

Our Business is to Finance Yours.

24<sup>th</sup>

# ANNUAL REPORT

Fiscal Year  
2076/77

नेपाल राष्ट्र बैंकबाट 'A' वर्गको इजाजतपत्रप्राप्त राष्ट्रिय स्तरको वित्तीय संस्था



**Progressive  
Finance Limited**

प्रोग्रेसिभ फाइनान्स लिमिटेड

## Board of Directors



Front row from left: Mr. Anish Maharjan (Director), Mr. Kishore Kumar Maharjan (Chairperson), Mr. Shambhu Lal Dangol (Director), Mrs. Sabina Maharjan (Director)  
Mr. Biplove Singh (Director), Mr. Samundra Kaji Shrestha (Director), Mr. Bishal Humagain (Company Secretary)

## प्रोक्सी फारम

श्री सञ्चालक समिति  
प्रोग्रेसिभ फाइनेन्स लिमिटेड  
का.म.न.पा. ३२, तिनकुने, काठमाडौं ।

विषय: प्रतिनिधि नियुक्त गरेको बारे ।

महाशय,

..... जिल्ला ..... न.पा./गा.पा वडा नं. .... बस्ने म/हामी .....  
.....ले त्यस कम्पनीको शेयरवालाको हैसियतले मिति २०७७ साल पौष २९ गते बुधवारका दिन हुने २४औं  
साधारण सभामा स्वयम् उपस्थिति भई छलफल तथा निर्णयमा सहभागी हुन नसक्ने भएकाले उक्त सभामा भाग लिन र मतदान  
गर्नको लागि तपशिलमा उल्लेखित व्यक्तिलाई मेरो/हाम्रो प्रतिनिधि मनोनित गरी पठाएको छु/छौं ।

प्रतिनिधिको

निवेदक

दस्तखतः

दस्तखतः

नामः

नामः

ठेगानाः

ठेगानाः

शेयर प्रमाण पत्र नं.: .....

शेयर प्रमाण पत्र नं.: .....

डिम्याट नं. ....

डिम्याट नं. ....

शेयर कित्ता नं. ....

शेयर कित्ता नं. ....

मिति: २०७७/...../.....

द्रष्टव्य: यो निवेदन साधारण सभा हुनुभन्दा कम्तिमा ४८ घण्टा अगावै कम्पनीको कर्पोरेट कार्यालयमा पेश गरिसक्नु पर्नेछ ।

## प्रोग्रेसिभ फाइनेन्स लिमिटेड

### प्रवेश-पत्र

शेयरधनीको नाम: .....

शेयर प्रमाण पत्र नं.: ..... शेयर समूह: ..... शेयर कित्ता:.....

यस कम्पनीको २४औं साधारण सभा निम्न मिति, समय र स्थानमा हुने भएकाले उक्त सभामा उपस्थित हुन यो प्रवेश-पत्र जारी गरिएको छ ।

#### साधारण सभा हुने

मिति : २०७७ साल पौष २९ गते बुधवार (तदनुसार १३ जनवरी, २०२१)

समय : दिउँसो १:०० बजे

स्थान : ज्यापू प्रज्ञाभवन, भोलगणेश, ललितपुर म.न.पा. वडा नं. ९, ललितपुर  
(Webinar मार्फत सञ्चालन गरिने ।)

.....  
शेयरधनीको दस्तखत

.....  
कम्पनी सचिवको दस्तखत

यो प्रवेश-पत्र सभाकक्षमा प्रवेश गर्दा र साधारण सभा नहुन्जेल अनिवार्य रूपमा साथमा राख्नुहोला ।

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## प्रोग्रेसिभ फाइनेन्स लिमिटेड, का.म.न.पा.-३२, तीनकुने, काठमाडौंको २४ औं वार्षिक साधारण सभा बस्ने बारे सूचना

(प्रथम पटक प्रकाशित मिति २०७७/०९/०८)

यस प्रोग्रेसिभ फाइनेन्स लिमिटेडको मिति २०७७/०९/०७ गते बसेको सञ्चालक समितिको ४५३ औं बैठकको निर्णय अनुसार फाइनेन्सको चौबिसौं वार्षिक साधारण सभा निम्न मिति, समय र स्थानमा देहायका विषयहरूमा छलफल गर्न बस्ने भएकोले सम्पूर्ण शेयरधनी महानुभावहरूको उपस्थितिको लागि यो सूचना प्रकाशित गरिएको छ ।

### सभा हुने मिति, समय र स्थान :

मिति : २०७७ साल पौष २९ गते, बुधबार (तदनुसार १३ जनवरी, २०२१)

समय : दिउसो १:०० बजे

स्थान : ज्यापू प्रज्ञा भवन, भोलगणेश, ललितपुर म.न.पा वडा नं.-९, ललितपुर ।

(Webinar मार्फत सञ्चालन गरिने ।)

### छलफलका विषयहरू :

#### (क) सामान्य प्रस्तावहरू :

१. सञ्चालक समितिको तर्फबाट प्रस्तुत वार्षिक प्रतिवेदन उपर छलफल गरी पारित गर्ने सम्बन्धमा ।
२. लेखापरीक्षकको प्रतिवेदन सहितको २०७७ आषाढ मसान्तको वित्तीय अवस्थाको विवरण(वासलात), नाफा/नोक्सान विवरण (अन्य विस्तृत आम्दानीको विवरण सहित), नगद प्रवाह विवरण, इक्विटीमा भएको परिवर्तनको विवरण आदि सहितको वित्तीय विवरण छलफल गरी पारित गर्ने ।
३. कम्पनी ऐन, २०६३ को दफा १११ अनुसार आ.व. २०७७/०७८ को लागि वाह्य लेखापरीक्षक नियुक्ति गर्ने र निजको पारिश्रमिक निर्धारण गर्ने सम्बन्धमा । (हालका लेखापरीक्षक श्री एस्.एम.सी. एशोशिएट्स, चार्टर्ड एकाउन्टेन्ट्सको तिन वर्षे कार्यकाल सकिएकोले आ.व.०७७/०७८ को लागि निजले लेखापरीक्षण गर्न कानूनत नमिल्ने व्यहोरा अनुरोध छ ।)
४. विविध ।

#### (ख) विशेष प्रस्तावहरू :

१. प्रबन्धपत्र तथा नियमावलीको संसोधनमा नियमनकारी निकायबाट फेरबदल गर्न सुझाव प्राप्त भएमा सो अनुरूप समायोजन गर्न सञ्चालक समितिलाई अख्तियारी प्रत्यायोजन गर्ने ।
२. यस वित्तीय संस्था र अन्य कुनै उपयुक्त बैंक तथा वित्तीय संस्था एक आपसमा गाभ्ने गाभिने, "बैंक तथा वित्तीय संस्था प्राप्ति (Acquisition) सम्बन्धी विनियमावली, २०७०" बमोजिम एक्विजिसन गर्ने गराउने, सो सम्बन्धमा वित्तीय संस्थाको चल अचल सम्पत्ति र दायित्व तथा कारोवारको मूल्याङ्कन (Due Diligence Audit) गर्ने, मान्यता प्राप्त परामर्शदाता, मूल्याङ्कनकर्ता तथा लेखापरीक्षकहरू नियुक्त गर्ने, निजहरूको पारिश्रमिक निर्धारण गर्ने, गाभ्ने/गाभिने, एक्विजिसन सम्बन्धी समझदारी पत्र (Memorandum of Understanding) तर्जुमा गर्ने र अन्य प्रक्रिया समेत पूरा गरी सोमा हस्ताक्षर गर्ने लगायत गाभ्ने/गाभिने वा एक्विजिसन गर्ने गराउने कार्यसँग सम्बन्धित आवश्यक सम्पूर्ण प्रकृया पूरा गर्न सञ्चालक समितिलाई अख्तियारी दिने । (विगत साधारण सभाको निरन्तरताका लागि)
३. साधारण सभाको समय सम्ममा कुनै बैंक तथा वित्तीय संस्थालाई/सँग एकिकरण/एक्विजिसन गर्ने/जाने सम्झौता भएमा सञ्चालक समितिबाट भएको गाभ्ने/गाभिने, एक्विजिसन सम्बन्धी समझदारी पत्र (Memorandum of Understanding) अनुमोदन गर्ने ।

  
सञ्चालक समितिको आज्ञाले  
कम्पनी सचिव

## प्रोग्रेसिभ फाइनान्स लिमिटेडको

# २४ औं वार्षिक साधारण सभा सम्बन्धी सामान्य जानकारी

१. यस वित्तीय संस्थाको २४ औं वार्षिक साधारण सभाको प्रयोजनको लागि शेयर दाखिल खारेजको काम मिति २०७७/०९/१६ देखि मिति २०७७/०९/२९ गतेसम्म बन्द रहनेछ । साथै, नेपाल स्टक एक्सचेन्ज लिमिटेडमा मिति २०७७/०९/१५ गते सम्म कारोवार भई प्रचलित कानून बमोजिम यस वित्तीय संस्थाको शेयर रजिष्ट्रार एनआईबिएल एस क्यापिटल लिमिटेड, लाजिम्पाट, काठमाण्डौमा प्राप्त शेयर नामसारी लिखतको आधारमा शेयरधनी दर्ता किताबमा कायम शेयरधनीहरूले मात्र उक्त सभामा भाग लिन पाउने छन् ।
  २. शेयरधनी महानुभावहरूले आफ्नो परिचय दिने आधिकारिक परिचयपत्र तथा साधारणसभा प्रयोजनार्थ जारी प्रवेश पत्र वा नागरिकताको प्रमाणपत्रको प्रतिलिपि वा शेयर प्रमाणपत्रको प्रतिलिपि/हितग्राही खाता नम्बर लिई आउनु हुन अनुरोध गरिन्छ ।
  ३. सभामा भाग लिन प्रतिनिधि नियुक्त गर्न चाहने शेयरधनी महानुभावले वित्तीय संस्थाको सोही समूहको अर्को शेयरधनीलाई मात्र प्रतिनिधि नियुक्त गर्न सक्नु हुनेछ र सो सम्बन्धी प्रोक्सी फारम सभा शुरू हुनु भन्दा ४८ घण्टा अगावै वित्तीय संस्थाको कर्पोरेट कार्यालय, तिनकुने काठमाण्डौमा बुझाई सक्नु पर्नेछ । प्रोक्सी फारम यस वित्तीय संस्थाको Website बाट Download गर्न सकिने छ ।
  ४. कुनै बैंक, वित्तीय कम्पनी, गुठी, संगठित संस्था, कम्पनी वा नेपाल सरकारले कम्पनीको शेयर खरिद गरेको अवस्थामा त्यस्ताको तर्फबाट खटाइएको वा मनोनित गरेको प्रतिनिधिले मतदान गर्न पाउने छ ।
  ५. प्रतिनिधि (प्रोक्सी) नियुक्त गरिसक्नु भएको शेयरधनी आफै सभामा उपस्थित भएमा प्रोक्सी दिएको भए तापनि स्वतः बदर हुनेछ ।
  ६. प्रतिनिधि मुकरर गर्दा केही शेयर आफैसँग राखी आफु समेत सभामा उपस्थित हुने किसिमले आंशिक शेयरको प्रतिनिधि मुकरर गर्न पाइने छैन । सम्पूर्ण शेयरको लागि एकै व्यक्तिलाई मात्र प्रतिनिधि मुकरर गर्नु पर्दछ । साथै प्रतिनिधि (प्रोक्सी) दर्ता गरी सकेपछि सो लाई बदर गरी अर्को प्रतिनिधि पत्र (प्रोक्सी) दिन चाहनेले सो को जानकारी ४८ घण्टा अगावै दिई सक्नुपर्नेछ ।
  ७. नावालक वा विभिन्न शेयरधनीहरूको तर्फबाट वित्तीय संस्थाको शेयर लगत किताबमा संरक्षकको रूपमा नाम दर्ता भएको व्यक्तिले सभामा भाग लिन, मतदान गर्न वा प्रतिनिधि (प्रोक्सी) तोक्न पाउने छ ।
  ८. एकै शेयरधनीले कुनै एक प्रतिनिधि मुकरर गरेकोमा सो बदर नगरी अर्को प्रतिनिधि मुकरर गरेमा जुन पहिले प्राप्त भई दर्ता हुन्छ सो मात्र मान्य हुनेछ ।
  ९. संगठित संस्था शेयरधनी भएमा त्यस्ता संगठित संस्थाद्वारा मनोनीत व्यक्तिले ल्याउने प्रोक्सी फारममा संस्थाको छाप, अधिकृत व्यक्तिको दस्तखत हुनुपर्नेछ ।
  १०. साधारण सभाको काम कारवाही कम्पनी ऐन २०६३ तथा बैंक तथा वित्तीय संस्था सम्बन्धी ऐन २०७३ बमोजिम हुनेछ ।
  ११. सभामा भाग लिने प्रत्येक शेयरधनी महानुभावले Webinar मार्फत उपस्थिति जनाउनु हुन अनुरोध छ । साधारण सभाको हाजिरी पुस्तिका विहान ११:०० बजेदेखि खुल्ला रहनेछ ।
  १२. छलफलको विषय मध्ये विविध शीर्षक अन्तरगत छलफल गर्न इच्छुक शेयरधनीहरूले सभा शुरू हुनुभन्दा ७ दिन अगावै छलफलको विषय कम्पनी सचिव मार्फत सञ्चालक समितिको अध्यक्षलाई लिखित रूपमा दिनुपर्नेछ । तर यसलाई छलफल र पारित हुने प्रस्तावको रूपमा समावेश गरिने छैन ।
  १३. शेयरधनीहरूबाट उठेका प्रश्न, जिज्ञासाहरूको सम्बन्धमा सञ्चालक समितिको तर्फबाट अध्यक्ष वा अध्यक्षबाट अनुमति प्राप्त व्यक्तिले जवाफ दिन सक्नेछन् ।
  १४. शेयरधनी महानुभावहरूको जानकारीको लागि वित्तीय संस्थाको वित्तीय विवरण सहितको वार्षिक प्रतिवेदन वित्तीय संस्थाको वेबसाइट [www.pfltd.com.np](http://www.pfltd.com.np) मार्फत उपलब्ध गराइनेछ ।
  १५. साधारणसभा सम्बन्धमा थप जानकारी आवश्यक परेमा कार्यालय समयभित्र वित्तीय संस्थाको कर्पोरेट कार्यालय, तिनकुने, काठमाण्डौमा सम्पर्क राख्न सकिने छ ।
  १६. सुरक्षाको दृष्टिकोणले शेयरधनी महानुभावहरूले साधारण सभासँग सम्बन्धित कागजातहरू बाहेक यथासक्य भोला प्याकेट आदि नलिई आउनुहुन अनुरोध छ ।
  १७. कोभिड-१९ को कारणले श्रृजना हुन सक्ने सम्भावित असर तथा जोखिमलाई मध्यनजर गरी नेपाल सरकारले पालना गर्नुपर्ने भनी तोकिएका सम्पूर्ण सुरक्षात्मक उपायहरू अवलम्बन गरी साधारण सभा सञ्चालन गर्ने प्रबन्ध मिलाईएको छ । साथै शेयरधनी महानुभावहरूले वित्तीय संस्थाको यस साधारण सभामा Webinar मार्फत भाग लिन साधारणसभा हुने समयभन्दा २४ घण्टा अगाडी कार्यालय समय भित्र मोवाईल नं. ९८५१९७३३५ वा ९८५१२३००९५ मा सम्पर्क गरी सहभागीता जनाउनु हुन अनुरोध गरिन्छ ।
- पुनश्च:** कम्पनी ऐन २०६३ अनुसारको वार्षिक आर्थिक विवरण, सञ्चालक समितिको प्रतिवेदन र लेखापरीक्षकको प्रतिवेदन शेयरधनी महानुभावहरूले कम्पनीको कर्पोरेट कार्यालय तिनकुने, काठमाण्डौमा उपस्थित भई निरीक्षण गर्न र प्राप्त गर्न सक्ने व्यहोरा समेत जानकारीका लागि सूचित गरिन्छ । संक्षिप्त आर्थिक विवरण लगायत वार्षिक साधारण सभामा पेश हुने सम्पूर्ण प्रस्तावहरू वित्तीय संस्थाको Website:[www.pfltd.com.np](http://www.pfltd.com.np) मा पनि हेर्न सक्नुहुनेछ ।

## Company Profile

Registered Name	Progressive Finance Limited
Legal Form	Public limited company listed with Nepal Stock Exchange
Company Registration Number	106222
Company Registration Date	2051/06/14
NRB License Number	“Ga”/31/062/63
Permanent Account Number	500055304
Registered Office	KMC ward no. 22, Pako, Newroad, Kathmandu
Corporate Office	Tinkune-32, Kathmandu 01-5199664/65/67 P.O.Box:10390 Fax: 01-5199668
Branch Offices	Pako, New Road, Kathmandu Janagal, Banepa, Kavre Chiplehunga, Pokhara, Kaski Sabaila, Dhanusa Chhireswarnath, Dhanusa Malangawa, Sarlahi Patan Sundhara, Lalitpur Hetauda, Makwanpur Itahari, Sunsari Bharatpur, Chitwan
Extension Counters	Mahalaxmasthan, Lalitpur Thimi, Bhaktapur Pulchowk, Lalitpur Tinkune, Kathmandu
Company email	info@pfltd.com.np
Company Website	www.pfltd.com.np
Auditors	SMC Associates 413, Nursery Lane Bansbari, Kathmandu Tel: 01-4375080 Email: info@smca.com.np Website: www.smca.com.np

# PFL Performance 2019-20

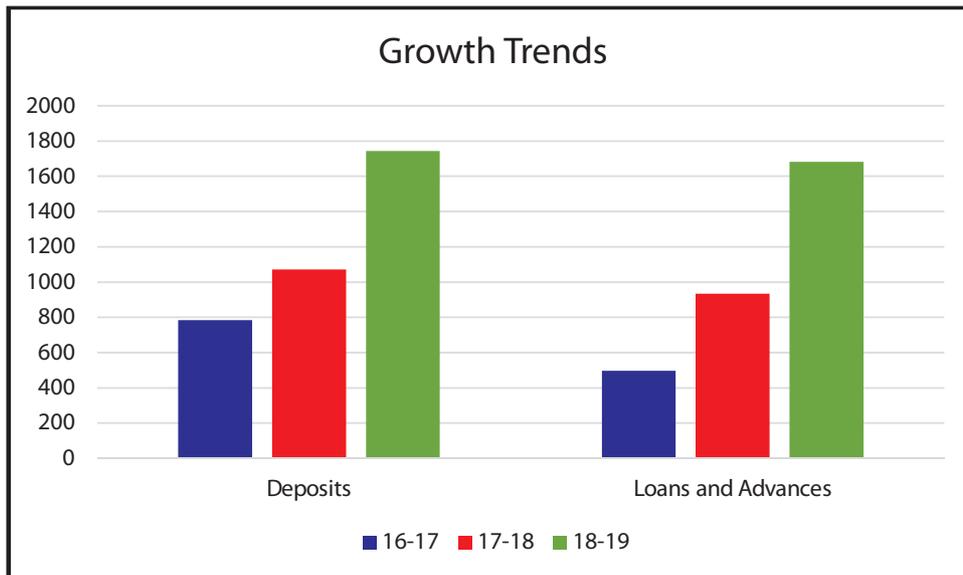
Progressive finance limited has now successfully spread its branch network across 4 provinces of the country with 10 branches and 4 extension counters. Extensive planning and feasibility studies are being carried out to extend such network to other parts of the country in the very near future.

