. '000		
	15-Jul-16	16-Jul-15	17-Jul-14
LCY	269,574	145,067	43,487
FCY	40,610	32,018	23,953
	310,184	177,085	67,440

4.13 Borrowings

	NRs. '000		
	15-Jul-16	16-Jul-15	17-Jul-14
Borrowings	500,000	-	-
	500,000	-	-

This is a short term borrowing from a local bank.

4.14 Other Financial Liabilities

Accounting Policy

Non financial liabilities are recorded and reported at cost based on legal and constructive obligation to the bank.

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

Explanatory Notes

	NRs. '000		
Particulars	15-Jul-16	16-Jul-15	17-Jul-14
Other Financial Liabilities			
Interest payable on deposits	60,908	73,121	61,606
Interest payable on borrowings	42	-	-
Dividend payable	140,154	67,897	49,143
Staff Bonus Payable	181,715	187,099	190,254
Other Creditors	360,740	317,821	265,545
Audit Fee Payable	2,050	776	705
Other Payables	155,616	147,433	121,450
	901,225	794,148	688,703
Other Non-Financial Liabilities			
Unearned discount and commission	159,158	193,917	259,416
	159,158	193,917	259,416
	1,060,383	988,065	948,119
			Rs. '000
	15-Jul-16	16-Jul-15	17-Jul-14
Current	1,060,383	988,065	948,119
Non-Current	-	-	-
Total	1,060,383	988,065	948,119

4.15 Valuation hierarchy

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

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

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

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

Hierarchy of fair value measurement

	NRs. '000			
15-Jul-16	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills	-	7,021,722	-	7,021,722
Corporate Securities				
NGBB Ltd	324	-	-	324
RMDC Ltd	398,418	-	-	398,418
CIC Ltd.	-	-	1,236	1,236
NCH Ltd.	-	-	2,500	2,500
	398,742	7,021,722	3,736	7,424,200
16-Jul-15	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills	-	5,416,236	-	5,416,236
Corporate Securities				
NGBB Ltd.	-	60	-	60
RMDC Ltd.	188,014	-	-	188,014
CIC Ltd.	-	-	1,236	1,236
NCH Ltd.	-	-	2,500	2,500
	188,014	5,416,296	3,736	5,608,046
17-Jul-14	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills	-	1,983,923	-	1,983,923
Corporate Securities				
PBBL	-	-	-	-
SPBBL	-	-	-	-
RMDC Ltd.	-	221,286	-	221,286
CIC Ltd.	-	-	1,236	1,236
NCH Ltd.	-	-	2,500	2,500
	-	2,205,209	3,736	2,208,945

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

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

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

Proxy pricing

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

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

EV/EBITDA ratio multiples

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

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

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

Yield

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

Liquidity discounts in the valuation of unlisted investments

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

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

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

4.16.1 Fair value of Financial Assets held at amortised cost

15-Jul-16	Level 1	Level 2	Level 3	NRs. '000
Cash at vault				799,366
Balance with central bank				1,514,672
Balances with banks				1,658,294
Loans and Advances to banks				18,950,461
Loans and Advances to Customers				31,469,116
Other Financial Assets				603,871
				54,995,780

16-Jul-15	Level 1	Level 2	Level 3
Cash at vault			785,636
Balance with central bank			9,308,116
Balances with banks			1,478,690
Loans and Advances to banks			19,122,616
Loans and Advances to Customers			27,815,970
Other Financial Assets			547,733
			59,058,761

17-Jul-14	Level 1	Level 2	Level 3
Cash at vault			613,768
Balance with central bank			6,862,452
Balances with banks			1,712,084
Loans and Advances to banks			14,961,835
Loans and Advances to Customers			26,112,494
Other Financial Assets			670,610
			50,933,243

4.16.2 Fair Value of Financial Liabilities held at amortised cost

17-Jul-16	Level 1	Level 2	Level 3
Deposit by Banks			173,971
Customer Accounts			55,553,208
Bills Payable			310,184
Borrowings			500,000
Other Financial Liabilities			901,225
			57,438,588

16-Jul-15	Level 1	Level 2	Level 3
Deposit by Banks			147,614
Customer Accounts			57,138,869
Bills Payable			177,085
Other Financial Liabilities			794,148
			58,257,716

15-Jul-14	Level 1	Level 2	Level 3
Deposit by Bank			94,624
Customer Accounts			46,203,908
Bills Payable			67,440
Other Financial Liabilities			688,703
			47,054,675

4.17 Fair value Level 3 disclosures

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

Cash and balances at central banks

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

Loans and advances to banks

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

Loans and advances to customers

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

Others assets

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

Deposits and borrowings

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

4.18 Reclassification of financial assets

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

4.19 Risk management

Board Risk Committee

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

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

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

Risk Governance

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

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

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

The Executive Risk Committee is responsible for the establishment of, and compliance with, policies relating to credit risk, country cross-border risk, market risk, operational risk, pension risk and reputational risk.

The Executive Risk Committee (ERC) is represented by the senior management team including the heads of the concerned risk management units and Chaired by the CEO. The committee meets normally in every two months and reviews the Credit Risk, Operational Risk, Market Risk and Reputational Risk; analyzes the trend, assesses the exposure impact on capital and provides a summary report to the Executive Committee. Its objective is to ensure the effective management of risks throughout the Bank in support of the Bank's Business Strategy.

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

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

Credit Risk

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

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

All Corporate and Institutional borrowers, at individual and group level, are assigned internal credit rating that supports identification and measurement of risk and integrated into overall credit risk analysis.

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

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

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

Operational Risk

We define Operational Risk as the potential for loss resulting from inadequate or failed internal processes, people and systems or from the impact of external events, including legal risks. We seek to minimize our

exposure to operational risk, subject to cost trade-offs. Operational risk exposures are managed through a consistent set of management processes that drive risk identification, assessment, control and monitoring. Operational Risk Framework (ORF) adopted by the Bank provides comprehensive risk management tools for managing operational risk. The Operational Risk Framework (ORF) defines how risks are managed, how Operational Risk policies and controls are assured, how effective governance is exercised as well as the key roles required to manage the underlying processes.

The Executive Risk Committee, chaired by the CEO, oversees the management of operational risks across the Bank. Each risk control owner is responsible for identifying risks that are material and for maintaining an effective control environment across the organization. Risk control owners have responsibility for the control of operational risk arising from the management of the following activities: External Rules & Regulations, Liability, Legal Enforceability, Damage or Loss of Physical Assets, Safety & Security, Internal Fraud or Dishonesty, External Fraud, Information Security, Processing Failure, and Model. Operational risks can arise from all business lines and from all activities carried out by the Bank. Operational Risk management approach seeks to ensure management of operational risk by maintaining a complete process universe defined for all business segments, products and functions processes.