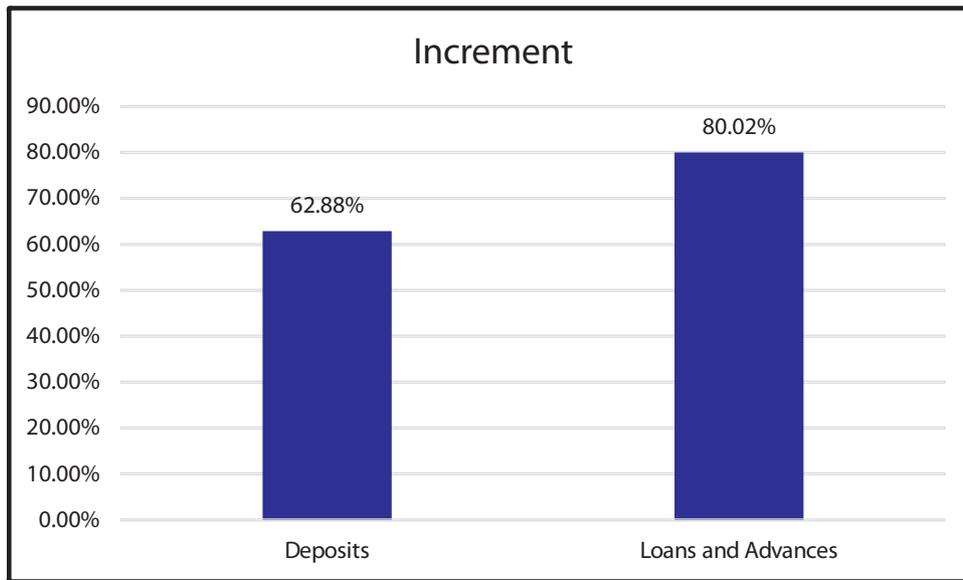
The first 8 months of the year 2019-20 was a very sensational period for Progressive Finance Limited. We had been experiencing good growth in the business in the existing branches and the 4 recently established branches were getting very positive responses and considerable business.

The global COVID-19 pandemic has severely affected the world economy as a whole and PFL as such has also not been left untouched. Irregularities were observed in the repayments of the loans and advances and a drastic decrease was witnessed in the outflow of new loans and advances.

Inspite of the pandemic, the year has been a successful year. PFL has been successful in increasing its deposits by more than 76.70% to reach Rs. 1,963 million from Rs. 1,111 million in the past year. Similarly, the loans and advances to customers has increased by more than 68% to reach Rs. 1,742 million from Rs. 1,036.32 million in the past year. PFL has also been increasing its investments over the years which has quadrupled in the past year to reach Rs. 348 million from Rs.90 million in the past year.

Any entity requires a potent human resource to take the company forward. PFL has recognized such need for properly trained and qualified manpower and has been aggressive in hiring new staff to increase the number and quality of the staff. The total number of employees at PFL has now reached 81 which is a 23% increase from the previous year. We also realize that along with the increment in the number of staff of the company, the improvement in the quality and efficiency of the existing staff members is equally necessary for the growth of the company. Hence, we have increased the training expenses incurred on the staff by 39.82% this year. A total of Rs. 506,426 was incurred for training of staff.

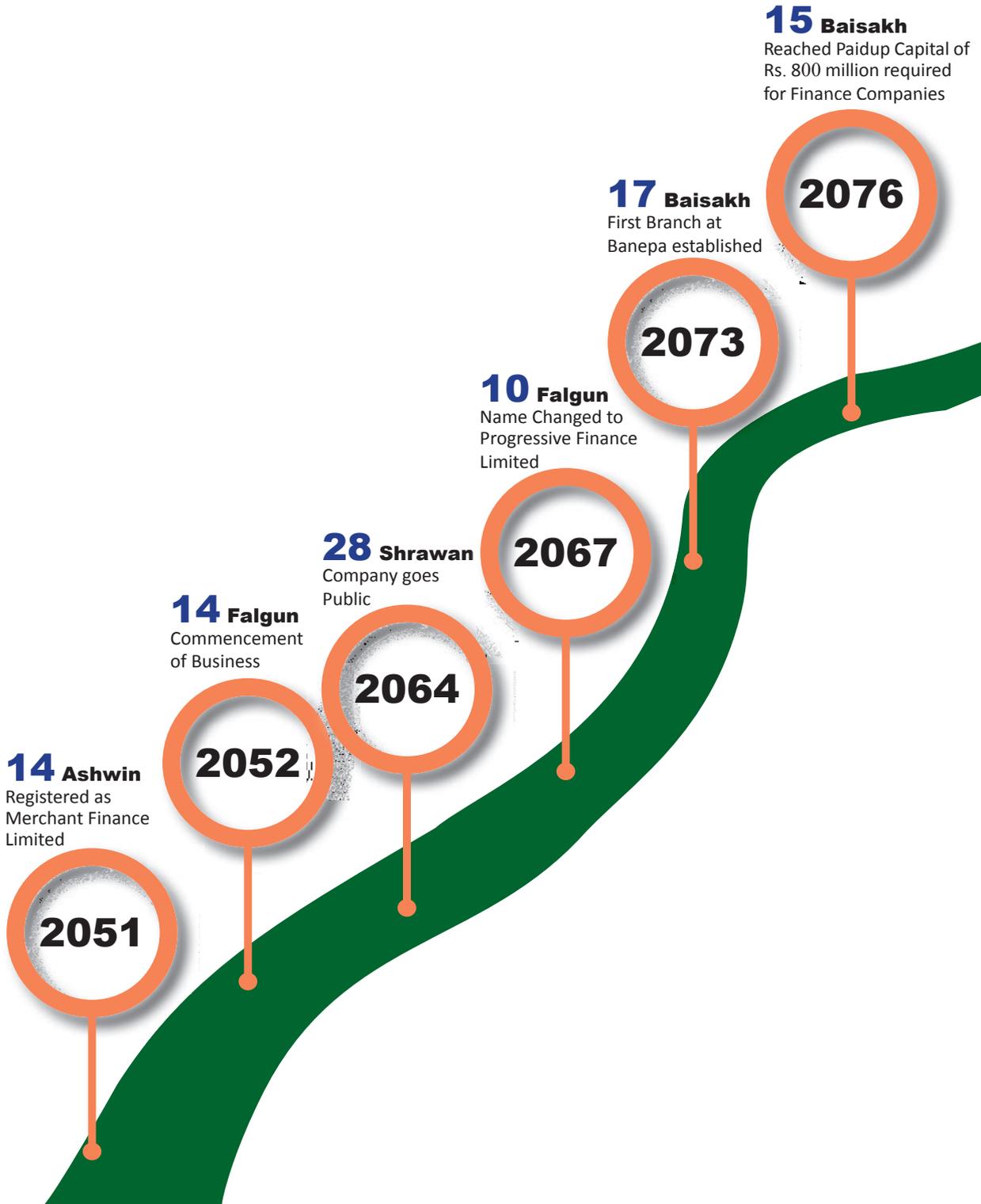




The net interest income of PFL has risen by 49% from previous year's Rs. 71 million to reach Rs. 105 million this year. Likewise, the total operating profit for the period has also increased to Rs. 116 million from Rs. 81 million last year which is a 42% increase.

We at PFL believe that the banking ecosystem functions best when the issues of all the concerned stakeholders mainly the finance, its depositors, its borrowers and the regulatory body are properly addressed. We recognized that the borrowers were facing a major challenge for the repayment of the loans and interest thereon. Hence, we provided interest rebates of 2% to all the customers for a month and provided additional time limits for such payments.

## Milestones



# Vision, Mission and Values

## Vision

To be the best financial service provider in the country.

## Mission

Constant innovation and sustained customer service that enhances shareholder wealth.

## Values

- ❖ Fair and Transparent Business Practices
- ❖ Transformation to a Knowledge Organization
- ❖ Higher Autonomy in Operations
- ❖ Instilling a sense of Ownership amongst Employees

## Strategic Objectives

- ❖ To explore new avenues for growth and profitability
- ❖ To continue to develop product and services that reduce our cost of funds
- ❖ To increase our market share by following a disciplined growth strategy
- ❖ To develop a competent and skilled team through continues comprehensive training programs

## Message from the Chairman



On behalf of the entire Board of Directors, I would like to welcome all the distinguished shareholders, representatives of various entities and other invitees to this 24th Annual General Meeting of Progressive Finance Limited.

I would like to extend my heartfelt gratitude towards all the shareholders who have bestowed their trust on us by appointing us to the Board of Directors of Progressive Finance Limited. We would like you inform you that we are giving our full effort towards helping the company to progress into a better entity and provide value additions to the shareholders along with all the other stakeholders including our depositors, borrowers, government, our society and the national economy as a whole.

### **Current National Economic Outlook**

The year 2020 has been an unprecedented year for the whole humankind in modern times. The advent of COVID-19 and its effects which brought the economy to a grinding halt for the last quarter of the financial year. The GDP growth for the year is expected to be close to zero. However, as seen in the latter stages of FY 2076-77 and first half of FY 2077-78, the economy is gradually recovering from the setbacks of the COVID-19. Majority of the economic activities and the priority projects have already resumed their operations. Even though the chances of a V-shaped recovery pattern is diminishing, the gradual recovery of the economy is quite visible.

The past two years has seen a definite albeit small increase in the exports from the country and a decrease in the imports which has resulted in improved balance of payment situations of the country.

The liquidity problems being faced by the Nepali banks and financial institutions have faded away. Subsequently, the market has seen a drastic downfall in the interest rates. Such decrease is expected to provide major incentive to the business community. The government expenditures are expected to grow year by year as we are adapting to the federal system of government.

Even though the year 2020 has been a sort of a setback in the road to economic growth and prosperity the current signs signal towards a promising future for Nepalese Economy.

## PFL's Future Plans

We have successfully reached the required capital of Rs. 800 million that has been set by Nepal Rastra Bank for C class financial institutions. We are aware of the fact that such huge amount of investment comes with the need for manifold increase in the business of the company and accordingly, we are committed towards steering the company into position mandated by such increased capital.

Our geographical base needs to be expanded heavily to provide us with ample amount of market reach. We have hence put forth a plan to setup up at least 3 branches in each of the 7 provinces. We are in the process of setting up new branches at various locations all over the country.

We recognize that every road to prosperity shall be shortened with small steps and the board has hence set forth the following action-plans to drive the company further:

- a. Expansion of Branch Network to increase the customer reach.
- b. Commencement of ATM facility
- c. Increase the effectiveness of Remittance facilities through increased collaborations with various remittance agencies.
- d. Credit portfolio shall be increased both in terms of size and quality. Special priority shall be given to lendings to the deprived sector and to the productive sector.
- e. Various new Loan products shall be introduced.
- f. Various new Deposit products shall be introduced.
- g. Financial growth through adoption of various new technological advancements in the banking financial sector.
- h. Increasing the competence of the staff through various trainings and seminars.
- i. Fulfilling our promise of passing on our success towards the community through various Corporate Social Responsibility Programs
- j. Commencement of C-ASBA service for easier access to the sharemarket for our customers.
- k. Promotion of use of various latest financial tools to increase the value towards all our stakeholders.

## Growth through Mergers and Acquisitions

Nepal Rastra Bank has called on the Banks and FIs to consolidate through mergers and acquisitions. We at PFL, will heeding to the call, feel that mergers and acquisitions can be a major tool for the expansion of the business of the company and to ensure that we are on the path to fulfill the long-term vision of the company. Hence, we shall be open towards any possible merger and acquisition opportunities and shall be looking for potential partners for such merger and acquisition.

## Investor Grievance redress mechanism

Every shareholder of the company is important stakeholder of the company. We value the trust, belief and faith put forward towards us. Each and every suggestions as well as grievance is given importance irrespective of the amount of shares held by them. The annual general meeting is the biggest platform for every stakeholders to voice their opinion.

A separate section has been set aside in the website of the company for redressing the grievances of every stakeholder of the company. The complaints are taken given due consideration and are upto the concerned authority who addressed the issues suitably.

## Contributions towards the national economy

The finance aims towards becoming a major cog in the development of the national economy. The finance has been increasing its lending towards the deprived sector as well as productive sector. The deprived sector lending of the finance has reached 28% of its credit

portfolio in the current year. The finance aims at strengthening the capital formation in the country. Major population of the country

is still out of the reach of financial institutions and services. PFL has also been actively engaged in increasing the financial reach of every citizen of the country including those who are wary about stepping into larger commercial banks for meeting their banking needs. The planned branch expansion shall bring in more and more citizens into the banking channel and shall bring in the capital kept informally into the formal national economy.

We are not here just for profits but also for providing better value to all our stakeholders. We are providing hassle free, fair and just loans to everyone at the time of their need helping to fulfill their lifelong dreams and aspirations.

Thank you all for your trust in us.



**Kishore Kumar Maharjan**  
Chairman

# Directors' Report

## Respected Shareholders,

It is an honor and a privilege to welcome you and deliver this Report on behalf of the Board of Directors and entire Progressive Finance family. I would also like to take an opportunity to thank all of you for your noteworthy participation in the 24<sup>th</sup> Annual General Meeting of the Institution. I am equally delighted to report that Progressive Finance Limited has delivered a good performance in the Financial Year 2019/20 despite of the impact in business due to the Global Pandemic of COVID-19.

The Board is pleased with the Institution's efforts to increase its return over the medium term; the institution has grown income in a strong, safe and sustainable manner while maintaining both cost and capital discipline. The Board believes the current Management Team possesses the necessary focus, skills and commitment to deliver a superior outcome in the future. Our obligation is to carry out our business in a way which not only provides returns for our shareholders but also delivers good things for society: our clients, communities, and our people.

I will be presenting achievements of the Company during the review FY 2019/20, policies and strategies adopted by and future plans of the Company in this AGM for your endorsement and resolution. In this context, I would like to seek your consent for presenting financial glimpses of the company for the review period including audited Statement of Financial Position, Statement of Profit or Loss, Statement of Cash Flows and Accounting Policies & Notes along with the accompanied Directors' Report for your discussion and onward approval. The director's report has been prepared in line with Companies Act, 2063, Securities Registration and Issuance Regulation, 2073, and Institution and Financial Institutions Act, 2073, for review of achievements and challenges during the review period.

### A. Overview of Finance's Transactions during FY 2018/19

The financial statement of 2019/20 was prepared as per Nepal Financial Reporting Standard (NFRS) as required by the Directive issued by Nepal Rastra Bank. Details of achievements of 2019/20 and 2018/19 are presented below:

Amount in Rs.'000

Particulars	FY 2019/20	FY 2018/19	Percentage Increment/ (Decrement)
Paid Up Capital	800,100	800,100	0%
Deposits	1,963,185	1,111,009	77%
Loans and Advances	1,673,553	1,011,218	65%
Investment	347,844	89,854	287%
Total Assets	2,843,506	1,976,775	44%
Operating Profit	125	43,421	-100%
Net Profit	4,422	28,229	-84%
Net Profit/Total Assets (%)	0.16%	1.43%	-89%
Net Profit/Net Worth (%)	0.52%	3.34%	-85%
Non-Performing Loan/Total Loan (%)	2.18%	1.41%	55%
Earnings Per Share	0.55	8.64	-94%

Particulars	FY 2019/20	FY 2018/19	Percentage Increment/ (Decrement)
Capital Adequacy Ratio	45.32%	66.51%	
Accumulated Profit	7,435	10,867	-32%
Reserve Fund	50,454	33,563	50%
Loan Loss Provision	68,265	25,102	172%
Interest Income	234,492	144,973	62%
Interest Expenses	128,065	74,160	73%
Net Interest Income	106,427	70,813	50%
Net Fees and Commission	9,195	10,265	-10%
Other Operating Income	12	201	-94%
Total Staff Expenses	32,862	21,157	55%

During the review period, the finance has increased its deposits by 77% which was Rs. 1,111,009 thousand on Ashad 2076 and increased to Rs. 1,963,185 thousand on Ashad 2077. Further, total loan during FY 2076/77 has been increased by 65% as compared to FY 2075/76. The total loan amounted to Rs. 1,011,218 as at Ashad 2076 which has been increased to Rs. 1,673,553 on Ashad 2077. Similarly, the finance has increased its investment during the FY 2076/77 by 287%. Total investment during the FY 2075/76 was Rs. 89,854 thousand which has been increased to Rs. 347,844 thousand in the review period. Likewise, the size of Balance Sheet has also been increased from Rs. 1,976,775 to Rs. 2,843,506.

There has been hard impact on the business of the finance due to the Global Pandemic of COVID19. As a result of which, there has been decrease of 99.71% on the Operating profit of the finance and 84% on its Net Profit as compared to the previous year. During the FY 2076/77, the operating profit and Net Profit of the finance are Rs. 125 thousand and Rs. 4,422 respectively which were Rs. 43,421 thousand and Rs. 28,229 thousand during FY 2018/19. During FY 2019/20, Return on Equity and Return on Assets of the Finance are 0.52% and 0.16% respectively, which were 3.34% and 1.43% respectively, during FY 2018/19. Similarly, there has been a decrease of 94% on the Earning Per Share of the Finance during the review period. The EPS for FY 2019/20 is Rs. 0.55 which was Rs. 8.64 for FY 2018/19.

#### **Paid Up Capital and Capital Adequacy Ratio**

PFL's share capital is in compliance with the minimum Capital Requirement as laid out by Nepal Rastra Bank.

The Capital Adequacy Ratio of the Finance for the year 2076/77 is 45.32% which is 35.32% more than the ratio prescribed by Nepal Rastra Bank i.e. 10%.

#### **Accumulated Profit and Reserve Fund**

The finance has increased its accumulated profit of Rs. 7,435 thousand at the end of FY 2076/77 which was Rs. 10,867 thousand as on Ashad 2076. Similarly, the Reserve Fund has been increased to Rs. 50,454 in 2076/77 from Rs. 33,563 in 2075/76.

#### **Deposit**

Total Deposit of the Finance has increased by 77% during FY 2076/77 and reached to Rs. 1,963,185 thousand which was reported to be Rs. 1,111,009 thousand during FY 2075/76. The total deposit of finance constitutes 1.46% of the total deposit of 'C' Class Financial Institution as published by NRB.

The total deposit of the finance is constituted by 45% of Institutional Depositor and 55% of Individual Depositor.

Amount in '000

Type of Deposit	Amount	Percent
Individual Deposit	1,073,165,137.75	54.67%
Institutional Deposit	889,980,194.47	45.33%
<b>Total Deposit</b>	<b>1,963,145,332.22</b>	<b>100%</b>

### Loan and Loan Loss Provision

The total loan of the finance has increased by 65% during the FY 2076/77. Similarly, Loan loss provision has also been increased by 172%.

The product wise detail of loans is given below:

Fig in '000

Product	As at 31.03.2077	Percentage
Term loans	302,162	18%
Overdraft	-	0%
Trust receipt/Import loans	-	0%
Demand and other working capital loans	307,092	18%
Personal residential loans	54,563	3%
Real estate loans	50,310	3%
Margin lending loans	49,294	3%
Hire purchase loans	82,544	5%
Deprived sector loans	477,651	28%
Bills purchased	-	0%
Staff loans	-	0%
Other	358,157	21%
Sub total	1,681,772	100%
Add: loan to employees and Net AIR	59,327	
Grand total	1,741,099	

The Loan Loss provision for the FY 2076/77 amounts to Rs. 66,602 thousand which is 3.83% of Total Loan Amount.

Particulars	Current Year	Previous Year
Total Loan	1,741,099	1,036,320
Impairment allowances	66,602	25,102
<b>Net Loan</b>	<b>1,674,498</b>	<b>1,011,218</b>
<b>% of Provisioning</b>	<b>3.83%</b>	<b>2.42%</b>

### Investment

The finance has invested a sum of Rs 335,219 thousand in different government and other securities. The investment in Government bond amounts to Rs. 215,000 thousand and investment on other corporate shares constitute Rs. 120,219 thousand. A fair value reserve of Rs. 12,626 thousand has been created during the FY 2076/77 for the profit incurred on the investment on corporate shares.

Particulars	FY 2018/19	Percentage
1. Nepal Government Securities	215,000	64%
2. Corporate Shares	120,219	36%
Total Investment	335,219	100%
Revaluation	12,626	
Net Investment	347,844	

### Interest Income and Expenses

During the review period, the interest income of the Finance increased by 62% whereas the interest expenses has been increased by 73%. Net Interest income during FY 2076/77 has been increased by 50% as compared to the FY 2075/76. The total interest income for the FY 2076/77 amounted to Rs. 234,492 thousand and the Interest Expenses amounted to Rs. 128,065 thousand. Hence Net interest income amounts to Rs. 106,427 thousand during the review period.

### Net Fees and Commission Income

The finance has been able to earn Rs. 9,195 thousand as Net Fees and Commissions, which is 10% decrement in comparison to that of the previous year. Various services and facilities of the Finance have been improvised with the intent of increasing share of commission and other operating income in the total profit of the Finance.

### Other Operating Income

Other Operating Income of the Finance during the review period is Rs. 12 thousand, which is 94% decrement in comparison to that of the previous year i.e. Rs. 201 thousand.

### Staff Expenses

During the review period, Staff Expenses of the Finance increased by 55%, from Rs. 21,157 thousand in previous fiscal to Rs. 32,862 thousand during current year. The increase in the staff expenses is due to the increase in the number of the employees for the expansion of the branches and counters at various locations. Further, for the efficient management of the operation, various position of the finance which were vacant in the previous Fiscal were recruited which led to the increase in the staff cost during the year.

### Depreciation and Amortization

During the review period, the depreciation and amortization expenses of the finance has increased by 106% from 3700 thousand to 7605 thousand. Management of the Finance Co. has assessed useful life and salvage value of property and equipment. The increase in the Depreciation expenses of the company is due to the addition of fixed assets for the Branch Expansion of PFL.

### Other Operating Expenses

The other operating expenses of the finance has increased by 85% during the FY 2076/77 from Rs. 17,215 thousand to Rs. 31,878. Increase in Other Operating Expenses is due to increase in number of staff, additional branches, and increase in business promotion expenses for enhancement of business which act as the investment for the future growth of the organization.

### Reserve Funds

The finance has transferred from its earnings to various reserve fund as required by NRB directives and other statutory requirements. As on the end of the fiscal year, the finance has following reserves created out of the earnings of the Finance.

Amount in '000

Particulars	FY 2076/77	FY 2075/76
Statutory general reserve	18,973	18,089
Corporate social responsibility Reserve	44	282

Particulars	FY 2076/77	FY 2075/76
Regulatory reserve	15,324	8,245
Investment adjustment reserve		-
Fair value reserve	8,838	(200)
Other reserve		
Capital Adjustment Fund		-
Other	150	22
<b>Total</b>	<b>43,329</b>	<b>26,438</b>

## AUDIT COMMITTEE:

The Audit Committee is formed in compliance with the regulatory provisions of NRB Unified Directives and the provisions of Sections 164 and 165 of Company Act, 2063. It is an independent body to monitor and review the internal control practices of the institution through Internal Audit Department. The Head of Internal Audit Department is Member Secretary of the committee. The committee reviews the institution's financial performance, its internal controls, audit plan/program, and issues necessary instructions to the management after detailed discussion on the findings of the internal audit reports. Internal Auditors and Statutory Auditors have direct access to the Audit Committee.

Members of Audit Committee as of 31<sup>st</sup> Ashad 2077 along with the meetings conducted and attended and the meeting fees paid were as follows:

S.N.	Name	Status	Attendance	Meeting Fees
1.	Anish Maharjan	Coordinator	7 meetings	28,000
2.	Shambhu Lal Dangol	Member	7 meetings	28,000
3.	Lalit Kishor Bhatta	Member Secretary	5 meetings	10,000
	<b>Total</b>			<b>66,000</b>

### Roles and Responsibility of the Committee:

The Committee's role is extensive and strongly supports the board in dealing with aspects of good corporate governance, internal control, risks management, financial reporting, legal and regulatory compliance and ethical conduct of business. Major responsibility of the Audit Committee includes:

1. Reviewing the Finance's overall system of internal controls.
2. Reviewing observations and recommendations made in audit reports issued by internal auditors, statutory auditors and regulators.
3. Reviewing the institution financial statements, ensuring its accuracy and the required level of compliance in relation to financial reporting standards.
4. Reviewing compliance in relation to the institution internal policy and prevailing regulatory and legal provisions.

### Agenda Discussed in Audit Committee Meetings:

Agenda items that were discussed in the Meetings of the Audit Committee during the year 2018- 19:

1. Quarterly Report on Status of Total Loans and other business.
2. Annual and Semi-Annual verification of Cash and Cash Value Items of all Branches.
3. Audit Report of all the departments
4. Audit Report of Status of Compliance Position of the institution including KYC & AML.
5. Discussion on the Quarterly Audit report from Internal Auditor and Report from Statutory Auditors.

### Recommendations given by the Committee:

The recommendation given by the committee to the board were as follows:

1. Monthly review of past due loan accounts and advised appropriate measures to the management to deal with and keep a watch on overdue loan accounts.
2. Review and discussions made on the NRB inspection report of the institution and advised appropriate measures to be taken by the management for full compliance of the irregularities pointed out in the report.
3. Review the compliance of the branches/units in regard to NRB directives, institutions credit policy, internal rules and guidelines and compliance of prevailing laws of the country. Issued necessary instructions/ directions to address the non-compliances and irregularities.
4. Comply with the Recommendation from Internal and External Auditors regarding the lapses observed during the course of Audit.
5. The tenure of 3 years of SMC & Associates has completed, hence S.Pandey & Associates has been recommended for the External Audit of FY 2077-78 for the approval from the 24<sup>th</sup> AGM.

### RISK MANAGEMENT COMMITTEE:

The Board has established an independent Risk Management Committee under Nepal Rastra Bank Directive on Corporate Governance with clear terms of reference. The RMC highlights on risk governance and identifies the need of a strong risk management framework, well defined risk management processes and effective risk assessment and measurement mechanism. The committee assists the Board of Directors in fulfilling its oversight responsibilities with regard to risk appetite that the institution is able and willing to assume in its exposures and business activities, risk management, compliance framework, and governance structure that supports it.

Members of Risk Management Committee as of 31<sup>st</sup> Ashad 2077 along with the meetings conducted and attended and the sitting fees paid were as follows:

S.N.	Name	Status	Attendance	Metting Fees:
1.	Sabina Maharjan	Coordinator	5 meetings	Rs.18,000
2.	Biplove Singh	Member	2 meetings	Rs. 8,000
3.	Anish Maharjan	Member	5 meetings	Rs.18,000
4.	Maheshwar Pahari	Member Secretary	4 meetings	Rs.8,000
5.	Laxmi Prasad Maharjan	Co ordinator	3 meetings	Rs. 10,000
6.	Pramod Bhattarai	Member	4 meetings	Nil
<b>Total</b>				<b>Rs. 62,000</b>

### Roles and Responsibility of the Committee:

Following are the major function and responsibilities of the Committee in line with related Act, Rules and NRB Directives:

1. To identify and monitor the risks associated with the institution and risk management, and present the report to the Board of Directors, along with recommendations.
2. To prepare and monitor procedures related to the business, operation, and risk appetite of the institution, and prepare a strategy for mitigation of risks and present it to the Board of Directors for approval.
3. To suggest to the Board of Directors for development and implementation of necessary policies and mechanisms as per the guidelines/directives issued by Nepal Rastra Bank, and necessary internal guidelines for risk management of the institution.

RMC reviews that managerial and operational level officials of the institution who are responsible in risk management and decision-making processes, possess adequate knowledge of their specific job area and of the corporate risk culture. It is also responsible for overseeing the risk governance structure and monitoring the effectiveness of risk management and internal control systems. The committee also reviews trends in portfolio quality and the adequacy of provisioning for possible credit losses.

#### **Agenda Discussed in RMC Meetings**

The Committee discussed on the following agenda in its meeting:

1. Review of lending authority delegated by the Board to the management.
2. Performance review of the institution.
3. Stress testing reports of the institution.
4. Review of non-performing loan accounts and recovery strategies.
5. Drafting of Risk Management Policy of the PFL

#### **Recommendations to the Board:**

The committee took note of the following and recommended appropriate actions to the board:

1. Budget achievements and capital strength of the institution.
2. Development in market conditions and likely impact on the institution's earning.
3. Recovery efforts and strategy pursued to regularize in large non-performing loan accounts.
4. Requirement of regular reporting mechanism on Risk Management.
5. Stress testing scenarios and satisfactory liquidity and capital position of the institution.

### **KARMACHARI SEWA SUVIDHA SAMITI**

Management of human capital strength of any organization is gaining paramount importance for effective implementation of business strategies to achieve the corporate goals. Thus, Karmachari Sewa Suvidha Samiti was formed with the view to constantly review, recommend, and forward for approval, the plans and policies recommended by the CEO as reported by HR/ Staffing Committee of the institution for the development and motivation of the staff. The committee makes recommendations on organizing, succession, and appointment of senior officials, and consults on matters relating to compensation and welfare plans for staff. Amendment in staff service bylaws is also advised by the committee from time to time in order to incorporate the current market trend and requirement.

Members of Karmachari Sewa Suvidha Samiti as of 31<sup>st</sup> Ashad 2077 along with the meetings conducted and attended and the sitting fees paid were as follows:

S.N.	Name	Status	Attendance	Meeting Fees:
1.	Samundra Kaji Shrestha	Coordinator	5 meetings	Rs.18,000
2.	Laxmi Prasad Maharjan	Member	3 meetings	Rs.10,000
3.	Bishal Humagain	Member	5 meetings	Nil
4.	Bikram Shakya	Member	2 meetings	Nil
5.	Uma Lamichhane	Member Secretary	2 meetings	Rs.4,000
6.	Lalit Bhatta	Member Secretary	2 meetings	Rs.4,000
<b>Total</b>				<b>Rs.36,000</b>

### ***Roles and Responsibility of the Committee:***

Following are the major function and responsibilities of the Committee in line with related Act, Rules and NRB Directives:

1. To review and analyze the remuneration structure of the overall employees from time to time and review the effect of the change in remuneration structure in the market to the institution regularly and submit the report to the Board.
2. Develop the indicators for statement of job required to be performed by employees of the institution, goals and progress evaluation, and review their performance on the basis of the performance appraisal system.
3. Prepare plan, policies, and standards relating to manpower management-related actions like admission, selection, appointment, replacement, transfer, promotion, training and development, performance appraisal, and rewards and punishment, and present it to the Board of Directors.
4. Review the employee policy and structure of existing employees and prepare succession planning and submit the recommendations to the Board for approval.

Karmachari Sewa Suvidha Samiti is responsible for monitoring and ensuring that institution's HR policies are interpreted consistently across the institution. It also prepares plans and make policies and standards relating to human resource management such as selection, appointment, replacement, transfer, promotion, training and development, performance appraisal, rewards, punishment, and present it to the Board. Further, amendment in staff service bylaws is also advised by the committee from time to time in order to incorporate the current market trend and requirement.

### ***Agendas Discussed in Karmachari Sewa Suvidha Samiti Meetings:***

The Committee discussed on the following agenda in its meeting:

1. Revision of salary, allowances, and benefits based on survey, as an instrumental strategic consideration
2. Review of performance management and reward budget
3. Performance appraisal based on key performance indicators, which are developed as productivity parameters based on job specification/description and long-term strategy of the institution
4. Review of Annual Tactical Plan of Human Resource Department

### ***Recommendations to the Board:***

The committee took note of the following and recommended appropriate actions to the board:

1. It recommended about the annual learning development plans to the board.
2. It recommended on the matters relating to revision of salary, allowances, and benefits based on survey.

### **ASSET (MONEY) LAUNDERING PREVENTION COMMITTEE:**

Asset (Money) Laundering prevention Committee (AML) is a board level committee formed with the objective of help detect and report suspicious activity including the predicate offenses to money laundering and terrorist financing, such as securities fraud and market manipulation. The committee assists the Board of Directors in addressing matters related to anti-money laundering and compliance in the institution, and to combat terrorism finance and financial crimes. It is also responsible for ensuring that the institution has a comprehensive and effective AML program with oversight that is designed to promote compliance with AML regulations.

AML Committee has been formed in line with the provision of Directives of Nepal Rastra Bank. The Committee oversees implementation of Assets (Money) Laundering Prevention Act, 2064, Assets (Money) Laundering Prevention Rules, 2073, NRB Unified Directives and other legal and regulatory requirements related to Money Laundering Prevention.

Members of the AML Committee as of 31<sup>st</sup> Ashad 2077 along with the meetings conducted and attended and the sitting fees paid were as follows:

S.N.	Name	Status	Attendance	Sitting Fees:
1.	Shambhu Lal Dangol	Coordinator	4 meetings	Rs. 16,000
2.	Maheswar Pahari	Member	4 meetings	Nil
3.	Jayaram Karmacharya	Member Secretary	4 meetings	Rs. 8,000
<b>Total</b>				<b>Rs. 24,000</b>

**Roles and Responsibility of the Committee:**

Following are the major function and responsibilities of the Committee in line with related Act, Rules and NRB Directives.

1. Review AML/CFT related Policies and Programs put up by the CEO and further recommend to the Board for its review/approval, on required cases.
2. Review the quarterly reports on implementation status of the AML/CFT framework in the institution, as put up by the CRO/CEO.
3. Provide feedback/recommendations to the Board and the Management on issues pertaining to AML/CFT.
4. Accomplish any other additional responsibilities that may be entrusted upon the Committee from time to time as per the stipulations of prevailing laws, instructions/directions of the regulatory authority or Board of Directors of the institution.
5. Update and track issues and events related to AML/CFT globally and make an assessment of risk in national perspective.

During the review period, the committee reviewed

1. the policies, rules, and guidelines required to be followed by the institution in order to comply with international norms,
2. the actions and activities undertaken by the institution in relation to AML/CFT,
3. the report related to the evaluation of risk related to money laundering and financing of terrorism, and
4. the report related to compliance of Prevention of Money Laundering Act and rules and provisions of regularity bodies, and submitted the report to the Board.

**Agendas Discussed in AML Committee Meetings:**

The Committee discussed on the following agenda in its meeting:

1. Discussion on update on annual training on AML/CFT & KYC
2. Standard Operating Guidelines for AML Committee of the Board
3. Review and support of policies, procedures, and guidelines
4. Assessment of compliance of NRB Directive No. 19, Assets (Money) Laundering Prevention Act and Rules

**Recommendations to the Board:**

1. KYC update needs to be given top priority and task needs to be completed at the earliest.
2. The Committee emphasized on the need to take up KYC update task as a project to be completed in a time bound manner.
3. The committee reviewed report on Money Laundering and Financing of Terrorism Related Risk Assessment of Progressive Finance Limited and appraised board.

## STATEMENT OF DIRECTORS RESPONSIBILITY:

Section 108 read together with Section 109 of the Companies Act, 2063 of Nepal stipulates the ultimate responsibilities of the Board of Directors to prepare the financial statements of the company to its shareholders for presentation in AGM. The directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

In preparing each of the Company financial statements, the directors are required to:

1. Select suitable accounting policies and then apply them consistently;
2. Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
3. Make judgments and estimates that are reasonable and prudent;
4. State whether they have been prepared in accordance with Generally Accepted Accounting Principles, Nepal Financial Reporting Standards, Directives issued by Nepal Rastra Bank, Companies Act, National Legislation, regulation issued by local authorities, guidelines issued, and other prevalent laws and regulations
5. Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.
6. Provide additional disclosures when compliance with the specific requirements in NFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance

Further, the directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the institution and enable them to ensure that its financial statements comply with the all the required laws. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. Moreover, under applicable law and regulations, the directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and the Corporate Governance Statement that comply with that law and those regulations.

Thus, we confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Institution
- The Strategic Report, which is incorporated into the Statutory Information, includes a fair review of the development and performance of the business and the position of the Institution
- The Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the institutions performance, business model and strategy.

### On the behalf of Board of Directors

**Chairman**  
**Kishore Kumar Maharjan**  
Date: 2077/09/29

**Director**  
**Anish Maharjan**  
Date: 2077/09/29

## RESPONSIBILITY STATEMENT OF CEO AND CFO

The year 2076-2077 has been a remarkable year for Progressive Finance. We have been able to deliver on our promises because of our consistent and focused strategy. Our strategic priorities are grounded in a fundamental sense of responsibility that includes all stakeholders – customers, employees, communities and shareholders – whose support is essential for our continued success.

We would like to ensure that the financial statements of Progressive Finance has been prepared and presented in compliance with the requirement of the followings:

- Nepal Financial Reporting Standards (NFRS) as published by the Accounting Standards Board(ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN);
- Format issued by Nepal Rastra Bank in Directive No. 4 of NRB Directives, 2075;
- Companies Act, 2063;
- Banks and Financial Institutions Act, 2073;
- Securities Act, 2063;
- Income Tax Act, 2058;

The formats used in the preparation of the financial statements and disclosure made comply with the format prescribed in the Unified Directive issued by Nepal Rastra Bank. The accounting policies used in the preparation of the financial statements are appropriate and have been consistently applied. The accounting policies have been included in the relevant notes for each item of the financial statements and the effect and nature of the changes, if any, have been disclosed.

The institution has made estimates and assumptions that will affect the assets and liabilities, disclosure of contingent assets and liabilities, and profit or loss as reported in the financial statements as per the requirement of NFRS. 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.

The financial statements of Progressive Finance were audited by M/s SMC Associates, the independent external auditor. Internal audit of the Finance has also been outsourced to an independent firm M/s S. Dangol and Associates in coordination of Internal Audit Department of the institution.

Thus, we take pride in standing by and conforming that:

- a) The institution has kept proper books of accounts as required by law.
- b) The Statement of Financial Position, Statement of Profit or Loss (including other Comprehensive Income), the Statement of Change in Equity and the Statement of Cash Flows and attached Schedules are in agreement with the books of account maintained by the institution.
- c) There are no material non-compliances and litigations.
- d) Required and adequate provisions have been made for the overdue loans and advances as per the NRB Directive and NFRS.

**Bishal Humagain**  
CEO



**Board of Directors**

Front row from left: Mr. Anish Maharjan (Director), Mr. Kishore Kumar Maharjan (Chairperson), Mr. Shambhu Lal Dangol (Director), Mrs. Sabina Maharjan (Director)  
 Mr. Biplove Singh (Director), Mr. Samundra Kaji Shrestha (Director), Mr. Bishal Humagain (Company Secretary)

## Brief Profile of Board of Directors

<p><b>Mr. Kishore Kumar Maharjan</b></p> <p>Has over 33 years of Banking experience. (Worked as Founder CEO in Sunrise Bank and Civil Bank for 8/8 years)</p>	<p><b>Mr. Shambhu Lal Dangol</b></p> <p>(Over fifteen years experience in Finance Department at Rato Bangla School)</p>
<p><b>Mr. Samundra Kaji Shrestha</b></p> <p>(Former Chairman of Country Development Bank)</p>	<p><b>Mrs. Sabina Maharjan</b></p> <p>(Over 22 years experience as a teacher in Shree Shanti School)</p>
<p><b>Mr. Anish Maharjan</b></p> <p>(Over 5 years experience in auditing as an ACCA )</p>	<p><b>Mr. Biplove Singh</b></p> <p>(over 8 years experience as director &amp; service in Banking sector )</p>

## CEO's Message



I would like to welcome all the distinguished shareholders, representatives of various entities and to other invitees to this 24th Annual general meeting of the Progressive Finance Limited.

The year 2076-2077 has been a special year for Progressive Finance. We have been able to mark our presence in 4 of the 7 provinces of the country and having working on setting up branches in additional 3 provinces.

The year however can be clearly demarked into two categories, the one before the COVID-19 pandemic and the one after the advent of the corona virus. In the first part, the finance was able to deliver tremendous growth in business with steep rises in deposits, advances as well as investments. However, in the latter part of the year, with the advent of the corona virus, majority of the world population was subject to various restrictions and lockdowns which turned the whole world into something similar to a dystopian novel. The economic outlook was severely disturbed and the economic activities were few and far between. This brought great distress to the financial system and the same was translated into PFL's business. The ability to make interest and principal payments was severely affected. However, the whole PFL team worked tirelessly even at such hard times to facilitate our customers and provided various reliefs to them be it in terms of interest rebates( 10% on interest of 1 month (chaitra), 2% interest rate reduction of 3 months (Baishak to Ashad) or time extension for payments. Our services were running even in the lockdown period for the benefit of our customers.