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

The OR governance structure is as follows:

- Operational Risk governance ensures consistent oversight across all levels regarding the execution and effectiveness of Operational Risk Framework (ORF).
- Risk Control Owners for all major Risk Types are appointed as per the Risk Management Framework (RMF) and are responsible for effective management of operational risk of their respective control function.
- Operational risks are identified and graded at the business/unit level. For all risk graded low and above along with the treatment plan are agreed with the Risk Control Owner before raising the risk in the system (Phoenix) and tabling the risks in Country Executive Risk Committee for acceptance. Mitigating controls are put in place and mitigation progress monitored until its effectiveness.
- The Executive Risk Committee (ERC) ensures the effective management of Operational Risk throughout the business/functions in support of the Group's strategy and in accordance with the Risk Management Framework. The ERC assigns ownership, requires actions to be taken and monitors progress of risks identified, in addition to confirming the risk grading provided at the business/unit level.
- The Executive Risk Committee (ERC) accepts operational risks arising in the country provided the residual risk rating is 'low' on the Group Operational Risk Assessment Matrix. Risks categorized as Medium, High or Very High on the Group Operational Risk Assessment Matrix are reported to the Executive Risk Committee (ERC) for endorsement and escalated to the Group Process Owner through the relevant country process owner for acceptance through the relevant Process Governance Committees (PGCs).
- The Group Risk Committee (GRC) determines the Group's approach to the management of operational risk in accordance with the RMF. Group Operational Risk Committee (GORC) is responsible for governing operational risk across all functions, client segments and products. It is in turn supported by Business Process Governance Committees (PGCs) appointed by Process Universe Owners, which provide global oversight of all operational risks arising from end-to-end processes within their Process Universes. Additionally, Group Financial Crime Risk Committee (GFCRC) is responsible for governing financial crime risks across the Group Process Universe and Group Information Management Governance Committee (GIMGC) provides oversight and drives best practice in information management and data governance.

Market Risk

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

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

Liquidity Risk

Liquidity risk is the potential that the Bank either does not have sufficient liquid financial resources available to meet all its obligations as they fall due, or can only access these financial resources at excessive cost. The

Liquidity Risk Framework governs liquidity risk and is managed by ALCO. In accordance with that policy, the Bank maintains a liquid portfolio of marketable securities as a liquidity buffer. The net liquid assets to total deposits ratio is 38% which includes a buffer of Rs.12.7 billion over the regulatory requirement.

Reputational Risk

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

The Country Head of Corporate Affairs is the Risk Control Owner (RCO) responsible for monitoring and reporting of reputational risk for the Bank. Reputational risk is managed by the EXCO and ERC, which are responsible for protecting the Group's reputation locally and has the responsibility to ensure that the Bank does not undertake any activities that may cause material damage to the Group's franchise. Reputational risk is registered, recorded and reviewed by the CEO through the ERC. Whilst the ERC covers all forms of reputational risks in the country, any significant business/function related reputational risks, if any, are also brought up and discussed in the ERC. Corporate Affairs has representation in the ERC. Monthly reporting from Corporate Affairs to Group Corporate Affairs is in place to ensure that significant risk issues are socialised and escalated to the Group.

Pension Risk

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

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

Internal Control

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

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

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

5. Impairment

Impairment of financial assets

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

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

1. Whether the counterparty is in default of principal or interest payments
2. When a counterparty files for bankruptcy and this would avoid or delay discharge of its obligation
3. Where the Bank initiates legal recourse of recovery in respect of a credit obligation of the counterparty

4. Where the Bank consents to a restructuring of the obligation, resulting in a diminished financial obligation, demonstrated by a material forgiveness of debt or postponement of scheduled payments
5. Where there is observable data indicating that there is a measurable decrease in the estimated future cash flows of a group of financial assets, although the decrease cannot yet be identified with specific individual financial assets

Assets carried at amortised cost

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

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

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

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

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

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

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

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

Available-for-sale assets

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

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the

impairment loss is reversed through the statement of profit or loss. Impairment losses recognised in the profit or loss on equity instruments are not reversed through the profit or loss.

Impairment of assets other than financial assets

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

Explanatory Notes

	NRs. '000	
Impairment Charge for the year	2015-16	2014-15
Financial Instruments		
Cash at Vault	-	-
Balance with Central bank	-	-
Treasury Bills	-	-
Government Bonds	-	-
Balances with other banks	-	-
Loans and Advances to banks	-	-
Loans and Advances to customers		
Impairment Charge for the period	17,008	78,350
Impairment Reversed for the period	(40,129)	(33,919)
Investment in corporate securities	-	-
Property Plant and Equipments	-	-
Other Assets	5,153	48,261
Impairment on other assets reversed	(48,261)	
Total Impairment Charged / (reversed)	(17,968)	92,692

6. Revenue

Accounting Policy

Income from financial instruments

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

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

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

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

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

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

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

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

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

Fees and commissions

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

Explanatory Notes

		2015-16	2014-15
			NRs. '000
Interest Income	6.1	2,440,004	2,593,579
less: Interest Expense	6.2	(565,705)	(661,075)
Net Interest Income		1,874,299	1,932,504
Fees and Commission Income	6.3	311,312	308,411
Net Trading Income	6.4	629,555	613,936
Other Operating Income	6.5	85,948	101,870
		2,901,114	2,956,721

6.1 Interest Income

		2015-16	2014-15
			NRs. '000
Deposit with central Bank		-	-
Treasury Bills		76,187	32,776
Govt Bond		17,228	22,227
Loans and Advances to Banks & FI		148,534	87,284
Debt investments		-	-
Loans and Advances to Customers		2,197,513	2,451,292
Accrued on discounted assets (unwinding of discounts)		-	-
Others		542	-
		2,440,004	2,593,579

6.2 Interest Expense

	NRs. '000	
	2015-16	2014-15
Customer accounts		
Interest bearing saving deposits	329,796	351,352
Term (Time) Deposits	125,145	126,195
Call deposits	106,392	178,927
Debt Securities in issue	-	-
Unwinding Interest (development bonds)	3,384	3,579
On vostro balance	925	1,022
On borrowings	63	-
	565,705	661,075