Even with such unprecedented constraints Progressive Finance registered a Net Profit of Rs. 4.4 million for FY 2076/77. Likewise, in Deposits and Loans the Company recorded a growth of 63% and 80% respectively as compared to the corresponding previous year. We have been able to limit our NPA to Gross Loan ratio to 2.18% at the end the financial year. We have set aside a loan loss provision of Rs. 43 million from the profit or loss account this current year which we are sure would be written back in the forthcoming years providing a strong base to the company for a constant growth. The Company has a strong capital base with a Capital Adequacy Ratio (CAR) of 45.32% which is well above the regulatory requirement of 11%. Our commitment and forward looking approach towards investment

in upgrading our systems, processes and people to provide better customer service and to manage risks associated with doing business better, continues. We believe that the practices and systems we follow will also help set industry benchmarks contributing to the overall betterment of the financial sector in its entirety.

Domestic credit increased by 12% in the review period compared to an increase of 21.4% in the corresponding period of the previous year. Deposits at Banks and Financial Institutions (BFIs) increased 17% in the review period compared to a growth of 18% in the corresponding period of the previous year.

The recovery of the prevailing economy after the COVID-19 crisis appears to be promising. The disbursement of loans and advances have already started to increase. The remittances which were initially expected to nosedive have actually held their level and have only seen slight decrease.

The Finance Company is looking to continue in its expansion phase. Branches were established in Itahari sub metropolitan city of Province 1, Hetauda sub metropolitan city, Bharatpur and Lalitpur Metropolitan City of Bagmati Province during the review period. The company is working towards establishing more branches and extension counters in the FY 2077-78 with aim of establishing a minimum of 3 branches in every province of the country.

With the establishment of branch the Company also concentrated on services quality. Company started ABBS, IPS, Connect IPS, Mobile Banking, E statement Service, C-ASBA and Debit card facilities to its valued customers. Company is also planning to expand new products and facilities with the optimum use of recent technology.

### **Branch Less Banking**

The organization has taken the lead in expanding branchless banking services, which are considered to be the most economical and customer oriented services in the financial sector ,In order to provide such services, the organization has prepared branch less banking related policies as per the directives issued by Nepal Rastra Bank and approved them by the Board of Directors. In Addition, the organization has taken the policy of preparing the necessary infrastructures for such services and starting them soon. It is believed that such a service will increase the reach of organization, increase in the number of customers and also increase the turnover significantly.

The success that we have achieved so far would not have been possible without the constant support and continuous guidance provided by our Chairman and Board of Directors who bring a vast wealth of experience from diverse fields to the institution. The guidance of the Board of Directors on strategic planning and achievements of milestones has played a vital role in establishing the Progressive Finance as the provider of Complete Financial Solutions.

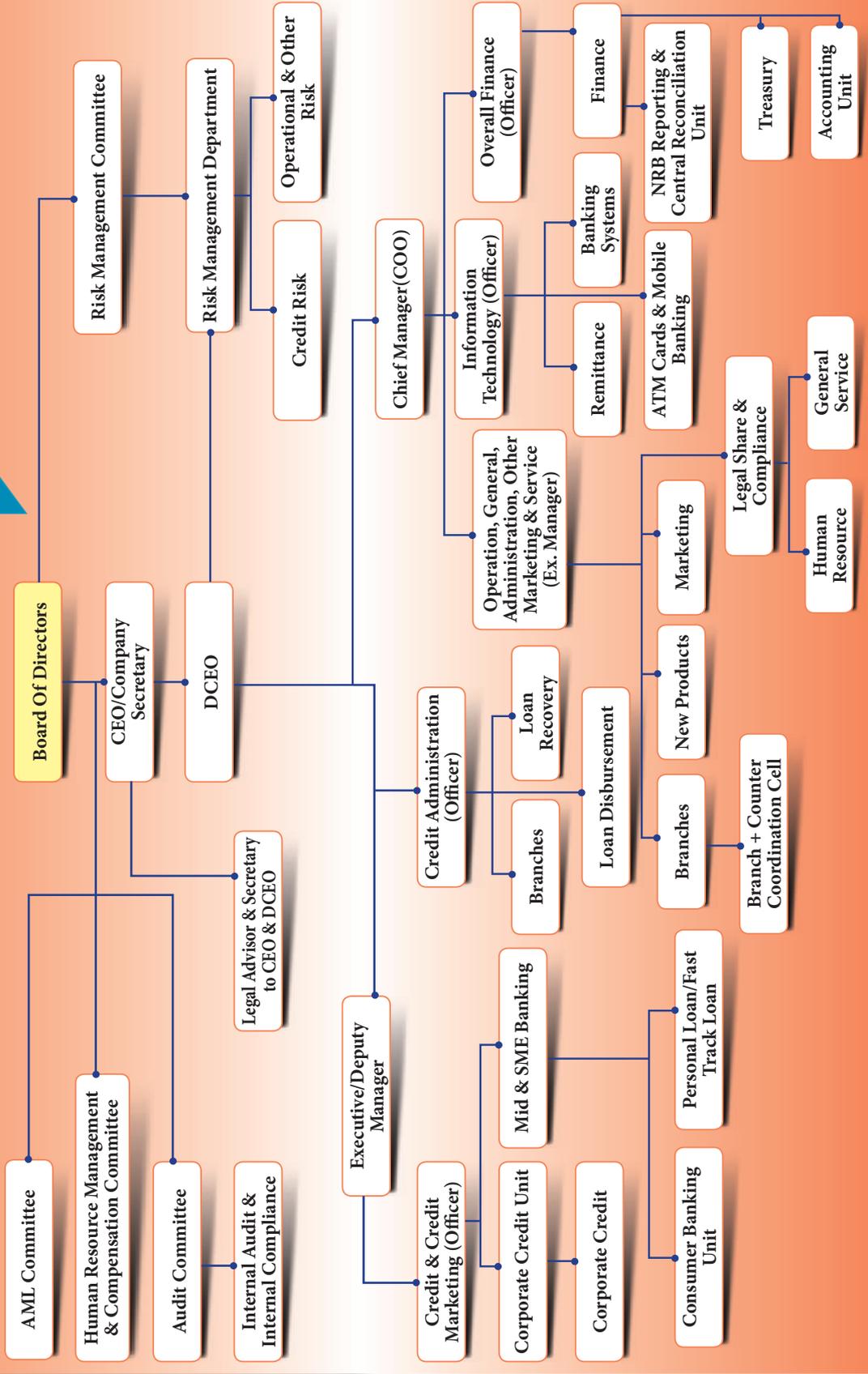
Lastly, I would like to congratulate and thank each and every member of Team Progressive for your individual contribution, which has collectively made it possible for our Finance Company to deliver this noteworthy result. The results that we have been able to post in this fiscal year 2076/77 are a true vindication of all our hard work, dedication and drive. We will Surge Together Ahead by delivering “Faith - Innovation - Satisfaction” to all our Stakeholders, Customers, Regulators, Shareholders and Staff.

**Bishal Humagain**

Chief Executive Officer

Progressive Finance Limited

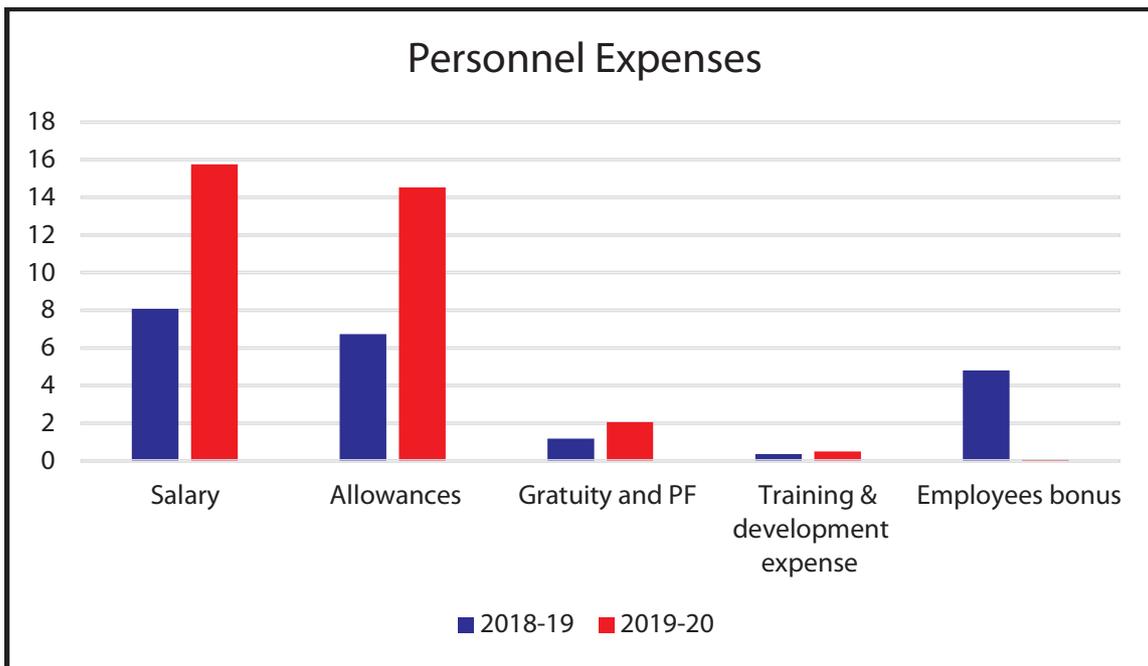
# Organizational Chart



# Human Resource

PFL regards is human resource as the most important resource of the organization and provides its utmost value towards them. We understand that proper management of human resources is the key to keeping them productive, energized and engaged. We also recognize that the being stringent on the human resource cost can be a hindrance towards unlocking our true organizational potential.

With that in mind, we have been steadily increasing the investment towards our human resources. The personnel expenses has increased in the past year reaching Rs. 33 million this year from Rs. 21 million in the past year.



The corporate office of the finance has now been shifted to Tinkune, Kathmandu. The new office has been envisaged to incorporate a new feel of corporate practice into our employees and to promote the corporate culture in the organization.

Trainings and continuous education are very important factors of developing the human resource into a potent weapon for the prosperity of the company. The ever-changing regulatory and business scenario of the country mandates that the staff be updated towards various new aspects. PFL has been allocating 3% of the total employee expenditure towards Training fund of the staff. In the past year the following trainings have been held:

- a. Training on Applied Excel
- b. IT Security & Compliance Training to
- c. Professional Service charge for the workshop on Transformational Leadership
- d. Training program on Effectively Handling the issue of malpot
- e. Training program Branch operational Excellence
- f. Training program on Relationship with Napi for Loan Quality Assurance

- g. Training program on Nepal Financial Reporting standard(NFRS)
- h. Training program on Fake note detection & Signature verification
- i. Training program on Relationship between Bank & Napi for collateral Quality Assurance
- j. Training program on Risk Management(RM) for banks & Financial institutions
- k. Refreshment Training program
- l. Training on Nime
- m. Training on National Banking Institute
- n. Various training in collaboration with Nepal Financial Institution Associations.
- o. Training on Credit recovery process
- p. Training on credit assessment and financial evaluation.

The following tools have been identified and being utilized by the company for the improvement of the existing human resource as well as attracting newer resources coming into the organization:

- a. Timely Salary revision in terms of performance of the staff in calculating the various aspects such as scale and size of the organization, its business and business roadmaps.
- b. Corporate work culture
- c. Regular trainings and professional education
- d. Subsidized loans to the employees
- e. Performance based incentives

## Deposit Products

### Saving Deposits

Progressive Finance offers you an easy access to your funds and guaranteed principal and interest. Our Savings Deposit is a simple way for you to start saving in your investment account. It is particularly ideal if you're not ready to make a long-term investment decision.

Simply direct your money into the Savings Deposit and wait for you money to grow.

### Individual Deposits

Saving Deposit Types	Interest rates	Minimum balance	Calculation Method
Special Saving Account	4.50%	Rs.100/-	Quarterly
Progressive Super Bachat Account`	5.00%	Rs.5,000/-	Monthly
Children Saving Account	4.65%	Rs.1000/-	Quarterly
Staff Growing Plus Saving Account	5.00%	Rs.1000/-	Quarterly
Progressive Gold Saving Account	4.85%	Rs.2000/-	Quarterly
Shareholder Saving Account	6.00%	Rs.5000/-	Monthly
Progressive Unnati Saving Account	4.75%	Rs.1000/-	Quarterly
Ugratara Special Saving Account	4.50%*	Rs 100/-	Quarterly
Subharamba Saving Account	4.50%*	Rs 1/-	Quarterly
JNKMEMP	5.50%	Rs.5000/-	Monthly
Prasanna Bachat Khata	6.50%	Rs.50,000/-	Monthly
Samajik Surakshya Bishes Bachat	4.50%*	Rs. 0/-	Monthly
Aarogya Saving	4.50%	Rs. 500/-	Quarterly

### Institutional Deposits

Saving Deposit Types	Interest rates	Minimum balance	Calculation Method
Current/Call Account	up to 2.25% p.a.	Rs.5,000/-	Quarterly

## FIXED DEPOSIT

A single deposit, invested for a fixed period, at a guaranteed, fixed rate of interest. Our Fixed Deposit account offers a range of investment periods and guaranteed interest rates to suit your exact needs. Whether short or long term, for 3 months or more than 5 years, we will provide you with the reasonable interest rates throughout the agreed investment period.

A fixed deposit is a good choice to save for wealth creation, retirement and education.

### Individual Deposits

Period	Interest Rate Payable Quarterly	
	Individual	Institutional
3 months to 9 months	8.15%	7.00%
Above 9 months to below 2 years	8.50%	8.00%
2 years and below 3 years	8.75%	8.50%
3 years & Above	9.50%	9.00%

90% of the deposited amount can be taken as loan against such fixed deposit.

## Loan Products

When it's time to finance a golden opportunity, a college education or you and your family just need a little extra cash to get through an unexpected emergency, expect more loans and credit services from Progressive Finance — more loan options, more guidance, more understanding. Whatever goal you're trying to achieve, whatever need you're trying to meet, Progressive Finance will be happy to assist you in determining what loan option will work best for you.

Loan Type	Interest Rate
Auto/Hire Purchase	Base Rate+ Premium upto 4%
Housing Loan	Base Rate+ Premium upto 3%
SME & Agriculture Loan	Base Rate+ Premium upto 3%
Real State Loan	Base Rate+ Premium upto 4%
Personal Loan	Base Rate+ Premium upto 4%
Loan Against Insurance Policy	Base Rate+ Premium upto 4%
Subsidy Loan	As defined by NRB
Education Loan	Base Rate+ Premium upto 4%
Foreign Employment Loan	Base Rate+ Premium upto 4%
Share Loan	Base Rate+ Premium upto 4%
Deprived Sector ( Wholesale , Retail)	Base Rate+ Premium upto 2%
Consortium Loan	As per consortium decision
Fixed Deposit Loan	Up to +3% on coupon rate or base rate

# Risk Management

Risk management in Progressive Finance includes risk identification, measurement, monitoring and controlling, and its objective is to minimize negative effects that risks can have on the financial result and capital of the institution. It also helps to strike balance between risk and return, and ensure optimum risk-adjusted return on capital.

Risk management strategies of the institution include the transfer of risk, avoidance of risk, reduction of the negative effect of the risk and acceptance of the consequences of a particular risk. It is concerned with balancing risk and return, responsibility and accountability, anticipation of risk and competitive advantage from effective risk management.

Progressive Finance's overall approach to risk management is supported by a well-defined risk appetite, well-defined risk registry and risk measurement guideline, segregated and well- framed risk management policies, risk monitoring and reporting framework, effective governance structure, and appropriate techniques to identify, measure, monitor, mitigate, and manage risks. Risk Management has been an essential part of helping the financial institution grow and promote sustainability and resilience.

## 1. STATEMENT OF RISK

Risk taking is an inherent part of financial institution and profits are the part of reward for successful risk taking business. Risk management objective of the institution is to strike balance between risk and return, and ensure optimum risk-adjusted return on capital. A reasonable level of return is essential for sustainability of the institution. However, taking higher risk in search of higher earnings increases the risk of failure of institution as well. Thus, effective risk management is a must for sustainability of financial institutions.

Increasing complexities in risks, vulnerabilities of businesses and fast changing world with intense competition pose a threat to sustainability. The institution, in order to address the varieties of risk that keep coming out of business operations, has identified different risks and adopted different measures to minimize them.

The Board of Directors is the apex and supreme authority of the institution which is responsible for framing and implementing robust policies and framework for effective compliance of regulations and directions issued by the regulatory authority. The Board ensures that the strategies, policies, and procedures are in accordance with the risk appetite/tolerance limit for effective management of risk within the institution. The Board understands the nature of risk of the institution, and periodically reviews reports on risk management, including policies and standards, stress testing, and liquidity and capital adequacy through the reporting by the Risk Management Committee.

### *Risk governance and Internal control*

The institution has prepared and implemented policies and procedures to mitigate the risk at enterprises level arising to the institution and has inculcated risk culture among the employees by establishing ownership mentality, capacity building programs, well-defined job responsibilities, and infusing good ethical culture.

The Finance have a Risk Management Committee (RMC) that seeks to efficiently manage credit, market, and liquidity risks that arise directly through the institution's commercial activities, as well as operational, regulatory, and reputational risks that arise as a normal consequence of any business undertaking. Risk Management Committee is constituted in line with the spirit of Risk Management Guidelines (RMG) of Nepal Rastra Bank and the NRB Unified Directives. The RMC highlights on risk governance and identifies the need of a strong risk management framework, well defined risk management processes and effective risk assessment and measurement mechanism. The committee meets periodically and reviews the Credit Risk,

Operational Risk, Market Risk, information and cyber security risk and Reputational Risk; analyzes the trend, and provides a summary report to the Executive Committee. Its objective is to ensure the effective management of risks throughout the institution in support of the Institution's Business Strategy. The Institution's Committee Governance structure ensures that risk-taking authority and risk management policies are cascaded down from the Board to the appropriate function, 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 possibility for loss due to failure of a counterparty to meet its agreed obligations to pay the Institution in accordance with agreed terms. Financial Institutions in Nepal is exposed to Credit Risk to a much larger extent. The effective management of credit risk is a critical component of a comprehensive approach to risk management, and essential to the long-term success of any organization. The goal of credit risk management is to maximize the institution's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. Progressive's business is also concentrated in its Credit Risk Exposure. The institution manages its credit exposures following the principle of diversification across products, client segments and industry sectors. The institution has formulated and implemented a Credit Risk Management Policy to provide guidelines and direction for credit risk management.

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. The institution makes credit extension decision by assessing each business proposal thoroughly. It also ensures that the inherent credit risks that are associated with the business are addressed appropriately through coverage of better safety margin, additional collateral back up and lower exposure to keep the business at low leverage.

Following activities are carried out by the Risk Management Committee in terms of credit risk management:

- ❖ Recommended standards for loan collateral, portfolio management, loan review mechanism, pricing of loans, provisioning, and regulatory/legal compliance.
- ❖ Establish procedures with regard to monitoring of loans, inspections, insurance, etc., and review the status of such loans/details periodically.
- ❖ Determine the procedures related to the Institution's credit approval process, credit appraisal process, administration, and documentation management.
- ❖ Establish a mechanism/framework for credit risk reviews and stress testing.
- ❖ Establish a positive and negative list of areas for lending, based on the determined areas of lending, and review of the same.

### Operational risk

Operations Risk that arises out of inefficient processes and people inside and outside the institution is increasing these days. It 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 is pervasive across all functions of the institution and is influenced by all resources, including human resource, systems, and procedural designs deployed by the Institution to carry out those functions. Operational risk can be caused by both internal and external sources, such as fraud, business interruptions, system failures, damage to physical infrastructure, failure in execution and service delivery, inherent risks in products, customers, inadequacy in procedures or flawed press designs, and business practices.

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 institution provides comprehensive risk management tools for managing operational risk. The Operational Risk Framework (ORF) defines how risks are managed and controlled, 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. Daily functions at operations are independently reported through separate



reporting line other than business generation and credit risk where independence of checking and control is complied with. Processes are reviewed periodically so that their perfection can be weighed and any shortcoming can be addressed.

### **Market Risk and Liquidity Risk**

Market risk refers to the risk to an institution resulting from movements in market prices, in particular, changes in liquidity, interest rates, foreign exchange rates and equity prices. It mainly comprises three types of risk:

- a) Foreign exchange rates (currency risk)
- b) Market interest rates (interest rate risk)
- c) Market prices (price risk).

Liquidity risk is defined as the risk that the institution will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the institution might be unable to meet its payment obligations when they fall due, as a result of mismatches in the timing of the cash flows under both normal and stress circumstances.

The institution assesses the open position on daily basis and calculates risk exposure for allocation of required capital in line with Basel provisions. Likely impact on earnings due to change in the market condition and change in the standing of the counterparty are well assessed periodically and necessary actions are taken as appropriate. The institution in line with Basel provisions calculates risk exposure and allocates sufficient capital/cushion for perceived market and liquidity risks. Moreover, 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. The institution has also been maintaining CRR, SLR, net liquidity ratio and credit to core capital and deposit ratios within the limit approved by the Board and are being monitored on continuous basis.

### **Reputational Risk**

Reputational risk is the potential for damage to the franchise, resulting in loss of earnings or adverse impact on market capitalization as a result of stakeholders taking a negative view of the organization, its actions or inactions – leading stakeholders to change their behavior. Board of Directors of the institution establishes the framework for the governance and management of reputational risk. They have the responsibility to ensure that the institution does not undertake any activities that may cause material damage to the franchise. All employees are responsible for day-to-day identification and management of reputational risk.

### **Compliance Risk**

Compliance Risk is the current and prospective risk to earnings or capital arising from violations of or non-conformance with laws, rules, regulations and prescribed practices and it exposes the institution to fines, penalties and payment of damages etc. The institution has separate compliance department which oversee the possible compliance risk of the institution and assist for mitigation of same by developing the policies, guidelines upon approval of the Board.

### **Information & Cyber Security Risk**

Information & cyber security risk is the potential for loss from a breach of confidentiality, integrity and availability of institution information systems and assets through cyber-attack, insider activity, and error or control failure. The institution seeks to avoid risk and uncertainty for our critical information assets and systems and has low appetite for material incidents affecting these or the wider operations and reputation of the institution. The institution's Cyber Security Strategy focuses their resources on five key investment priorities, viz. Identify, Detect, Recover, Respond and Protect.

## **2. STATEMENT OF CAPITAL ADEQUACY:**

Capital is a prime factor to consider when assessing the safety and soundness of an institution. It acts as a cushion in case the value of the institution's assets decline and liability rises.

Maintaining a minimum capital level is of paramount importance for an institution so that adequate protection against risk can be ensured. A strong capital management policy protects an organization by identifying and mitigating risks, besides establishing the confidence of depositors, creditors, and other stakeholders. Capital adequacy gives a view on an institution's financial strength and stability.

Capital planning is an integral part of the institution's medium term strategic planning and annual budget formulation process. The institution prepares annual budgets/ operating/ tactical plans as stipulated in the budget policy and strategy document of the institution. To ensure that the institution's capital adequacy is commensurate to the demand of the institution's capital required by business planning, the management and the Board prudently and proactively engage on ongoing process of capital and risk assessment, stress testing, scenarios testing and its monitoring. Total risk weighted exposures for the projected level of business is calculated, the required capital level is projected, and a plan is formulated to retain the required capital.

The institution follows Internal Capital Adequacy Assessment Process (ICAAP) and Risk Management Guideline while taking decision on any business. It has always taken note of ICAAP and has taken steps accordingly in ensuring soundness of capital position and sustainability of the business. Institution's different committees like Audit Committee, Risk Management Committee review the business and risks periodically and take account of stress test results, scenario analysis so as to align risk, return and capital in sustainable manner. While emanating businesses in the institution, principles of risk, return, capital charge and return against capital consumption (charge) are taken into account. The institution also defines risk aspects, taking stock of domestic economic scenario, and puts in place the system to minimize and remove such risk. The risk appetite and approach towards risk taking is well discussed in management level and board level. It is always aligned with the business, its return and capital.

The Board shall be primarily responsible for ensuring the current and future capital needs of the Institution in relation to strategic objectives. The management shall review and understand the nature and level of various risks that the Institution is confronting in the course of different business activities, and how this risk relates to capital levels, and accordingly implement sound risk management framework specifying control measures to tackle each risk factor.

#### **Reporting on Capital Adequacy:**

As per Unified Directive No. 1 issued by Nepal Rastra Bank, the institution is required to maintain minimum capital fund based on total risk-weight assets as prescribed by Capital Adequacy Framework 2007 (Updated July 2008) issued by Nepal Rastra Bank. The Institution is required to maintain the prescribed ratio of capital adequacy at all times. Further, the institution is required to prepare statement as to capital fund as stated in schedule 1.1 of Capital Adequacy Framework, 2007 (Updated July 2008) on the basis of the financial statements on the last day of every month. Those statements are required to be sent to the Institutions and Financial Institutions Regulation Department and concerned supervision department of Nepal Rastra Bank within 15 days from the date of completion of every month, having them authenticated by internal auditors. In the rare event of failure to send them unaudited, the same will have to be mentioned in the monthly statement. However, such statements at the end of the quarter must be submitted after getting them authenticated by the internal auditors.

As per Capital Adequacy Framework 2007 (Updated July 2008), the institution is required to maintain minimum Capital Adequacy Ratio of 11%.

The details of Risk Weigh and Capital Adequacy has been presented below:

Amount in '000

Particulars	As at 31 Ashad 2077	As at 31 Ashad 2076
<b>1.1 Risk Weighted Exposure (RWE)</b>		
RWE for Credit Risk	1819782.28	1194694.21
RWE for Operational Risk	74960	101025.1
RWE for Market Risk	-	-
<b>Total RWE before adjustment under Pillar II</b>	<b>1894742.276</b>	<b>1295719.31</b>

Particulars	As at 31 Ashad 2077	As at 31 Ashad 2076
Adjustments under Pillar II		
<b>Total RWE</b>		
<b>1.2 Capital</b>		
<b>A. Core Capital (Tier I)</b>	<b>833,633.25</b>	<b>849,281.53</b>
Paid up Equity Share Capital	800,100.00	800,100.00
Irredeemable Non-cumulative preference shares		
Share Premium	7,124.78	7,124.78
Proposed Bonus Equity Shares		
Statutory General Reserves	18,973.41	18,088.57
Retained Earnings	7435.46	(3,810.55)
Un-audited current year cumulative profit/(loss)	-	28,228.80
Capital Redemption Reserve		
Capital Adjustment Reserve		
Dividend Equalization Reserves		
Other Free Reserve		
Less: Goodwill		
Less: Deferred Tax Assets	-	(450.07)
Less: Fictitious Assets		
Less: Investment in equity in licensed Financial Institutions		
Less: Investment in equity of institutions with financial interests		
Less: Investment in equity of institutions in excess of limits		
Less: Investments arising out of underwriting commitments		
Less: Reciprocal crossholdings		
Less: Purchase of land & building in excess of limit and unutilized		
Less: Other Deductions		
Adjustments under Pillar II	-	-
<b>B. Supplementary Capital (Tier II)</b>	<b>25103.07</b>	<b>12,492.34</b>
Cumulative and/or Redeemable Preference Share		
Subordinated Term Debt		
Hybrid Capital Instruments		
General Loan Loss Provision	25103.07	11,998.01
Exchange Equalization Reserve		
Investment Adjustment Reserve	-	348.26
Assets Revaluation Reserve	-	41.59
Other Reserves	-	104.48

Particulars	As at 31 Ashad 2077	As at 31 Ashad 2076
<b>Total Capital Fund (Tier I and Tier II)</b>	<b>858736.32</b>	<b>861,773.87</b>
<b>1.3 Capital Adequacy Ratio</b>		
<b>Tier I Capital to Total RWE</b>	44.00%	65.55%
<b>Total Capital Fund to Total RWE</b>	45.32%	66.51%

### 3 STATEMENT OF NON-PERFORMING LOAN MANAGEMENT

A nonperforming loan (NPL) is a sum of borrowed money upon which the debtor has not made the scheduled payments for a specified period. The specified period also varies, depending on the industry and the type of loan. A nonperforming loan (NPL) is considered in default or close to default. Management of NPL is a biggest challenge faced by the institutions and financial institutions in the present days.

As per the directives issued by Nepal Rastra Bank, NPL is categorized as follows:

- ❖ Sub-standard: Loans/advances which are overdue by a period from three months to a maximum period of six months.
- ❖ Doubtful: Loans/advances which are overdue by a period from six-months to a maximum period of one year.
- ❖ Loss: Loans/advances which are overdue by a period of more than one year.

Reflection of non-performing loans (NPL) tarnishes image of the institution, and institution comes under surveillance of regulatory bodies, and even by its customers. Thus, recovery of NPL is a major concern for the institution and it is committed to maintain a lower rate of NPL. The Institution has given maximum emphasis to prevent transformation of regular loan to NPL and recovery of NPL to increase its profitability and quality of assets in the following ways:

- ❖ Maintaining Corporate Governance within the institution
- ❖ Better credit information to cut down on fresh NPLs
- ❖ Prudential Supervision
- ❖ Efficient, capable management
- ❖ Well-developed capital markets that can offer the mechanism and liquidity required to write off bad loans

The institution has its own process and procedures to be followed by the Loan Recovery Department, concerned branches, Collection Unit, Deteriorating Credit Management Unit, and Core Recovery Unit, in case of default in repayment of loans. These procedures include reminding the customers through text, call, emails, collection letters, and personal visits, publishing 35 days' notice in national newspaper, vehicle/equipment repossession process, auctions procedures, and revaluation of securities, blacklisting of the defaulting borrower, and legal recovery actions, including takeover of the properties as NBA in the institution's name, filing recovery suit with DRT/Court, and other recovery actions.

The Finance Non Performing Assets includes 1.41% of total Loans and Advances as at Ashad end 2076. The total NPA as at Balance sheet date is Rs. 14,350,533.72 and the Provision relating to the NPL amounts to Rs. 10,155,238.72 which is 71% of the NPA.

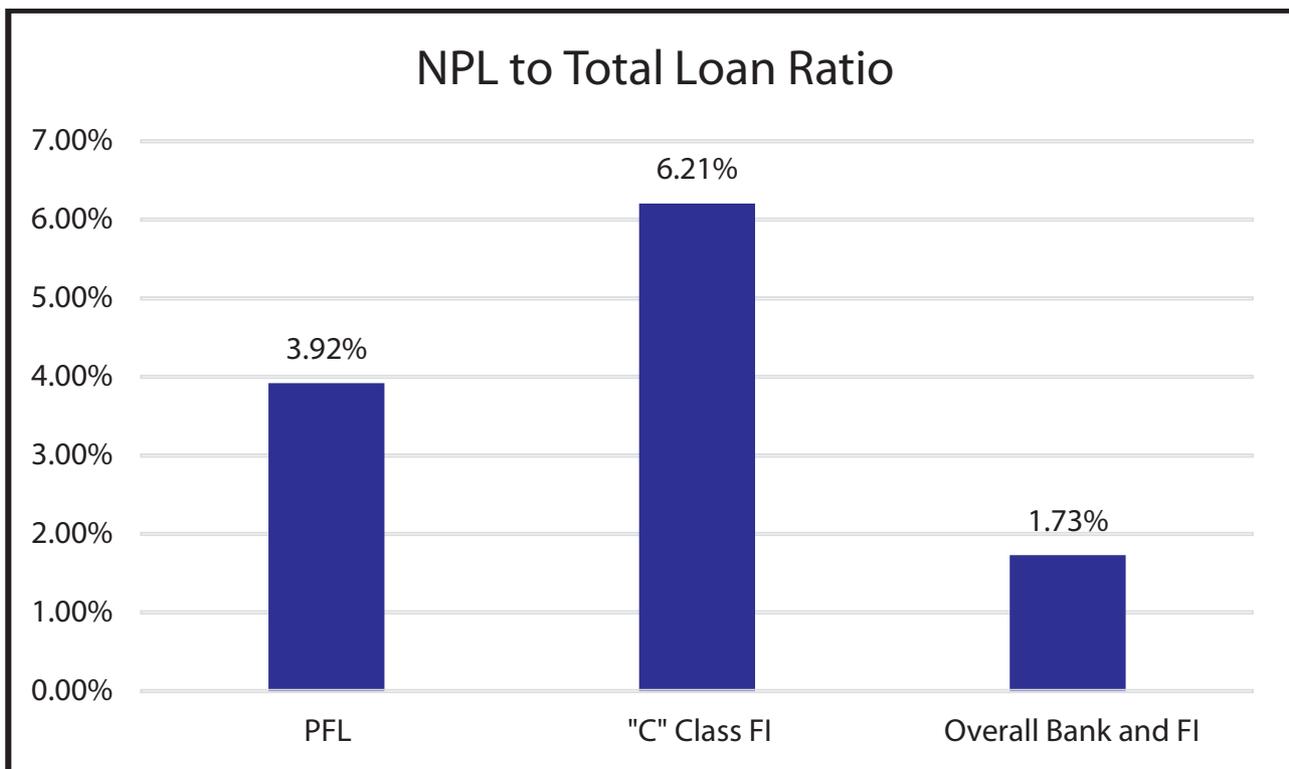
Particulars	As at 31.03.2077	As at 31.03.2076	Change	
			Amount	%
<b>Performing loan</b>	1,004,037,453.51	500,737,671.15	231,365,704	101%
<b>Non-performing loan</b>				
Substandard	25,161,756	4,664,201	20,497,554.6222	1143%
Doubtful	8,807,760	1,394,289	7,413,470.77	1998%
Loss	23,116,546	8,292,044	14,824,501.87	-9%
<b>Total</b>	<b>1,214,599,507.16</b>	<b>940,498,276.00</b>		<b>100%</b>

NPL Ratios of 2077.03.31

Gross NPL to Gross Loans and Advances 3.92%

#### NPL to Total Loan Ratio

As on Ashad end 2077, average NPL to total loan ratio for Class “C” banks and financial institutions and overall banks and financial institutions are 6.21% and 1.73%, respectively. (As per Banking and Financial Statistics published by NRB).



It can be seen that PFL has better NPL rate than the industry average, which is the result of commitment of management to maintain lower NPL rate, effective implementation of robust internal control, and good corporate governance.

#### 4. REPORT ON GOING CONCERN:

Going concern principle is the assumption that an entity will remain in business for the foreseeable future and the entity will not be forced to halt operations and liquidate its assets in the near term. Thus, continuation of an entity as a going concern is presumed as the basis for financial reporting unless and until the entity's liquidation becomes imminent.

The management of Progressive Finance has made an assessment of its ability to continue as a going concern and is satisfied that

it has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the institutions ability to continue as a going concern, such as restrictions or plans to curtail operations.

Even though the loan and interest repayment of the finance has been affected by the COVID-19 pandemic, the recovery pattern seems to be improving day by day. Adequate provisions against loan loss as required by the NRB directives have already been set aside by the finance.

Therefore, the financial statements of the institution continue to be prepared on a going concern basis. Some of the material factors that support the institution's ability to operate as a going concern are as under:

- ❖ The finance is on the process of extending its operation to various location outside the Kathmandu valley in the next fiscal year.
- ❖ The finance has increased the deposit from customers by 63% during the current fiscal year
- ❖ The total loan disbursed by the finance has increased by 80% During the FY 2076/77 as compared to the Loan disbursed during the FY 2075/76
- ❖ The finance has complied with the capital requirement as per the directive issued by the Regulatory Authority (NRB) during the FY 2076/77.
- ❖ The operating profit and Net profit of the finance during the FY 2075/76 amounted to Rs. 125 thousand and Rs. 4,422 thousand respectively.
- ❖ Capital Adequacy Ratio (CAR) of the Bank was comfortably above the minimum CAR of 11% prescribed by Nepal Rastra Bank during the review period.
- ❖ The Bank is committed to work towards the development and well-being of society and protection of environment and ecological balance. The Bank was involved in various social service activities during the review period.
- ❖ The Finance is focused on complying with various rules, regulations, policies, and guidelines of the regulatory bodies and prevailing laws and regulations. The Bank also
- ❖ Focuses on timely and adequate reporting and transparent disclosure.
- ❖ The Finance has very healthy relationship with its lenders, banking partners, suppliers, and vendors.

## 5. RISK ANALYSIS AND MITIGATION

Every business comes hand in hand with various risk attached to it and PFL is no different. However, a successful business is the one which is able to foresee such risks and act timely to minimize such risks. The BOD has identified the following major Risk for the finance and also present to you a brief plan to tackle such risks.

- a. Risks due to Changing laws, rules, regulations, directives along with other legal and compliance requirements of Nepal government, Nepal Rastra Bank, Securities Board of Nepal and other regulatory bodies.

Frequent trainings and seminars shall be arranged for PFL's staff to keep them updated in all of the changes made at every regulatory level. Circulars and directives shall be made available to every staff about such regulatory changes.

- b. Risks due to the economic downturn brought forward by COVID-19

The economic downturn brought forward by the COVID-19 is being felt all over the globe and a level of risk still remains to see how the economy is going to recover from this crisis. It is still to be seen how long the effects of this pandemic will persist. However, we at PFL have been in constant communication with our existing borrower to help them recover easily from this hard times. We have offered rebates and additional periods to help their financial recovery. We are setting aside higher provisions than ever to even out the impact of this crisis over the years. Additionally, we are looking to diversify our

lending portfolio to sectors who are less affected by this crisis. On a broader front, we see the economy slowly but surely recovering as the number of cases is going down day by day.

c. Risks due to increasing unhealthy competition.

The BOD and the management have put importance into long term value creation of the company rather than on short term profits earned through risky business decisions. Such values have been passed forward towards our staff. We are committed to come out on top eventually by fighting off our competition in a healthy manner.

d. Risks due to increased costs of investible funds.

The entire nepali market is now facing the problem of lack of investible funds and the funds that are available are coming at a very premium cost. PFL however is on the relatively safer side in this aspect as the recent right issue has provided us with the funds readily available for investment.

e. Risks due to increased operational Risks.

Recent events of frauds and hacking are indicative of the huge increase in the operational risks faced by the financial sector. With advent of new technologies, newer methods of such unfair and illegal practices are being used by the culprits. We have invested in a robust core banking system and have appointed a designated IT officer to safeguard ourselves against such IT threats. In addition, the internal control system of the company is the most important tool to fight off such malpractices. Measures shall be kept in place right from the assistant level upto the BOD level for tackling such issues.

f. Risks due to excess or scarce liquidity in the market.

The problem is being faced by the entire financial market of the country. However, PFL is attempting to face the problem by introducing various innovative product lines in both deposits and credit.

g. Risks due to changes in interest rates.

We recognize that the ever changing interest rates are a part and parcel of the business. Proactive measures shall be taken to ensure that we are always balancing the rates of interest in both our deposit and our credit portfolio.

h. Risks due to limited growth of market caused by restrained growth of productive sector.

Even though the growth of the market as a whole seems to be restrained, we recognize that there are various geographical markets which we have yet unraveled. We shall employ aggressive geographical expansion through opening of new branches to tackle the limited growth of the existing market to create new ones for ourselves.

## 6. DISCLOSURE OF RISK REPORTING

Internal audit of the company is done every quarter to specifically recognize and report to the audit committee the risks and status of the business of the finance. The various reports are an integral part of the finance's risk reporting framework. In addition to the internal audit, statutory audit also helps to recognize, report and mitigate the risks inherent in the organization.

# Sustainability Report



Sustainability reporting is the practice of measuring, disclosing and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable development. Sustainability reporting is a broad term considered synonymous with others used to describe reporting on economic, environmental and social impacts. It is balanced and reasonable representation of the sustainability performance of a reporting organization – including both positive and negative contributions.

Sustainability reports can be used for the following purposes among others:

**Benchmarking** and assessing sustainability performance with respect to laws, norms, codes, performance standards and voluntary initiatives.