6.3 Fees and commission income

	NRs. '000	
	2015-16	2014-15
A. Bills Purchased and Discounted		
Domestic	100	84
Foreign	11,222	9,422
B. Commission		
Letters of Credit	30,001	35,727
Guarantees	142,611	131,797
Collection Fees	8,226	9,459
Remittance Fees	48,952	41,529
Credit Cards	23,738	31,850
Exchange Fees (Batta Income)	5	3
C. Fees		
Management Fees	1,889	5,438
Loan Processing Fees	-	-
Ledger and Activity Fees	19	6
Others (including income from Derivatives)	44,549	43,096
Total	311,312	308,411

6.4 Net Trading Income

	NRs. '000	
	2015-16	2014-15
Gains and Losses from Instruments Held for Trading	-	-
Foreign currency gains and losses arising on the translation of foreign currency monetary assets and liabilities (also refer Note 11.2)	629,555	613,936
	629,555	613,936

6.5 Other Operating Income

NRs. '000

	2015-16	2014-15
Gains and losses on disposal of financial instruments	-	-
Available for sale	-	-
Loans and receivables	-	-
Dividend Income	9,373	11,133
Gain on disposal of Property Plant and Equipments	20,696	51,747
Rental on Safe Deposit Locker	5,237	5,429
Issue and Renewals of Credit Cards	17,246	12,595
Issue and Renewals of ATM Cards	10,167	4,485
Telex /T.T.	14,132	14,092
Others operating income	1,313	1,409
Other non operating income	7,784	980
	85,948	101,870

7. Property Plant and Equipments

Accounting Policy

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

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

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

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

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

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

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

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

Explanatory Notes

Description	LAND	BUILDINGS	MACHINERY	LEASEHOLD ASSETS	FURNITURE & FIXTURE	OFFICE EQUIPMENTS	VEHICLES	CAPITAL WIP	TOTAL
Original Cost (Rs.)									
As at 16 July 2015	8,512	9,224	45,144	91,726	25,299	192,582	58,867	-	431,355
Additions	-	-	-	1,490	980	8,070	-	-	10,540
Adjustment (disposals and transfers)	(8,512)	(9,224)	-	(8,811)	-	(24,508)	-	-	(51,055)
As at 15 July 2016	-	-	45,144	84,405	26,279	176,144	58,867	-	390,839
Depreciation (Rs.)									
As at 16 July 2015	-	2,717	30,899	64,320	23,506	173,278	53,809	-	348,530
Charge for the year	-	411	6,042	5,023	1,074	6,169	1,743	-	20,463
Attributable to disposals / transfers	-	(3,128)	-	(1,645)	-	(23,117)	-	-	(27,891)
As at 15 July 2016	-	-	36,942	67,698	24,580	156,331	55,552	-	341,102
Impairment Charge	-	-	-	-	-	-	-	-	-
Capital Work in Progress									
As at 15 July 2016	-	-	8,202	16,707	1,699	19,813	3,315	21,569	71,306
As at 16 July 2015	8,512	6,507	14,244	27,406	1,793	19,304	5,059	1,028	83,853
Original Cost (Rs.)									
As at 17 July 2014	10,931	20,518	30,444	87,249	23,792	182,884	53,651	-	409,470
Additions	-	-	14,700	4,477	1,646	12,342	5,216	-	38,381
Adjustment (disposals and transfers)	(2,419)	(11,294)	-	-	(139)	(2,645)	-	-	(16,496)
As at 16 July 2015	8,512	9,224	45,144	91,726	25,299	192,582	58,867	-	431,355
Depreciation (Rs.)									
As at 17 July 2014	-	6,981	27,339	59,584	23,214	169,975	53,651	-	340,744
Charge for the year	-	409	3,561	4,736	431	5,948	157	-	15,242
Attributable to disposals / transfers	-	(4,673)	-	-	(139)	(2,645)	-	-	(7,457)
As at 16 July 2015	-	2,717	30,899	64,320	23,506	173,278	53,809	-	348,530
Impairment Charge	-	-	-	-	-	-	-	-	-
Capital Work in Progress									
As at 16 July 2015	8,512	6,507	14,244	27,406	1,793	19,304	5,059	1,028	83,853
As at 17 July 2014	10,931	13,538	3,106	27,665	578	12,909	-	-	68,726

8. Employee Benefits

Accounting Policy Retirement benefit obligations

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

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

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

Explanatory Notes

8.1 Current Employee benefits

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

	NRs. '000	
Particulars	2015-16	2014-15
Salaries	300,485	293,216
Allowances	1,259	1,302
Training Expenses	2,295	2,458
Uniform Expenses	255	239
Medical Expenses	7,338	6,753
Insurance Expenses	3,925	3,117
Defined Contribution Plan - Expenses	16,140	14,319
Defined Benefit Plan - Expenses	20,673	21,353
Employee loan (interest rate benefit)	15,961	15,374
Staff Incentives	89,397	83,061
Others	42,368	42,459
Provision for staff bonus	181,715	187,099
	681,811	670,750

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

8.2 Retirement Benefits

Defined Benefit Plan - Liabilities

	NRs. '000		
Particulars	2015-16	2014-15	2013-14
Opening Liability (excluding pre-payment)	231,226	209,354	191,264
Interest Charge (unwinding interest)	15,991	14,475	13,228
Current Service cost	18,716	17,351	16,532
Less: Gratuity Paid during the year	(14,071)	(7,855)	(6,319)
Closing Liability			
Actuarial Gain or Loss	(880)	(2,099)	(5,350)
Assessed Liability (actuarial assessment)	250,982	231,226	209,354

Defined Benefit Plan - Assets

Particulars	2015-16	2014-15	2013-14
Opening Assets	148,443	134,093	112,213
(+) Estimated Investment Returns for the year	14,035	10,473	8,227
(+) Additional Investment during the year	88,105	11,732	19,972
(-) Withdrawal (payouts during the year)	(14,071)	(7,855)	(6,319)
Closing Assets	236,512	148,443	134,093
Net Defined Benefit Plan Liability	14,471	82,783	75,261
Net Charge	19,793	19,254	16,182
Net Charge - P&L	20,673	21,353	21,532
Net Charge (credit) - SoCE	(880)	(2,099)	(5,350)