**Demonstrating** how the organization influences and is influenced by expectations about sustainable development; and

**Comparing** performance within an organization and between different organizations over time.



## 1. CORPORATE SOCIAL RESPONSIBILITY

CSR is about (i) taking stock of the economic, social and environmental impact of a business, (ii) mitigating the negative impact and bolstering the benign impacts (iii) taking up action programs and community investment to reduce social exclusion and inequality and to address the key sustainable development challenges. It is a process that aims to embrace responsibility towards the environment, consumers, employees, communities, and all other stakeholders, and encourages a positive impact through its activities.

The Finance believes that undertaking socially responsible initiatives is truly a win-win situation that not only attracts socially conscious customers and employees, but also makes a real difference in the world. The finance has established itself as a responsible corporate citizen by realizing its responsibility and social obligations. By accepting the fact that society and business are complementary to each other, the finance has provided assistance in various forms and ensured its presence in different social activities and plans for exemplary, remarkable, and inimitable fulfillment of its corporate social responsibility.

Some of the Corporate Social Responsibility events of Finance are presented below:

- ❖ Discouraged investment in the form of loan in industries involved in manufacturing of alcoholic and cigarette products, which directly affect health of the public.
- ❖ Provided assistance to a Teej program at Tinkune, Kathmandu
- ❖ Organization of a cleaning campaign on the occasion of constitution day.
- ❖ Organization of a blood donation program.
- ❖ Distributed warm clothes to the victims of natural calamities.
- ❖ Provided assistance to various educational programs for the development of educational sector, cancer awareness campaign, and social organizations.

## 2. ENVIRONMENT-FRIENDLY INITIATIVES

With the growth in economy, there comes environmental hazard. Nepal, still being an underdeveloped country, has not been able to adopt environment-friendly models in its development quest. Realizing the fact that financial institutions are one of the major carriers of the country's economy, the Finance shares moral responsibility in the environmental damages caused by construction and other development endeavors undertaken by the government and private sector. Furthermore, we are aware of the reputational damage the entire banking industry may have to share if they do not act timely to preserve the environmental damages.

Thus, to mitigate the environmental and reputational damage, the Finance has been actively involved in environmental preservation through various corporate social responsibility mechanisms that incorporate the idea of green banking and actions to prevent the looming environmental crisis.

Our contributions towards environment protection are:

- ❖ Made a contribution to Jyapu Samaj for conducting various social activities.
- ❖ Paper-less administration and cash-less economy are much touted issues worldwide in regards to the environmental protection. Reducing paperwork means reducing deforestation. Realizing the value of paper-less work, the Finance amended its internal approach in administrative works and carried out most of its work through electronic medium in the last fiscal year. The Finance plans to formulate formal guidelines for paper-less administration in the future.

We believe these approaches, along with more concrete steps to come in the future, will help in controlling environmental damage and contribute to the sensitive issue of global warming.

## CSR Activities



### 3. VALUE ADDED STATEMENT

Value Added	2020	2019
Interest earned and other operating Income	243,686,257	155,237,407
Cost of Services	128,065,036	74,159,738
Value Added by banking services	115,621,221	81,077,669
Non Banking Income	12,175	201,166
Provision against non performing assets	43,163,047	4,213,828
<b>Total Value Added</b>	<b>72,470,349</b>	<b>77,065,007</b>
Number of Employees at the end of the Year	81	38
Value added per Employee(NPR)	894,696	2,028,027
Total Number of Shares	8,001,000	8,001,000
Value added per Share(NPR)	9.06	9.63

During the review period, the Finance successfully created value of NPR 72,470 thousands mainly on account of increase of interest earned.

### MARKET VALUE ADDED STATEMENT

Particulars	2019-20	2018-19
Total Number of Shares	8,001,000	8,001,000
Price per Share (NPR)	146	138
Total Market Value (NPR)	1,168,146,000	1,104,138,000
Total Book Value (NPR)	857,989,498	844,529,681
Market Value Added (NPR)	310,156,502	259,608,319

### ECONOMIC VALUE ADDED STATEMENT

Particulars	FY 2019-20	FY 2018-19
Net Profit (NPR) (A)	4,422,235	28,228,804
Total Shareholders Fund (NPR) (B)	857,989,498	844,529,681
Cost of Equity (C)	10.00%	10.00%
Cost of Capital ( D = B*C )	85,798,950	84,452,968
Economic Value Added ( A-D )	-81,376,715	-56,224,164
Total Number of Shares (A)	8,001,000	8,001,000
Economic Value Added Per Share (NPR)	(10.17)	(7.03)

# Corporate Governance

Corporate governance is the system by which business corporations are operated, regulated, monitored and controlled for promoting corporate fairness, transparency and accountability. As corporate governance is of utmost importance in Finance Companies, being transparent in its affairs and adopting good corporate governance has been one of our main objectives. The institution is committed to complying with the directions and directives issued by the regulatory body from time to time and all the requirements of prevailing acts and regulations. The institution fosters corporate governance, realizing the values our regulators always cherish through financial disciplines. All appointed staff, whether permanent or contracted, adhere to corporate governance and employment standards as stipulated by the Employees Bylaws of the institution.

## 1. SHAREHOLDING STRUCTURE

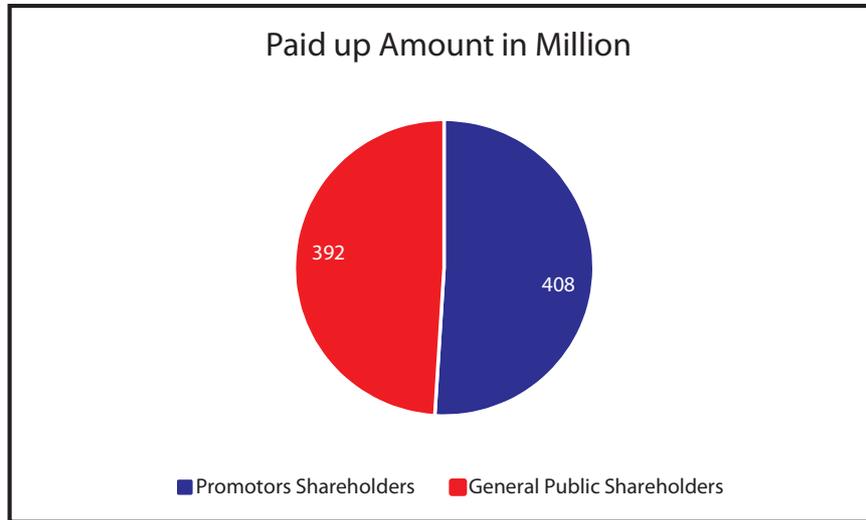
Particulars	No of Shares	Amount (NPR)
Authorized Capital Ordinary share of Rs. 100 each	8,001,000	800,100,000
Issued capital Ordinary share of Rs. 100 each	8,001,000	800,100,000
Subscribed and paid up capital Ordinary share of Rs. 100 each	8,001,000	800,100,000

### Ownership

Particulars	Amount	Percentage
<b>Domestic ownership</b>		
Nepal Government		
"A" class licensed institution		
Other licensed institution		
Other Institutions		
Public	79,69,56,400	99.60%
Other (Corporate)	31,34,600	0.40%
<b>Foreign ownership</b>		
<b>Total</b>	<b>800,100,000</b>	<b>100.00%</b>

### Capital Structure

Particulars	No. of Shares	Capital Structure (%)	Paid up Amount (NPR)
Promoters Shareholders	40,80,510	51%	40,80,51,000
General Public Shareholders	39,20,490	49%	39,20,49,000



### Major Shareholding Structure

S.N.	Name	Position	Number of Shares held	Percentage
1	Tirtha Lal Maharjan	D-Public	363,341	4.54
2	Saila Shrestha	D-Public	295,524	3.69
3	Ram Kaji Awale	D-Promoter	252,400	3.15
4	Babu Raja Maharjan	D-Promoter	158,237	1.98
5	Bulal Maharjan	D-Promoter	156,210	1.95
6	Mukesh Maharjan	D-Promoter	156,134	1.95
7	Bishan Maharjan	D-Promoter	156,070	1.95
8	Krishna Awale	D-Promoter	155,448	1.94
9	Surendra Awale	D-Promoter	152,400	1.90
10	Manoj Dangol	D-Promoter	152,400	1.90
11	Laxmi Prasad Maharjan	D-Promoter	152,400	1.90
12	Raju Maharjan	D-Promoter	152,400	1.90
13	Rabi Maharjan	D-Promoter	152,400	1.90
14	Shambhu Lal Dangol	D-Promoter	152,400	1.90
15	Bhim Lal Maharjan	D-Promoter	152,400	1.90
16	Ram Maharjan	D-Promoter	152,400	1.90
17	Rajit Maharjan	D-Promoter	152,400	1.90
18	Sumin Maharjan	D-Promoter	152,400	1.90
19	Sangha Ratna Dangol	D-Promoter	152,400	1.90
20	Sanu Kaji Maharjan	D-Promoter	152,400	1.90
21	Sanjib Maharjan	D-Promoter	147,000	1.84
22	Samundra Kaji Shrestha	D-Public	140,644	1.76
23	Krishna Awale	D-Promoter	112,649	1.41
24	Rabin Maharjan	D-Promoter	107,843	1.35
25	Gyanesh Maharjan	D-Promoter	95,885	1.20
26	Babu Kaji Maharjan	D-Promoter	94,241	1.18

S.N.	Name	Position	Number of Shares held	Percentage
27	Hera Man Maharjan	D-Promoter	89,850	1.12
28	Ram Kaji Awale	D-Public	82,043	1.03
29	Aayunskha Maharjan	D-Public	80,000	1.00
30	Anil Maharjan	D-Public	80,000	1.00
31	Hira Kaji Maharjan	D-Public	80,000	1.00
32	Bikki Maharjan	D-Public	80,000	1.00
33	Rajeeb Prasad Pyakurel	D-Public	80,000	1.00
34	Ishwori Bade	D-Public	78,814	0.99
35	Arjun Maharjan	D-Public	76,957	0.96
36	Isha Shrestha	D-Public	75,000	0.94
37	Bish Ram Singh	D-Promoter	72,771	0.91
38	Anil Maharjan	D-Promoter	62,865	0.79
39	Toya Nath Poudel	D-Promoter	61,736	0.77
40	Bijaya Maharjan	D-Public	59,000	0.74
41	Saraswoti Timalsina	Public	56,420	0.71
42	Rajendra Shakya	D-Promoter	55,844	0.70
43	Binaya Amatya	D-Public	50,000	0.62
44	Ishan Shrestha	D-Public	50,000	0.62
45	Ajay Humagain	D-Public	44,601	0.56
46	Ramesh Singh Maharjan	D-Promoter	43,587	0.54
47	Sandip Timalsina	D-Public	42,315	0.53
48	Purna Maharjan	D-Promoter	40,000	0.50

## 2. BOARD COMMITTEE AND MANAGEMENT COMMITTEES, AUDIT COMMITTEE

S.N.	Name	Status in Organization	Status in Committee
1.	Anish Maharjan	Director	Coordinator
2.	Shambhu Lal Dangol	Director	Member
3.	Bikram Shakya	Head - Internal Audit	Member Secretary

### Risk Management Committee

S.N.	Name	Status in Organization	Status in Committee
1.	Sabina Maharjan	Director	Coordinator
2.	Biplove Singh	Director	Member
3.	Anish Maharjan	Director	Member
4.	Maheshwar Pahari	DCEO	Member Secretary
5.	Pramod Bhattarai	Chief Manager	Member

### Assets (Money) Laundering Prevention Committee

S.N.	Name	Status in Organization	Status in Committee
1.	Shambhu Lal Dangol	Director	Coordinator
2.	Maheshwar Pahari	DCEO	Member
3.	Jayaram Karmacharya	Officer	Member Secretary

### Karmachari Sewa Suvida Samiti

S.N.	Name	Status in Organization	Status in Committee
1.	Shamundra Kaji Shrestha	Director	Coordinator
2.	Bishal Humagain	CEO	Member
3.	Amrit Sah	Chief Officer	Member
4.	Uma Lamichhane	Executive Manager	Member Secretary

### Arthik Nirdeshan Samiti

S.N.	Name	Status in Organization	Status in Committee
1.	Bishal Humagain	CEO	Coordinator
2.	Pramod Bhattarai	Chief Manager	Member
3.	Uma Lamichhane	Senior Officer	Member
4.	Amrit Sah	Chief Officer	Member
5.	Jayaram Karmacharya	Officer	Member Secretary

## 3. STATEMENT OF CORPORATE GOVERNANCE

Governance across the institution is robust and is also integral to our long-term success. The institution firmly believes that good corporate practices and transparency are key ingredients for its long-term sustainability and thus is determined to inculcate a culture of living up to the high professional and ethical standards across all levels. So, the institution's corporate governance policy is directed not only towards complying with regulatory and legal requirements, but also towards adherence to international best business practices, transparency, and disclosure to all the stakeholders. The disclosure requirements provisioned by the Nepal Rastra Bank through guidelines and circulars, Companies Act, Securities Exchange Act and Rules, Bank and Financial Institutions Act, and Nepal Accounting Standards are duly complied with and are consistently applied at all times. In addition, all the necessary information is provided to the statutory auditors, institution's internal auditors and NRB inspection team so as to enable them to make a fair assessment of our operation and to form an independent opinion in respect of institution's financial position and performance.

The financial institution has following tiers to monitor and review the status of corporate governance which is also in line with Directive No. 6 of Nepal Rastra Bank:

- Audit Committee
- Risk Management Committee
- Assets (Money) Laundering Prevention Committee
- Karmachari Sewa Suvida Samiti
- Arthik Nirdeshan Samiti
- Management Committee

### The Board of Directors

#### Structure of the board:

As on the date of this report, the Board is made up of the Non-Executive Chairman, one Executive Director and three Non-Executive Directors and one Female Director. The composition of Board of Directors are as given below:

- Mr. Kishore Kumar Maharjan– Chairman
- Mr. Shambhu Lal Dangol– Board Member
- Mr. Samundra Kaji Shrestha – Board Member
- Mrs. Sabina Maharjan – Board Member

Mr. Anish Maharjan-Board Member

Mr. Biplove Singh – Board Member

The prime objective of the Board is to form policies and provide guidance and suggestions to the management for long term sustainability of the institution with reasonable returns to the shareholders and maximize shareholders' wealth. The Board decides on corporate and business strategies, approves capital and operational plan and consistently monitors and reviews management's performance so as to ensure that the actual performances are in tandem with the annual and long-term targets. Similarly, the Board sets strategic path for the organization, identifies business objectives, reviews management's performance and provides guidance to the management towards achieving the targeted goals and objectives.

**Meetings of the board:**

Meeting of the Board is held on a regular basis as per the requirement of prevailing act and regulation of the institution. A total of 15 Board Meetings were held during the year. The following table illustrates the number of Board meetings held during the FY 2076/77 and sitting fees paid to the directors:

S.N.	Directors	Attendance	Status	Meeting Fees
1.	Kishore Kumar Maharjan	19 meetings	Coordinator	Rs. 83,800
2.	Laxmi Prasad Maharjan	10 meetings	Member	Rs. 32,000
3.	Shambhu Lal Dangol	19 meetings	Member	Rs. 68,000
4.	Sabina Maharjan	19 meetings	Member	Rs. 68,000
5.	Anish Maharjan	19 meetings	Member	Rs. 68,000
6.	Samundra Kaji Shrestha	18 meetings	Member	Rs. 64,000
7.	Biplove Singh	6 meetings	Member	Rs. 24,000
8.	Bishal Humagain	19 Meetings	Company Secretary	Rs. 42,000
	<b>Total</b>			<b>Rs. 4,49,800</b>

Following are the highlights of matters discussed and reviewed by board of directors during FY 2018/19:

- Review and approval of credit related proposals
- Review of NRB circulars
- Review of monthly update of various departments
- Review of Strategic Plan and Projection
- Review of Risk Assessment Reports
- Review regarding Branch Extension at various locations
- Review and amendment of different Internal Policies
- Formation and Restructuring of Different committees

**Roles and Responsibilities of the Board:**

- Decision on the long-term objectives of the institution
- Decision on the credit and investment policies of the institution
- Approval of the strategies necessary to achieve these objectives, bearing in mind the activities of competitors and potential competitors and the risks inherent in these strategies
- Approval of authorities and powers delegated to the Chairman, Board of Directors, Board Committees, and Chief Executive Officer
- Approval of the institution's annual budget
- Approval of the adoption of any significant change in accounting policies or practice

- Approval of the applicable policies of the institution
- Ensuring that the Board has the appropriate number and quality of directors to fulfill its responsibilities
- Constitution of committees of the Board with terms of reference as necessary

Thus, the Board is responsible for approving overall strategies and policies of the institution, taking into account the institution's long-term financial interests, its exposure to risk, and its ability to manage risk effectively, and approve and oversee the implementation by the institution. Though the Board is not involved in day-to-day operation of the institution, the Board is authorized to issue appropriate instructions to the senior management on any matter that it deems appropriate. Minutes of all the Board-level committee/sub-committee meetings shall be furnished to the Board for its information.

### **Director's Appointment and Induction**

Director's appointment, retirement and re-election are done as per the provisions laid out in the prevailing Companies Act, Bank and Financial Institution Act, Articles of Association of the institution and other relevant Laws and Regulations. Directors take the oath of secrecy and fidelity in presence of the Chairman. The composition of the Board is always balanced with a mix of professional expertise and experience. In order to align strategies with the changes in the external environment, national and international developments and exposure to higher level risks, Institution's Board is composed with the diversified talent pool who have proven their mettle in their previous stints. This has strengthened the Board and has ensured the quality oversight from the Board.

### ***Training and knowledge enhancement program for board of directors***

The Board of Directors are given induction training within a month of appointment that covers important aspects of finances in Nepal, transparency, disclosure, conflict of interest, international best practices, compliance and relationships with the regulatory bodies.

### **Appointment of CEO:**

Appointment of Chief Executive Officer of the institution is governed by several regulatory and internal provisions as follows:

#### **I. Regulatory requirement**

- Bank and Financial Institutions Act
- Nepal Rastra Bank Directives, Circular and Guidelines
- Other legal provisions

#### **II. Internal requirement**

- Memorandum of Association
- Article of Association
- Framework established by Board

Appointment of Chief Executive Officer is based on evaluation of skills, experience, capability, track record, and qualification of the candidate. The competency of the candidate is evaluated based on past performance of the individual.

### **Ethics, Compliance and Anti- Corruption Measures:**

A strong ethical culture is considered essential to make the institutions less vulnerable to misconduct. Thus, Progressive Finance strongly believes in meritocracy, transparency, professionalism, team spirit, and service excellence. These core values shall be internalized by all functions within the institution and shall be reflected in all actions it takes during the course of its business. The institution adheres to the zero-tolerance policy on the standards of corporate governance and compliance. It explicitly disallows behavior that could lead to any reputation risks or improper or illegal activity, such as financial misreporting, money laundering, fraud, anti- competitive practices, bribery, and corruption, or the violation of consumer rights.

# Management Discussions and Analysis

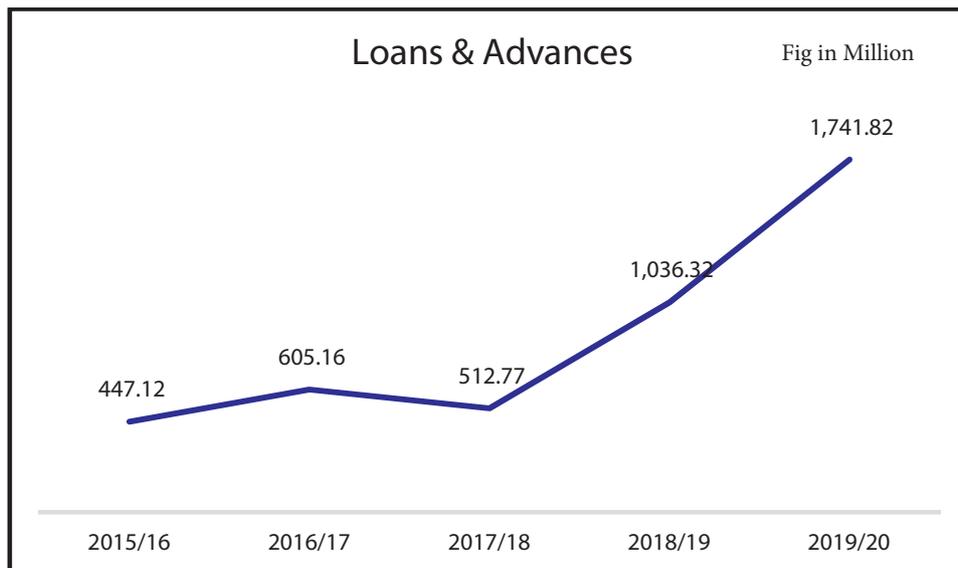
## 1. FINANCIAL HIGHLIGHTS

Particulars	2015/16	2016/17	2017/18	2018/19	2019/20	Annual Growth (FY 19/20)	CAGR (5 years) Average
Total Loans and Advances (Gross) (NPR Million)	447.12	605.16	512.77	1,036.32	1,741.82	68.08%	40.49%
Total Assets (NPR Million)	735.00	775.59	1,089.89	1,976.78	2,843.51	43.85%	40.25%
Net Assets (NPR Million)	195.77	218.65	295.57	844.53	857.99	1.59%	44.69%
Total Deposits (NPR Million)	533.44	546.72	784.64	1,111.01	1,963.19	76.70%	38.51%
Shareholders Fund (NPR Million)	195.77	218.65	295.57	844.53	857.99	1.59%	44.69%
Total Operating Income (NPR Million)	23.05	35.24	33.39	81.28	115.63	42.27%	49.65%
Profit before Tax (NPR Million)	21.66	15.34	11.28	48.04	0.12	-99.74%	-72.44%
Profit after Tax (NPR Million)	20.95	13.04	6.68	28.23	4.42	-84.33%	-23.68%
Gross Revenue (NPR Million)	48.18	78.96	88.64	155.24	243.69	56.98%	49.96%
Net Profit/Total Income	24.80	14.18	7.51	17.64	1.81	-89.71%	-40.19%
Return on Total Assets (Percentage)	2.78	1.68	0.61	1.43	0.16	-89.12%	-44.84%
Return on Equity (Percentage)	14.52	6.29	2.59	4.95	0.13	-97.38%	-62.10%
Return on Capital Employed (Percentage)	11.06	7.02	3.82	5.69	0.01	-99.74%	-80.97%
Debt-Equity Ratio	2.75	2.51	2.69	1.34	2.31	72.61%	-4.26%
Dividend	-	-	-	-	-		
Cost / Revenue Ratio (Percentage)	84.08	75.90	88.94	74.78	82.24	9.98%	-0.55%
Net Profit Per Employee (NPR Million)	1.10	0.69	0.22	0.74	0.05	-92.65%	-46.89%
Staff Cost Per Employee (NPR Million)	0.48	0.47	0.34	0.56	0.41	-27.13%	-4.02%
Total Credit/Deposits (Percentage)	83.82	110.69	65.35	93.21	64.93	-30.34%	-6.19%
Interest Income/Loans and Advances (Percentage)	9.98	12.25	16.64	14.00	13.83	-1.22%	8.50%
Interest Expenses/Total Deposits and Borrowings (Percentage)	4.71	8.00	7.07	6.92	7.34	6.02%	11.73%
Weighted Average Interest Spread	6.50	3.99	4.64	4.53	4.73	4.42%	-7.64%
Book Net Worth	95.45	104.12	140.75	105.55	107.21	1.57%	2.95%
Earning Per Share (NPR)	10.13	6.21	4.75	8.64	0.55	-93.60%	-45.38%
NPA	1.59	1.67	1.90	1.43	2.18	52.45%	8.21%
Price Earning (PE) Ratio (Ratio)	22.90	37.36	28.42	15.97	264.15	1554.06%	63.07%

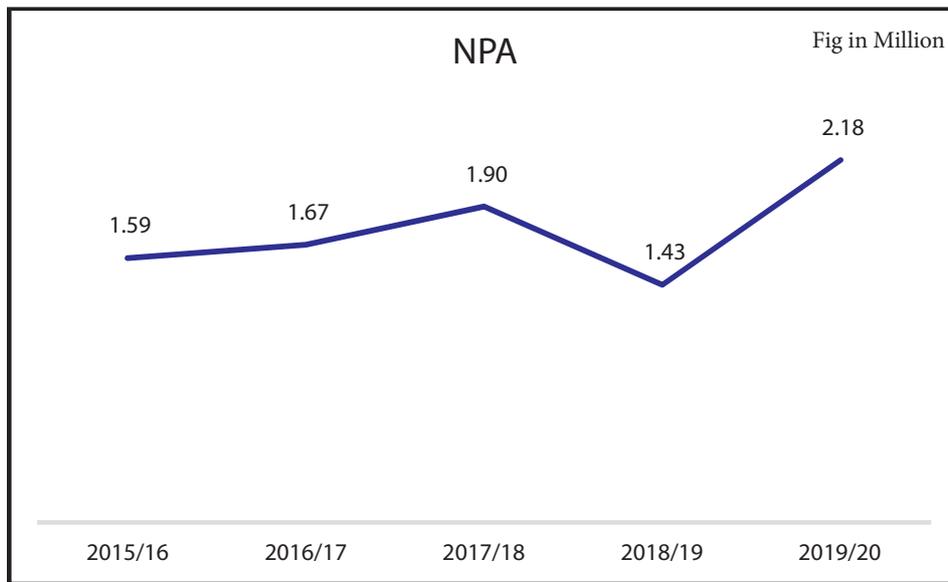
Particulars	2015/16	2016/17	2017/18	2018/19	2019/20	Annual Growth (FY 19/20)	CAGR (5 years) Average
Stock Performance (Closing Stock Price Per Stock) (NPR)	232.00	199.00	138.00	111.00	146.00	31.53%	-10.93%
Market Capitalization (NPR Million)	464.37	417.90	289.80	888.11	1,168.15	31.53%	25.94%
Capital Adequacy Ratio (Percentage)	35.72	33.82	39.38	66.51	45.32	-31.86%	6.13%
No. of Shares (Million)	2.00	2.10	2.10	8.00	8.00	0.00%	41.40%
Statutory Reserve Ratio	7.75	6.9	7.78	7.9	22.63	186.46%	30.72%
Cash Reserve Ratio	3.19	2.74	5.66	3.44	7.97	131.69%	25.72%
Net Interest income as a percentage of working funds	2.65	3.92	2.74	3.58	3.74	4.48%	9.01%
Gross Profit Ratio	43.67	41.01	37.40	52.23	47.45	-9.15%	2.09%
Total Asset value per share	97.81	104.12	140.75	105.55	107.24	1.59%	2.33%
Operating Profit to Paid up Capital	0.12	0.17	0.16	0.10	0.14	42.27%	5.84%

Note: The Finance has prepared financial statements up to FY 2017/18 as per Nepal Accounting Standard and in compliance with directives issued by Nepal Rastra Bank. Financial statements of the Finance for FY 2018/19 have been prepared in accordance with Nepal Financial Reporting Standards (NFRS) as published by the Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN), and in the format issued by Nepal Rastra Bank.

### 1.1. Total Loans & Advances

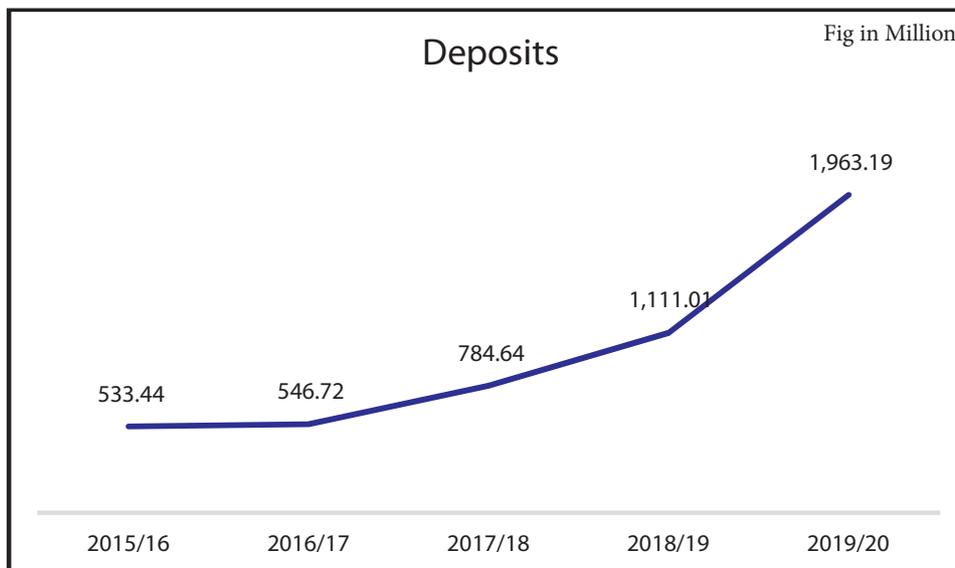


The growth in the business of the Finance can be seen just by looking at the increase in its loans and advances during the last few years. The Finance was able to achieve a very impressive compound annual growth rate (CAGR) of 40.49% over the last five years. Total Loans and Advances of the Finance as on mid July 2020 was NPR 1,741.82 million, as compared to NPR 447.12 million only as on mid-July 2016. During the review period total Loans and Advances increased by 68.08%.



There also has been an increase in quality of assets with NPA ratio decreasing from 1.59 % in 2014/15 to 1.43 % in 2018/19. However, there has been an increase in NPA during the FY 2019/2020 which is due to the effects of COVID-19 in the economy and the nation wise lockdown during the period.

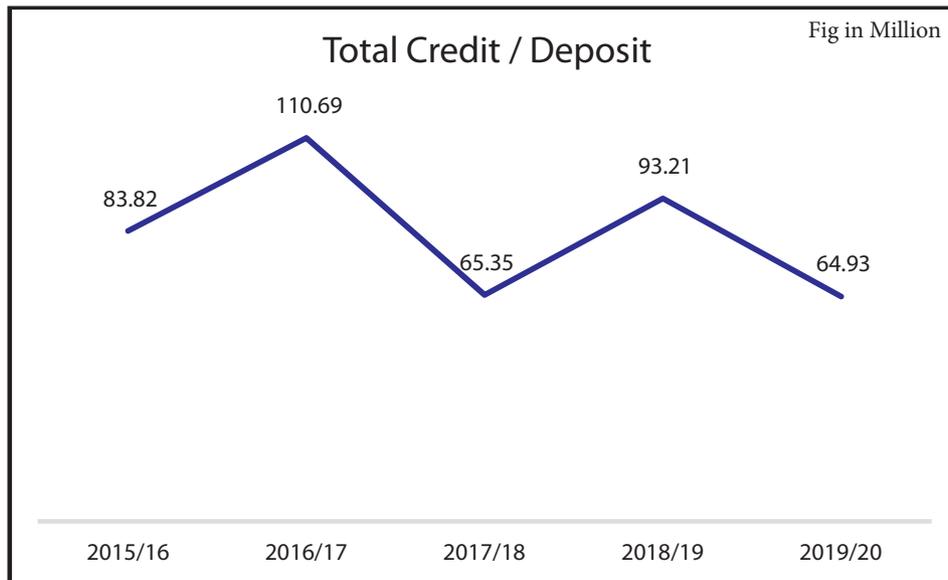
### 1.2. Total Deposits



Similar to the increment in loans the Finance has been able to achieve massive increment in Total Deposits. The Finance was able to achieve a very impressive compound annual growth rate of 38.51% over the five-year period. Total Deposit of the Finance as on mid July 2020 was NPR 1,963.19 million, as compared to NPR 533.44 million only as on mid-July 2016. During the review period total Deposits increased by 76.70%.

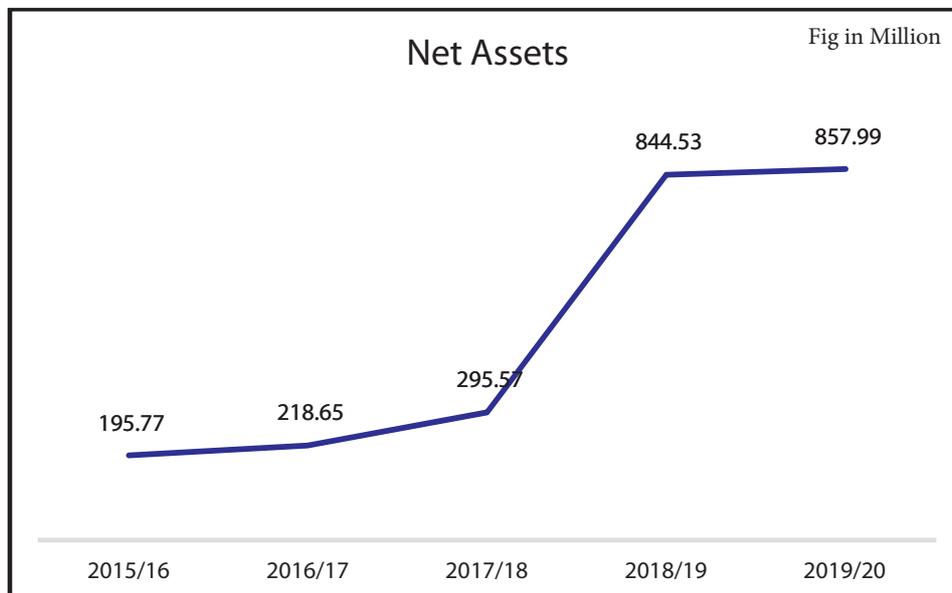


### 1.3. Total Credits/Deposits



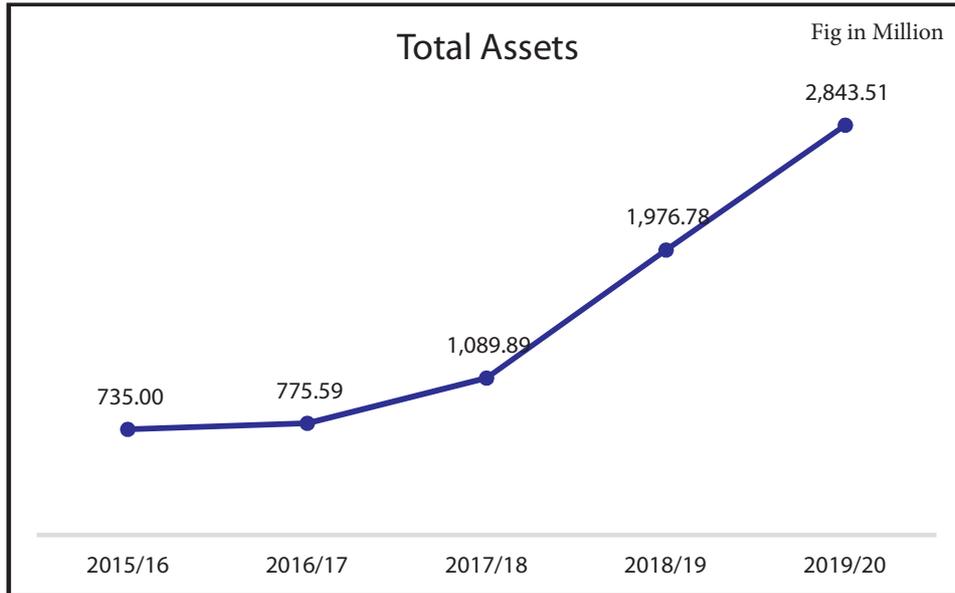
The credit-to-deposit ratio is used to assess a finance's liquidity by comparing a bank's total loans to its total deposits for the same period. If the ratio is too high, it means that the finance may not have enough liquidity to cover any unforeseen fund requirements. Conversely, if the ratio is too low, the finance may not be earning as much as it could be. The credit-to-deposit ratio of the finance has been fluctuating during the past five years. During the FY 2017/18 and FY 2019/20 the finance could not properly utilize its funds which has resulted in a low credit to deposit ratio of 65.35 and 64.93 respectively. The finance had significantly improved its loan portfolio during the FY 2018/2019 with an increment of 42.63% from the FY 2017/2018. However, there has been an increase in Credit to Deposit ratio during the FY 2019/2020 which is due to the effects of COVID-19 in the economy and the nation wise lockdown during the period.

### 1.4. Net Assets



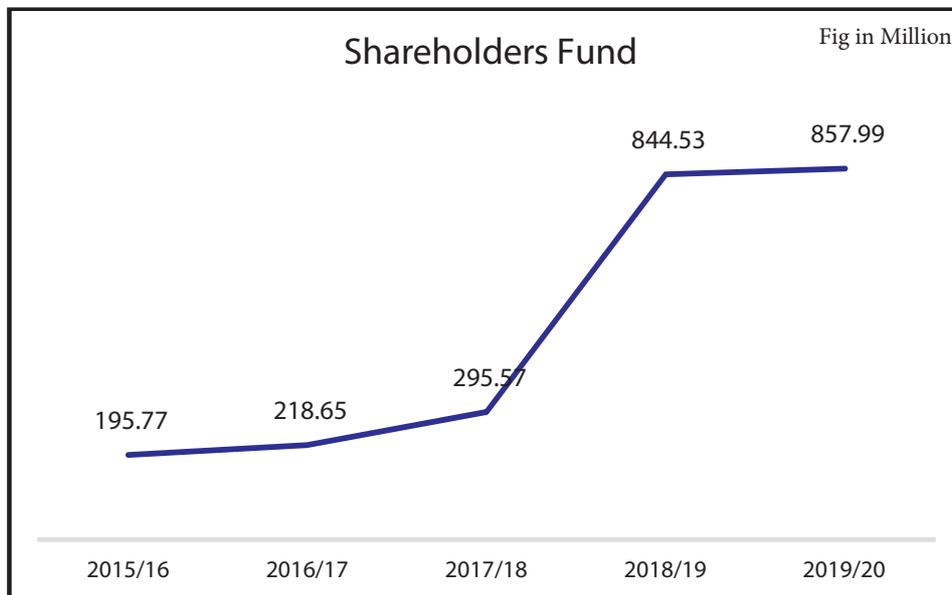
Net assets is defined as the total assets of an entity, minus its total liabilities. The amount of net assets exactly matches the stockholders' equity of a business. Substantial growth was achieved in the net assets of the Finance over the last five years. There has been an increment of 1.59% in the Net Assets during the review period. Net Assets of the Finance reached NPR 857.99 million as of mid-July 2020, as compared to NPR 195.77 million as of mid-July 2016, with the impressive CAGR of 44.69%.

### 1.5. Total Assets



Total Assets represent the total balance sheet value of the Finance, which increase or decrease in line with the increase and decrease in the volume of business. Total Assets of the Finance have increased over the last five years from NPR 735 million as on mid-July 2016 to NPR 2,843.51 million as on mid-July 2020. The Finance was able to achieve a very impressive compound annual growth rate of 40.25 % over the five-year period. Total Assets increased by 43.85 % from NPR 1,976.78 million to NPR 2,843.51 million during the current financial year.