Principal actuarial assumptions

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

9. Intangible assets**Accounting Policy****Acquired Intangible Assets**

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

Computer software

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

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

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

Explanatory Notes

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

10. Share Capital

Accounting Policy

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

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

Explanatory Notes

10.1 Share capital detail

The company's registered capital structure is as follows

			NRs. '000
15-Jul-16	No of share	Value per share	Capital in Value
Authorised capital	40,000,000	Rs.100	4,000,000
Issued capital	28,124,260	Rs.100	2,812,426
Paid up capital	28,124,260	Rs.100	2,812,426
16-Jul-15	No of share	Value of share	Capital in Value
Authorised capital	30,000,000	Rs.100	3,000,000
Issued capital	22,481,612	Rs.100	2,248,161
Paid up capital	22,481,612	Rs.100	2,248,161
17-Jul-14	No of share	Value per share	Capital in Value
Authorised capital	20,416,720	Rs.100	2,041,672
Issued capital	20,416,720	Rs.100	2,041,672
Paid up capital	20,416,720	Rs.100	2,041,672

10.2 Share ownership detail

The shareholding pattern on the company is as follows

Shareholder Category	15-Jul-16	16-Jul-15	17-Jul-14
	% of holding	% of holding	% of holding
Foreign Ownership	75.00	75.00	75.00
Domestic Ownership			0
Organised Entities	0.64	0.94	2.50
Individuals	24.36	24.06	22.50
	100.00	100.00	100.00

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

Shareholder Category	15-Jul-16	16-Jul-15	17-Jul-14
	% of holding	% of holding	% of holding
Standard Chartered Grindlays Ltd., Australia	50.00	50.00	50.00
Standard Chartered Bank, UK	25.00	25.00	25.00
Sashi Agrawal	0.75	0.75	0.7
Priyanka Agrawal	0.75	0.75	0.53
Komal Agrawal	0.75	0.75	0.53
Shankar Lall Agrawal	0.75	0.75	0.53
Pashupati Soap Industries	-	-	0.53
Arjun Bandhu Regmi	0.71	0.71	0.53
Avinash Agrawal	0.75	0.75	-
	79.46	79.46	78.35

10.3 Equity Share Capital – over the years movements

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

Financial Year	Cumulative Paid up Capital Rs.	Remarks
1987-88 (2044-45 BS)	30,000	Opening Share Capital at Rs. 60 paid up
1990-91 (2047-48 BS)	20,000	Capitalisation of Reserve Rs. 100 paid up
1992-93 (2049-50 BS) to 2013-14 (2070-71 BS)	1,991,672	Issuance of Bonus Shares and fraction adjusted
	2,041,672	Balance as at 17-Jul-14
2014-15	206,489	Issuance of Bonus Shares and fraction adjusted
	2,248,161	Balance as at 16-Jul-15
2015-16	564,265	Issuance of Bonus Shares and fraction adjusted
	2,812,426	Balance as at 15-July-16

No new shares have been issued by public offering since the year 1987-88. The issue expenses for the initial issue was charged in the year when the issue was made. The amount has not been adjusted with the share capital and the Bank considers the impact to be immaterial.

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

Particulars	15-Jul-16	16-Jul-15	17-Jul-14
Opening Share Capital	2,248,161	2,041,672	1,853,900
Bonus Share Capital	562,040	204,167	185,390
Fraction adjustment collected	2,225	2,322	2,382
Total Capital Increase	564,265	206,489	187,772
Closing Share capital	2,812,426	2,248,161	2,041,672

11. Reserves

Accounting Policy

The reserves include regulatory and free reserves.

Explanatory Notes

Particulars	15-Jul-16	16-Jul-15	16-Jul-14
Regulatory / Statutory reserves			
General reserve	2,897,529	2,639,030	2,381,025
Exchange Fluctuation reserve	501,913	384,481	360,598
Available for Sale - reserve	347,598	136,930	170,140
Deferred Tax Reserve	-	-	-
Free Reserve			
Retained Earning	1,176,744	1,264,171	1,321,877
	4,923,784	4,424,612	4,233,640

11.1 General Reserve

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

11.2 Exchange Fluctuation Fund

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

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

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

11.4 Movement in reserves

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

12. Taxation

Accounting Policy

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

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

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

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

Explanatory Notes

12.1 Current Taxes

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

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

	NRs. '000
Net Profit As per SoPL	1,234,403
NFRS Adjustments	58,092
Regulatory NPAT	1,292,494
Provision for Tax	502,475
Deferred Tax	21,321
PY Tax	856
Bonus Provision	181,715
	1,998,861
Bonus 10%	181,715
Profit Before Tax After Bonus	1,817,147
Income Tax Related Adjustments	(142,229)
Taxable Income	1,674,918
Provision for Income Tax (@ 30%)	502,475

12.2 Tax Settlement Status

The Bank's income tax assessments by the tax authorities are final and settled up to the income year 2011-12. The income years whose settlement are still due where the bank has made provisions as per its self assessment returns and the amount of advance tax paid is as under.

NRs. '000

Income Years	Provision for Tax (as per self- assessment)	Advance Tax Paid	Advance Tax Net of Provision	Cumulative (yet to be assessed)
2012-13	527,105	546,675	19,570	19,570
2013-14	571,524	595,490	23,966	43,536
2014-15	586,717	561,471	(25,246)	18,290
2015-16	502,475	540,247	37,772	56,062

12.3 Tax assessment Status

Financial Year 2005-06

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

Financial Year 2009-10

For financial year 2009-10 (2066-67) LTPO raised a demand for Rs. 1.5 Mio of tax and 0.3 Mio of interest. The Bank contested the order on few issues and filed for Administrative Review. The bank has now settled the case by payment of Rs 1.13 Mio and the same has been charged in this year's P&L Account.

Financial Year 2010-11 and 2011-12

For financial year 2010-11 (2067-68) LTPO had done the reassessment of tax in the previous year and demanded reverse VAT on payments made to Visa and Master Card for the services provided by them. A demand of Rs. 13 Mio was made (including interest of Rs. 3.6 Mio). The Bank contested the order and filed for Administrative Review.

Similarly For financial year 2011-12 (2068-69) LTPO completed the reassessment during the year and a demand of Rs. 14.2 Mio was made (including interest of Rs. 4 Mio). The Bank contested the order and filed for Administrative Review.

During the year, decisions were made on the above applications in the Bank's favour. Accordingly the provision of Rs. 48.3 Mio that was made in the previous year for the years 2010-11 to 2014-15 was reversed during the year and taken to the Profit and Loss Account.

Financial Year 2012-13 to 2014-15

The self assessment returns filed by the Bank for financial year 2012-13 (2069-70 BS) to 2014-15 (2071-72 BS), has not yet been opened for reassessment by the LTPO.

12.4 Deferred Taxes

NRs. '000

Particulars	Carrying Amount	Tax Base	Temporary Diff
Property, Plant & Equipment	49,737	177,965	(128,228)
Defined Benefit Plan Provision	14,471	-	(14,471)
Performance bonus Provision	47,584	-	(47,584)
Premium on Development Bond	9,622	35,700	(26,078)
	43,238	-	43,238
Interest receivable	103,312	-	103,312
Loans and Advances	31,469,116	31,302,950	166,166
Total			96,355
	Tax Rate @	30%	28,906
	Deferred Tax Liability / (Asset) - 16.07.2015		(5,505)
	Deferred Tax Expense / (Income) - 2015-16		34,412
	Deferred Tax liability / (Asset) - 15.07.2016		28,906
	Deferred Tax Expense / (Income) - 2015-16 P&L		34,148
	Deferred Tax Expense / (Income) - 2015-16 OCI		264

NRs. '000

Particulars	Carrying Amount	Tax Base	Temporary Diff
Property, Plant & Equipment	74,313	215,774	(141,461)
Defined Benefit Plan Provision	82,783	-	(82,783)
Performance bonus Provision	40,193	-	(40,193)
Premium on Development Bond	13,006	41,543	(28,537)
Lease liability	32,579	-	32,579
Interest receivable	107,387	-	107,387
Loans and Advances	27,815,970	27,681,313	134,657
Total			(18,350)
	Tax Rate @	30%	(5,505)
	Deferred Tax Liability / (Asset) - 17.07.2014		2,222
	Deferred Tax Expense / (Income) - 2014-15		(7,727)
	Deferred Tax Liability / (Asset) - 16.07.2015		(5,505)
	Deferred Tax Expense / (Income) - 2014-15 P&L		(8,357)
	Deffered Tax Expense / (Income) - 2014-15 OCI		630

NRs. '000

Particulars	Carrying Amount	Tax Base	Temporary Diff
Property, Plant & Equipment	57,795	191,619	(133,824)
Defined Benefit Plan Provision	75,261	-	(75,261)
Performance bonus Provision	40,455	-	(40,455)
Premium on Development Bond	16,585	41,543	(24,958)
	18,660	-	18,660
Interest receivable	127,335	-	127,335
Loans and Advances	26,112,494	25,976,585	135,909
Total			7,406
	Tax Rate @	30%	
	Deferred Tax Liability / (Asset) - 17.07.2014		2,222

13. Assets held for sale and discontinued operations

Accounting Policy

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

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

Explanatory Notes

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

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

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

14. Foreign Currencies

Accounting Policy

Transactions and balances

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

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

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

Explanatory Notes

	NRs. '000	
	2015-16	2014-15
Net Transaction gain / (loss) due to changes in foreign exchange rates	512,123	518,402
Net Translation gain / (loss) as a result of translation of year end balances of monetary assets and liabilities held in foreign currencies	117,432	95,534
	629,555	613,936
25% of the translation gain to be set aside in reserves	29,358	23,884

15. Premises cost

Accounting Policy

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

Explanatory Notes

NRs. '000

	2015-16	2014-15
Lease rental (building and premises rent)	81,045	83,701
Light Electricity Water	25,615	24,425
Repair and maintenance - building	6,693	5,513
Security Expenses	23,724	29,871
	137,077	143,510

16. General Administrative Expenses

Accounting Policy

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

Explanatory Notes

NRs. '000

	2015-16	2014-15
Repair and Maintenance		
Vehicle	2,048	2,837
Office equipments and furniture	11,266	11,458
Others	12,739	13,896
PPE charged off (not capitalised items)	25,872	23,923
Insurance	14,174	14,075
Postage, Telex, Telephone, Fax	24,941	22,673
Travelling Allowances and Expenses	15,208	18,013
Stationery and Printing	17,947	17,177
Periodicals and Books	100	175
Advertisement	21,096	16,267
Legal Expenses	406	1,275
Donations	-	-
Expenses Relating to Board of Directors		
Meeting Allowance	703	823
Others Expenses	576	259
General Meeting Expenses	1,458	1,061
Expenses Relating to Audit		
Audit Fees	2,050	786
Other Expenses		314
Technology Support Cost (Technical Services Fees)	62,726	48,146
Entertainment	2,102	2,254
Written Off Expenses	5,182	1,286
Commission and Discount	9,602	10,499
Others		
Software Expenses	8,035	9,142
Cleaning, Pest Control and Waste Management	9,617	11,047
Share Listing and Registration Expenses	670	1,109
Other Professional Fees	13,385	12,094
Hire of vehicles and equipments	1,562	2,978
Clearing House Charges	1,481	1,889
Credit information and Collection Expenses	818	789
Others	15,610	15,975
	281,374	262,221

16.1 Audit Fees and expenses

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

	NRs. '000	
	2015-16	2014-15
Audit Fees	-	786
Other audit related expenses	-	314
Audit and other expenses	2,050	-
	2,050	1,100

17. Depreciation and Amortisation

Accounting Policy

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

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

Explanatory Notes

	NRs. '000	
	2015-16	2014-15
Depreciation of PPE (refer note 7)	20,463	15,242
Amortisation of expenses	-	-
	20,463	15,242

18. Others (extraordinary items)

	NRs. '000	
	2015-16	2014-15
Recovery of Loans written off	10,295	20,662
Unrecoverable loan written off	(2,568)	(3,137)
Others	(5,940)	-
	1,787	17,525

19. Earnings per share

Accounting Policy

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

Explanatory Notes

	NRs. '000	
	2015-16	2014-15
Earning attributable to equity shareholders	1,264,684	1,292,588
Weighted average number of shares for the period	23,128,343	21,678,284
Earning per share (Rs.)	54.68	59.63

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

20. Dividends

Accounting Policy

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

Explanatory Notes

1.1 Proposed Distributions (Dividends and Bonus Shares)

The Board has recommended 1.75% as cash dividend and 33.33% bonus shares as appropriation for the reported year, 2015-16. This proposal of the Board of Directors is subject to the ratification by the Annual General meeting of the Shareholders.

	NRs. '000		
Particulars	2015-16	2014-15	2013-14
Cash Dividends declared		431,884	847,294
Bonus Shares		562,040	204,167
Total	-	993,924	1,051,461

1.2 Unpaid Dividends

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

	NRs. '000		
Particulars	15-Jul-16	16-Jul-15	17-Jul-14
Not collected for more than 5 years	6,990	5,185	4,283
Not collected less than 5 years	133,164	62,712	44,860
	140,154	67,897	49,143

21. Segmental Reporting

Accounting Policy

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

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

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

Explanatory Notes:

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

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

For the year ended 15.07.2016

	NRs. '000					
15-16 Particulars	Retail	Commercial	CIB	Treasury	Others	Total
Net Segment Revenue	1,090,121	537,691	507,419	307,817	(3,045)	2,440,004
Net Segment Results	625,373	495,178	317,200	350,750	(8,113)	1,780,390
Provision for Tax	181,742	143,906	92,183	101,933	(16,432)	503,332
Net Profit	439,109	347,692	222,724	246,281	8,877	1,264,684
Segment Assets	15,901,901	11,613,408	4,796,360	32,244,409	792,348	65,348,426
Segment Liabilities	31,301,273	12,066,585	14,707,980	897,064	6,375,524	65,348,426
Depreciation	9,299	-	212	-	10,952	20,463
Contingent	559,770	4,400,892	20,238,053	-	50,190	25,248,906

For the year ended 16.07.2015

	NRs. '000					
14-15	Retail	Commercial	CIB	Treasury	Others	Total
Particulars						
Net Segment Revenue	1,249,635	1,220,684	-	124,946	(1,685)	2,593,579
Net Segment Results	900,441	960,264	-	7,091	(2,798)	1,864,998
Provision for Tax	287,013	306,081	-	2,260	(892)	594,462
Net Profit	624,075	665,537	-	4,915	(1,939)	1,292,588
Segment Assets	14,820,162	13,723,945	-	35,859,245	803,837	65,207,189
Segment Liabilities	27,319,864	30,647,888	-	33,454	7,205,984	65,207,189
Depreciation	8,219	353	-	-	6,670	15,242
Contingent	240,833	21,816,722	965,689	-	33,483	23,056,728

For the year ended 17.07.2014

	NRs. '000					
13-14	Retail	Commercial	CIB	Treasury	Others	Total
Particulars						
Segment Assets	14,154,794	12,884,795	-	26,117,085	507,990	53,664,663
Segment Liabilities	24,782,307	20,590,625	-	1,665,966	6,625,764	53,664,663
Contingent	1,100,186	19,198,675	-	1,850,779	29,255	22,178,895

22. Related Party Disclosures

Accounting Policy

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

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

Explanatory Notes

22.1 Ultimate Parent and the Group

- i) Ultimate Parent Company: Standard Chartered Plc., London, UK
- ii) Major Shareholders
 - (a) Standard Chartered Grindlays Ltd., Australia: Holding 50% of shares
 - (b) Standard Chartered Bank, UK: Holding 25% of shares

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

- (a) Head Office and Branches of Head Office
 1. Standard Chartered Bank, UK
 2. Standard Chartered Bank, India
 3. Standard Chartered Bank, Japan
 4. Standard Chartered Bank, Singapore
 5. Standard Chartered Bank, USA
 6. Standard Chartered Bank, Germany

7. Standard Chartered Bank, Indonesia
8. Standard Chartered Bank, Qatar
9. Standard Chartered Bank, South Korea
10. Standard Chartered Bank, U.A.E
11. Standard Chartered Bank, Bangladesh
12. Standard Chartered Bank, Sri Lanka
13. Standard Chartered Bank, Indonesia

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

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

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

NRs. '000

Transaction during the year

	SCB Group	
	2015-16	2014-15
Placements (total placements made during the year)	2,462,434,945	2,041,170,105
Interest on placements	155,769	102,865
Shared Service Center Costs	620,001	47,758
Training Fees	-	-
Other transactions	-	-

NRs. '000

Yearend Balance

	SCB Group		
	15.07.2016	16.07.2015	17.07.2014
Placements	14,656,860	11,973,546	7,960,305
Nostro Balances	1,204,156	652,392	645,948
Interest Receivable	31,435	39	27
Shared Service Cost Payable	-	-	-
Trade Contingents	4,958,486	1,130,403	16,366,395
Fee Income Receivables	16,543	44,123	83,407

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

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

22.3 Transactions with and payments to directors of the bank

Following payments have been made to the directors of the Bank

NRs. '000

Particulars	2015-16	2014-15
Directors' sitting fees	703	823
Directors' travel and meeting expenses	576	259
Other directors' expenses (if any)	-	-
Remuneration and bonus of the executive director(s)	21,259	19,478
Other benefits of the executive director(s)	12,505	11,046
	35,042	31,606

Payments to the executive director are net of taxes

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

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

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

The Bank defines its executive committee members as the key management personnel other than its directors. One of executive committee members is the director of the Bank and payments and transactions relating to the executive director are disclosed above under 22.3.

NRs. '000

Particulars	2015-16	2014-15
Remuneration and current employee benefits	22,810	17,833
Terminal benefit (gratuity)	5,645	11,632
Bonus (statutory bonus and welfare assistance)	14,437	11,646
Performance Bonus	9,245	6,855
Vehicle benefit - car allowance	3,960	3,510
Other benefits and payments	1,722	1,299
	57,819	52,775

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

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

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

23. First Time Adoption reconciliations and disclosures

Explanatory Notes

23.1 Significant changes from the policies adopted in the past

Significant changes from the accounting policies adopted under previous GAAP (erstwhile Nepal Accounting Standards and directives issued by Nepal Rastra bank) and the adoption of NFRS has been disclosed in the respective segments, including the impact. The detailed impact disclosure is given below.

23.2 Adjustments to the opening NFRS Financial Statements

	NRs. ' 000
Particulars	
SFP Adjustments	
Loans and advances to customers	135,909
PPE	-
Assets charged off	-
Defined Benefit Plan Liability (net)	18,026
Interest Differential - charged to staff cost	-
Interest Differential - recognised as income	-
Initial charge revenue - reversed	-
Initial charge revenue recognised	-
Accrued Income on loans and advances to customers	127,335
AFS Investments	169,096
Deferred Taxes	(91,779)
Lease payments (SLM)	(18,660)
Credit (charge) to reserve	339,927
Share capital	204,167
Proposed dividend	847,294
Reclassification of reserve	1,051,461
	1,391,388

23.3 Adjustments to the Financial Statements of 2014-15

Particulars	NRs. ' 000			
	Total	SoPL	SFP	Carried forward
SFP Adjustments				-
Loans and advances to customers	134,657	35,164	(36,416)	135,909
PPE	-	-	-	-
Assets charged off	-	-	-	-
Defined Benefit Plan Liability (net)	44,529	37,391	(10,888)	18,026
Interest Differential - charged to staff cost	-	(15,374)	-	-
Interest Differential - recognised as income	-	15,374	-	-
Initial charge revenue - reversed	-	(54,553)	-	-
Initial charge revenue recognised	-	18,135	-	-
Accrued Income on loans and advances to customers	107,387	(14,520)	(5,428)	127,335
AFS Investments	135,884	-	(33,211)	169,096
Deferred Taxes	(97,545)	(5,136)	(630)	(91,779)
Lease payments (SLM)	(32,579)	(13,919)	-	(18,660)
Credit (charge) to reserve	292,333	2,562	(86,573)	339,927
Share capital	562,041	-	357,874	204,167
Proposed Dividend	431,884	-	(415,410)	847,294
Reclassification of reserve	993,925	-	(57,536)	1,051,461
	1,286,258	2,562	(144,109)	1,391,388

23.4 Reconciliation of Statement of Financial Position reported for 16.07.2015 due to the adoption of NFRS

	Restated	For the year	Opening Adjusted	NRs. '000 Previously Reported
	16-Jul-15			16-Jul-15
Assets				
Cash	785,636	-	-	785,636
Balances at central bank	9,308,116	-	-	9,308,116
Treasury Bills	5,416,236	-	-	5,416,236
Government Bonds	363,006	13,006	-	350,000
Balances with other banks	1,478,690	-	-	1,478,690
Loans and advances to banks	19,122,616	-	-	19,122,616
Investment in securities	191,810	(33,211)	169,096	55,926
Loans and advances to customers	27,815,970	(1,252)	135,909	27,681,313
Other assets	635,750	(32,954)	127,335	541,369
Property, plant and equipment	83,853	-	-	83,853
Deferred tax assets	5,505	(5,766)	(91,779)	103,050
Total Assets	65,207,189	(60,177)	340,561	64,926,805
Liabilities and Equity				
Liabilities				
Deposits by banks	147,614	-	-	147,614
Customer accounts	57,138,869	-	-	57,138,868
Bills payable	177,085	-	-	177,086
Borrowings	-	-	-	-
Proposed Dividend	-	415,410	(847,294)	431,883
Other liabilities	988,065	13,919	18,660	955,487
Retirement benefit obligations (net)	82,783	(26,503)	(18,026)	127,312
Total liabilities	58,534,416	402,826	(846,660)	58,978,250
Equity				
Share capital	2,248,161	(357,874)	(204,167)	2,810,202
Reserves	4,424,612	(105,129)	1,391,388	3,138,353
Total shareholders' equity	6,672,773	(463,003)	1,187,221	5,948,555
Non-controlling interests	-	-	-	-
Total equity	6,672,773	(463,003)	1,187,221	5,948,555
Total equity and liabilities	65,207,189	(60,177)	340,561	64,926,805

23.5 Reconciliation of Statement of Financial Position reported for 16.07.2014 due to the adoption of NFRS

	Restated	Re-measurement	NRs. '000 Previously Reported
	17-Jul-14		16-Jul-14
Assets			
Cash	613,768	-	613,768
Balances at central bank	6,862,452	-	6,862,452
Treasury Bills	1,983,923	-	1,983,923
Government Bonds	366,585	16,585	350,000
Balances with other banks	1,712,084	-	1,712,083
Loans and advances to banks	14,961,835	-	14,961,835
Investment in securities	225,022	169,096	55,926
Loans and advances to customers	26,112,494	135,909	25,976,585
Other assets	759,997	110,750	649,247
Property, plant and equipment	68,726	-	68,726
Deferred tax assets	(2,222)	(91,779)	89,557
Total Assets	53,664,663	340,561	53,324,102
Liabilities and Equity			
Liabilities			
Deposits by banks	94,624	-	94,624
Customer accounts	46,203,908	-	46,203,908
Bills payable	67,440	-	67,440
Borrowings	-	-	-
Proposed Dividend	-	(847,294)	847,294
Other liabilities	948,119	18,660	929,458
Retirement benefit obligations (net)	75,261	(18,026)	93,287
Total liabilities	47,389,351	(846,660)	48,236,011
Equity			
Share capital	2,041,672	(204,167)	2,245,839
Reserves	4,233,640	1,391,388	2,842,252
Total shareholders' equity	6,275,312	1,187,221	5,088,091
Non-controlling interests	-		
Total equity	6,275,312	1,187,221	5,088,091
Total equity and liabilities	53,664,663	340,561	53,324,102

23.6 Reconciliation of Statement of Profit or Loss reported for 2014-15 due to the adoption of NFRS

	Restated	Adjustments	NRs. '000 Previously Reported
	2014-15		2014-15
Interest income	2,593,579	18,989	2,574,590
Interest expense	(661,075)	-	(661,075)
Net interest income	1,932,504	18,989	1,913,515
Fees and commission income	308,411	(54,553)	362,964
Net trading income	613,936	-	613,936
Other operating income	101,870	22,017	79,853
Non-interest income	1,024,217	(32,536)	1,056,753
Operating income	2,956,721	(13,547)	2,970,268
Staff costs	(670,750)		(670,750)
Premises costs	(143,510)	(13,919)	(129,591)
General administrative expenses	(262,221)		(262,221)
Depreciation and amortisation	(15,242)		(15,242)
Operating expenses	(1,091,723)	(13,919)	(1,077,804)
Operating profit before impairment losses and taxation	1,864,998	(27,466)	1,892,464
Impairment losses on loans and advances and other credit risk provisions	(33,919)	106,502	(140,421)
Impairment on loans and advances reversed	78,350	(71,338)	149,688
Other impairment	(48,261)	-	(48,261)
Other	17,525	-	17,525
Profit from associates and joint ventures	-	-	-
Profit before taxation	1,878,693	7,698	1,870,995
Taxation	-	-	-
Income Taxes	(594,462)	-	(594,462)
Deferred tax income / (expense)	8,357	(5,136)	13,493
Profit for the year	1,292,588	2,562	1,290,026
Profit attributable to:			
Non-controlling interests	-	-	-
Equity shareholders	1,292,588	2,562	1,290,026
Profit for the year	1,292,588	2,562	1,290,026
Earnings per share:			
Basic earnings per ordinary share (NPR)	59.63		
Diluted earnings per ordinary share (NPR)	59.63		

23.7 Reconciliation of adjustments to retained earnings in SoCE

23.7.1 As on 17 July 2014

NRs. '000

Amount	Particulars
339,927	13-14 SFP adjustments
847,294	Proposed dividend re-class
204,167	Bonus share re-class
(169,096)	AFS investments
89,557	DT reserve reversed
1,311,849	
169,096	Re Classification
(89,557)	Re Classification
(204,167)	Re Classification

23.7.2 As on 16 July 2015

NRs. '000

Amount	Particulars
(110,898)	13-14 SFP adjustments
(2,099)	Proposed dividend re-class
630	Bonus share re-class
33,211	AFS investments
(993,925)	DT reserve reversed
54,553	
(18,135)	Re Classification
204,167	Re Classification
(204,167)	Re Classification
(832,496)	

23.7.3 As on 15 July 2016

NRs. '000

Amount	Particulars
(1,026,124)	15-16 SFP adjustments except AFS
(880)	Actuarial gain
264	DT Actuarial Gain
(210,668)	AFS Adjustments
-	15-16 SFP re-class
46,208	initial charge reversed
(12,535)	initial charge revenue recognition
562,040	Issue of bonus shares
16,269	B/f NFRS reserve opening adjustment
(625,425)	

24. Regulatory reporting reconciliations for 2015-16

Particulars	Total	SoPL	SFP	NRs. ' 000
				Carried forward
SFP Adjustments				
Loans and advances to customers	166,166	22,764	8,745	134,657
PPE	-	-	-	-
Assets charged off	-	-	-	-
Defined Benefit Plan Liability (net)	-	-	(44,529)	44,529
Interest Differential - charged to staff cost	-	(15,961)	-	-
Interest Differential - recognised as income	-	15,961	-	-
Initial charge revenue - reversed	-	(46,208)	-	-
Initial charge revenue recognised	-	12,535	-	-
Accrued Income on loans and advances to customers	103,312	(4,075)	-	107,387
AFS Investments	346,552	-	210,668	135,884
Deferred Taxes	(106,786)	(12,827)	3,586	(97,545)
Lease payments (SLM)	-	-	-	(32,579)
Credit (charge) to reserve	509,244	(27,811)	178,469	292,333
Share capital (Bonus share)	-	-	(562,041)	562,041
Proposed Dividend	-	-	(431,884)	431,884
Reclassification of reserve	-	-	(993,925)	993,925
	509,244	(27,811)	(815,456)	1,286,258

25. Events after reporting period

Accounting Policy

Bank monitors and assesses events that may have potential impact to qualify as adjusting and / or non-adjusting events after the end of the reporting period. All adjusting events are adjusted in the books with additional disclosures and non-adjusting material events are disclosed in the notes with possible financial impact, to the extent ascertainable.

Explanatory Notes

There are no material events that have occurred subsequent to 15 July 2016 till the signing of this financial statement on 19 October 2016.

26. Contingent Liabilities and Commitments

Accounting Policy

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

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

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

Explanatory Notes

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

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

	NRs. '000		
	15-Jul-16	16-Jul-15	16-Jul-14
A. Contingent Liabilities			
Claims on Bank not acknowledged as liabilities	2,000	475	3,205
Irrevocable Letter of Credits			
Maturity period of less than 6 months	2,366,418	1,687,186	2,384,450
Maturity period of more than 6 months	92,396	459,736	1,198,856
Unexpired Guarantees			
Bid Bonds	43,638	55,694	641,440
Performance Bonds	565,124	500,977	456,312
Guarantees against counter guarantee of International Rated Banks	11,080,381	10,237,012	11,407,850
Financial Guarantees	41,500	18,800	14,281
Advance Payment Guarantee	22,164	106,464	154,815
Other Guarantees	471,117	156,735	105,186
Contingent Liabilities on Taxes	-	1,047	29,255
Other Contingent Liabilities	550,903	929,308	750,778
	15,235,641	14,153,434	17,146,428
B. Rediscounted Bills	-	-	-
C. Bills for Collections	756,880	608,583	190,019
D. Commitments			
O/s liabilities of forward exchange contracts	2,226,620	1,377,681	1,100,001
Acceptances and Endorsements	331,058	321,817	488,697
Underwriting Commitments	-	-	-
Irrevocable Loan Commitments	6,698,707	6,595,213	3,253,749
Other Commitments	-	-	-
	9,256,385	8,294,711	4,842,447
Grand Total	25,248,906	23,056,728	22,178,894

26.1 Risk management

These exposures have been managed under the Bank's risk management system. The risk management system has been discussed in Note 4.19.

26.2 Collateral

The contingent liability exposures are adequately covered by collateral securities from the customers.

27. Cash Flow Statements

27.1 Effect of changes in foreign exchange rates on cash and cash equivalent

Effect of changes in foreign exchange rates on cash and cash equivalent has been disclosed under the net trading revenue. These are operating assets and the effect of exchange rates on cash and cash equivalent cannot be separately calculated.

27.2 Cash and cash equivalents

Accounting Policy

For the purposes of the cash flow statement, cash and cash equivalents comprise cash, on demand and overnight balances with central banks (unless restricted) and balances with banks with less than three months maturity period.

Loans and advances to banks, treasury bills and government bonds are not considered for cash and cash equivalent as these are investments made by the Bank.

Explanatory Notes

	NRs. '000		
Particulars	15-Jul-16	16-Jul-15	16-Jul-14
Cash at vault	799,366	785,636	613,768
Balances with Central bank	1,514,672	9,308,116	6,862,452
Balances with banks	1,658,294	1,478,690	1,712,084
Less restricted balances*	(1,905,045)	(2,361,299)	(2,272,999)
Total	2,067,287	9,211,143	6,915,305

*Note: Restricted balance comprises of minimum balance required to be held at central bank

28. Interim reports

Interim reports corresponding to the financial statements reported had been reported in accordance with the regulatory reporting requirements. Those statements have been published.

As per our report of even date

Suraj Lamichhane
Financial Controller

Joseph Silvanus
CEO & Director

Ananth Narayan
Chairman

CA. Bhaskar Singh Lala
Partner
For and on behalf of
S.R. Pandey & Co.
Chartered Accountants

Anurag Adlakha
Director

Sujit Mundul
Director

Krishna Kumar Pradhan
Director

Shankar Lall Agrawal
Director

Date: 19 October 2016

Disclaimer

Standard Chartered Bank Nepal Limited is an Equal Employment Opportunity/ Affirmative Action employer. Standard Chartered Bank Nepal Limited is committed to providing equal employment opportunities to every employee and every applicant for employment, regardless of, but not limited to, such factors as race, color, religion, sex, age, familial or marital status, ancestry, sexual orientation, veteran status or being a qualified individual with a disability; within the legal framework of the country. Standard Chartered Bank Nepal Limited undertakes no obligation to update any statement in this Annual Report 2015-2016 to reflect events or circumstances after the date on which such statement is made.

Bimal Pratap Singh
Company Secretary



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