### 1.6. Shareholders Fund

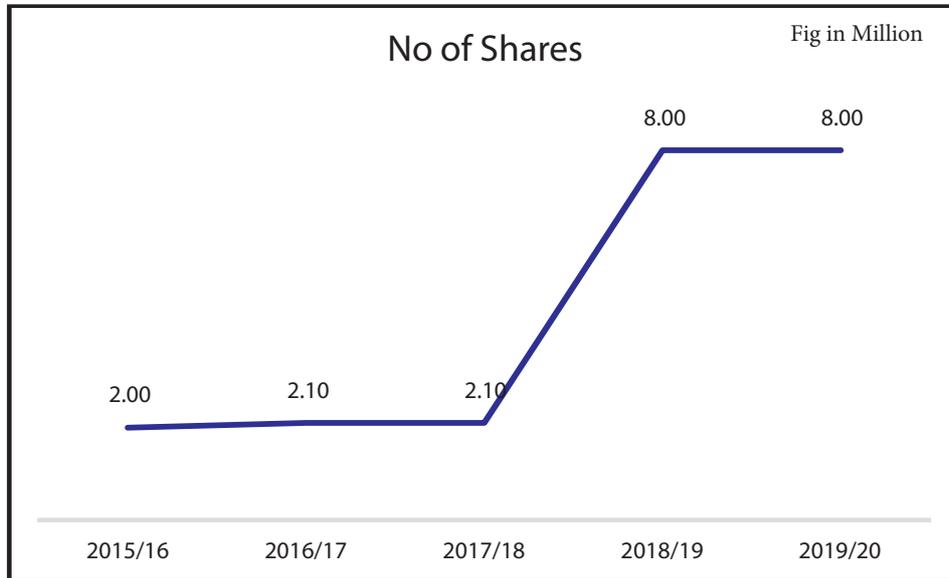


Shareholders' funds refers to the amount of equity in a company, which belongs to the shareholders. The amount of shareholders' funds yields an approximation of theoretically how much the shareholders would receive if a business were to liquidate. The amount of shareholders' funds can be calculated by subtracting the total amount of liabilities on a company's balance sheet from the total amount of assets. Total Shareholders Fund of the Finance reached NPR 857.99 million as of mid-July 2020, as compared



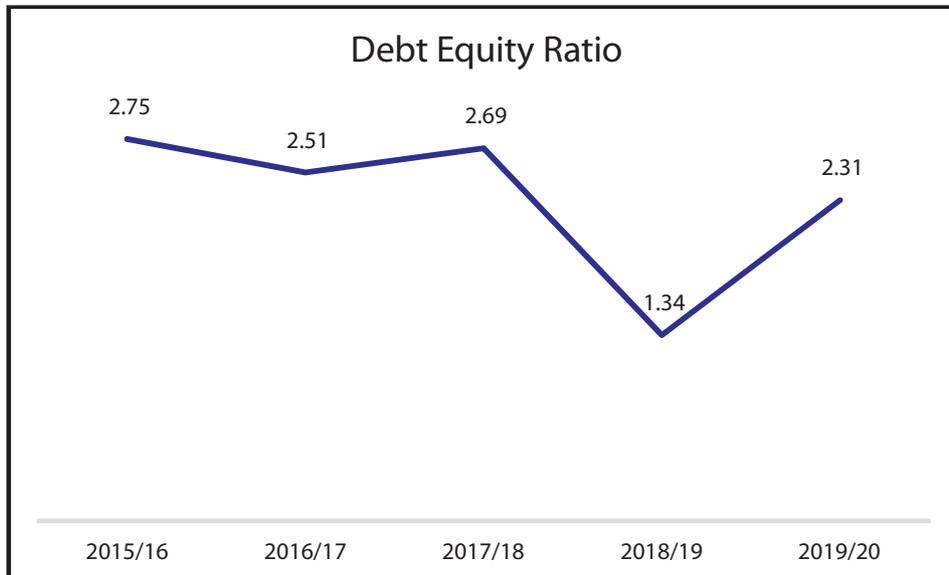
to NPR 195.77 million as of mid- July 2016, with the impressive CAGR of 44.69%. During the review period, Shareholders Fund increased by 1.59% from NPR 844.53 million as of mid-July last year.

### 1.7. No of Shares



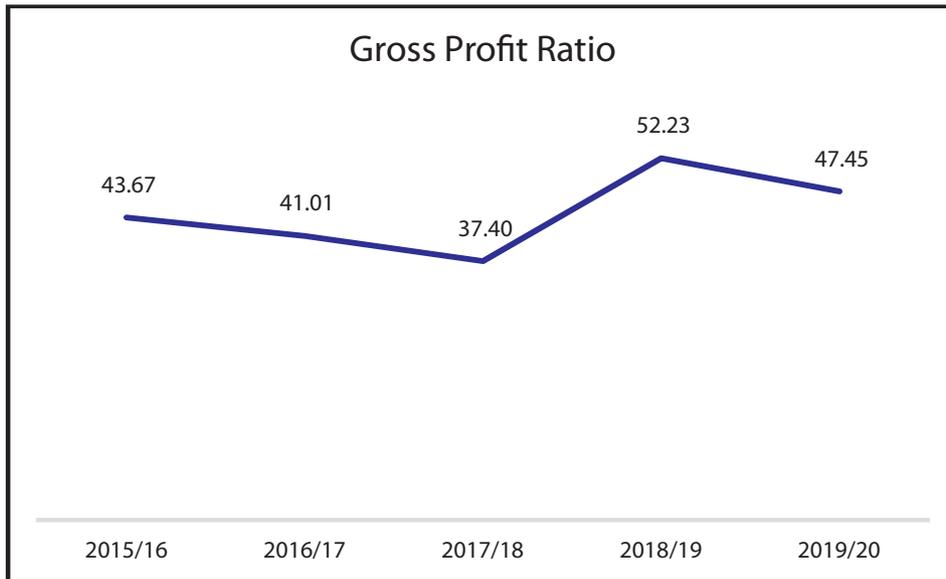
Increase in number of shares in FY 2018/19 was to due issue of right shares which the finance needed to comply with the minimum capital requirement laid out by Nepal Rastra Bank. There has been no change in the share capital of the finance during the FY 2019/2020.

### 1.8. Debt-Equity Ratio



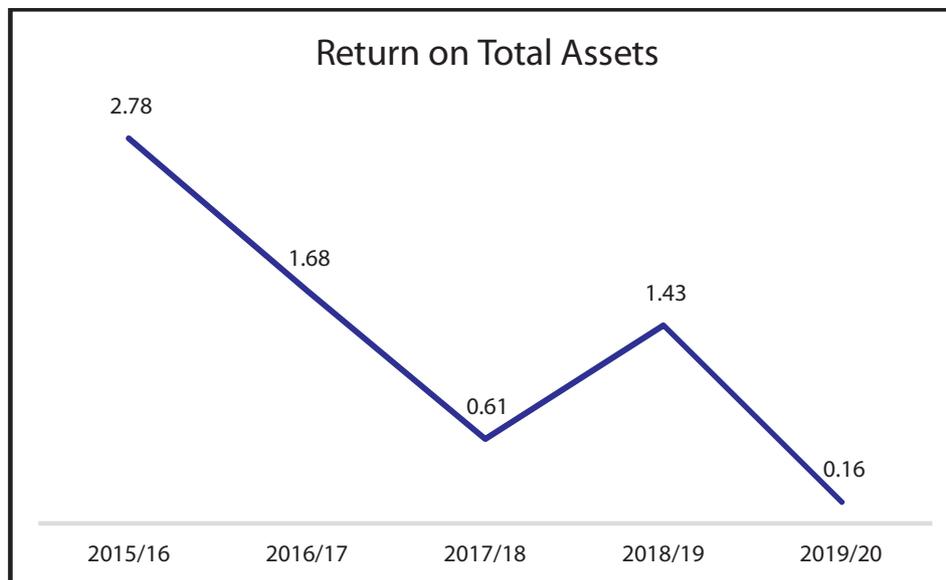
The debt to equity ratio is a measure of a company's financial leverage, and it represents the amount of debt and equity being used to finance a company's assets. It's calculated by dividing a firm's total liabilities by total shareholders' equity. The Debt equity ratio of the Finance is on a decreasing trend and the Debt Equity Ratio during the review period was 2.31 which is higher than the Debt Equity ratio during the previous year by 72.61%. The compound annual decrease in Debt Equity Ratio during the five years is 4.26%.

### 1.9. Gross Profit Ratio



Gross profit ratio (GP ratio) is a profitability ratio that shows the relationship between gross profit and total revenue. It is a popular tool to evaluate the operational performance of the business. The ratio is computed by dividing net interest and fees and commission income by gross revenue. Gross Profit Ratio has decreased by 9.15%, from 52.23% as on mid- July 2018/19 to 47.45% as on mid-July 2019/20.

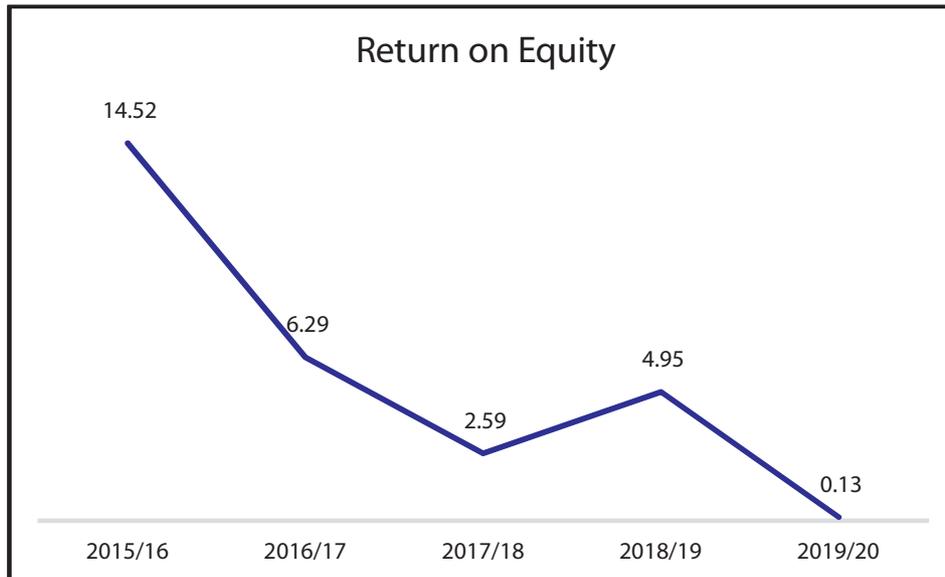
### 1.10. Return on Total Assets



Return on total assets (ROTA) is a ratio that measures a company's earnings relative to its total assets. The ratio is considered to be an indicator of how effectively a company is using its assets to generate earnings. There were slight fluctuations of Return on Total Assets during the last five years. During the review period the Finance, the ROTA of the finance has decreased by 89.12% and its current ROTA is 0.16.

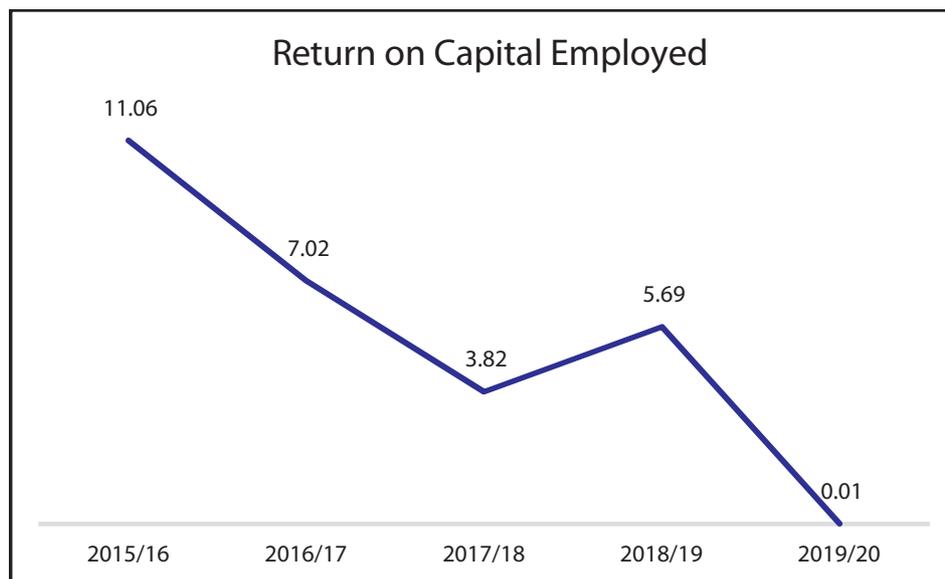


### 1.11. Return on Equity



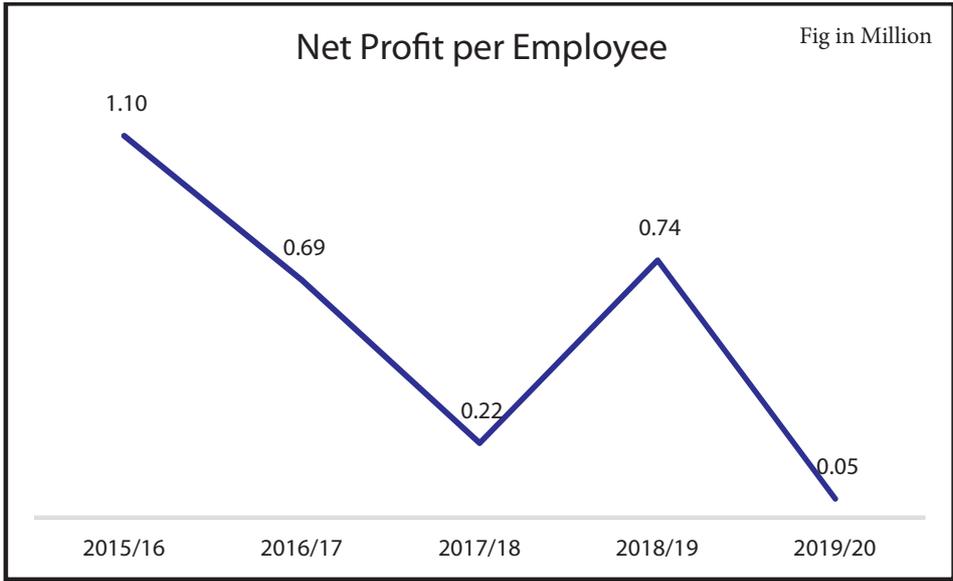
Return on equity (ROE) is a measure of financial performance calculated by dividing net income by its average shareholders' equity. Because shareholders' equity is equal to a company's assets minus its debt, ROE could be thought of as the return on net assets. There were slight fluctuations of Return on Equity during the last five years. The return on equity during the review period decreased by 97.38% from its previous year.

### 1.12. Return on Capital Employed



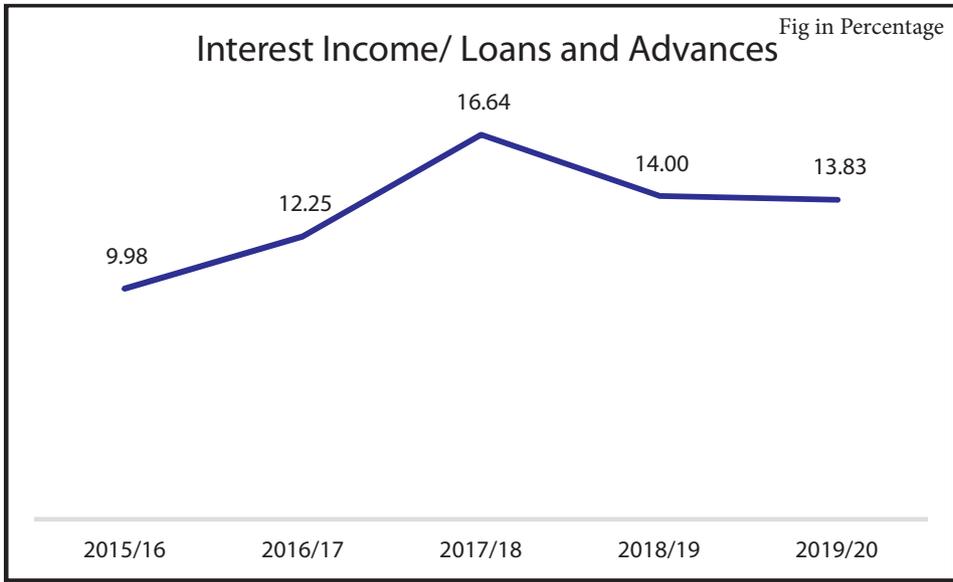
Return on capital employed (ROCE) is a financial ratio that measures a company's profitability and the efficiency with which its capital is used. In other words, the ratio measures how well a company is generating profits (Earnings before interest and Tax) from its capital. During the review period the ROCE of the Finance has decreased from 5.69 in the previous year to 0.01 which is an decrement of 99.74%.

**1.13. Net profit per Employee**



Net Profit per employee is a company’s net income divided by the number of employees. This number shows the company how efficient it is with its employees. Theoretically, the higher the net income per employee the better. The Net Profit per employee of the company is fluctuating over the last five years with the best output of Net Profit of 1.10 million per employee during the FY 2015/16. The company has decreased its Net Profit per employee during the review period as compared with the previous year by 92.65%.

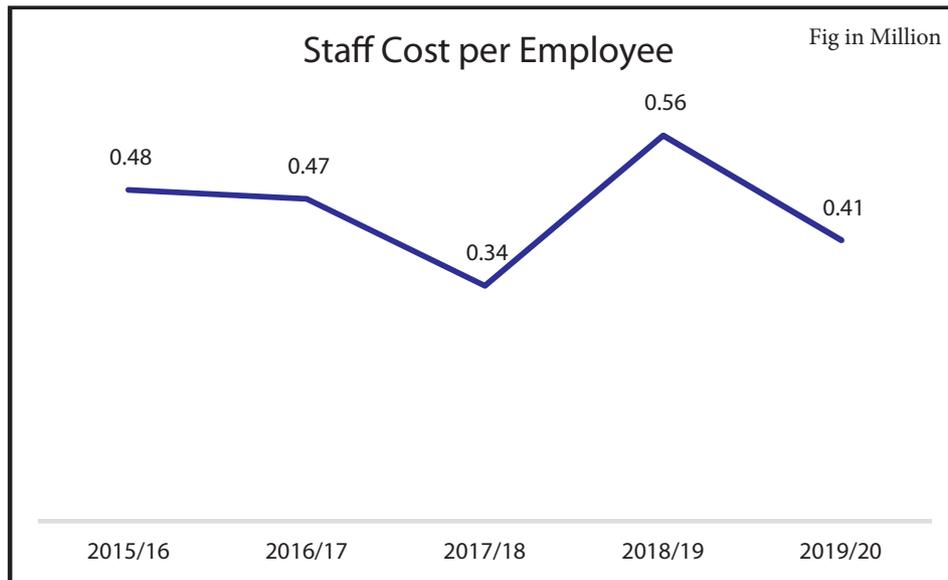
**1.14. Interest Income/Loans And Advances & Investment**



It represents the ratio of interest income earned by the Finance in comparison to total of loans and advances and investments. Interest Income/Loans and Advances & Investment has been fluctuating over the 5 year period with best performance being achieved by the Finance on 2017/18 with 16.64 %. This ratio is primarily influenced by the market as the Finance needs to be competitive with the interest rate charged by other financial institutions. During the review period the Finance has an Interest Income/ Loans and Advances and Investments of 13.83 % which is lower than the previous year by 0.17%.

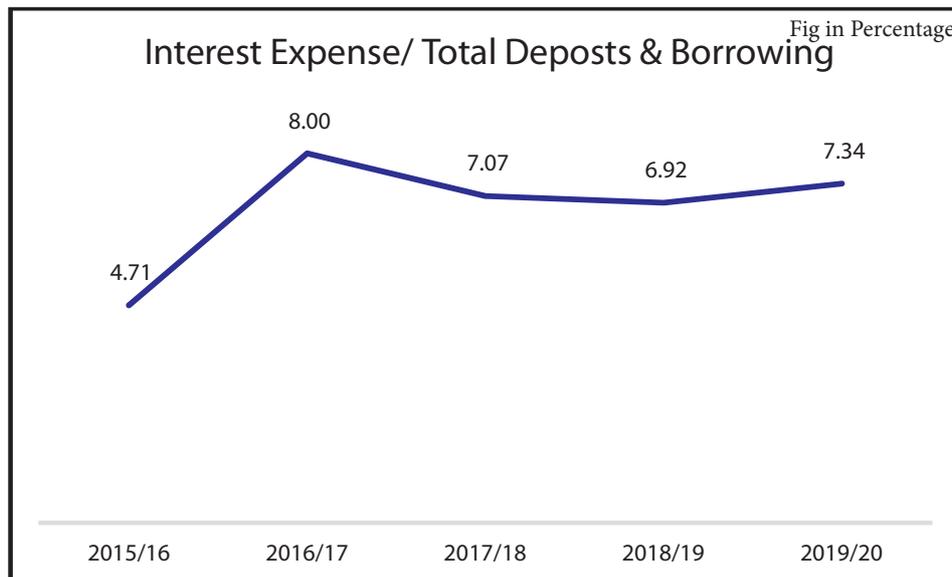


### 1.15. Staff Cost Per Employee



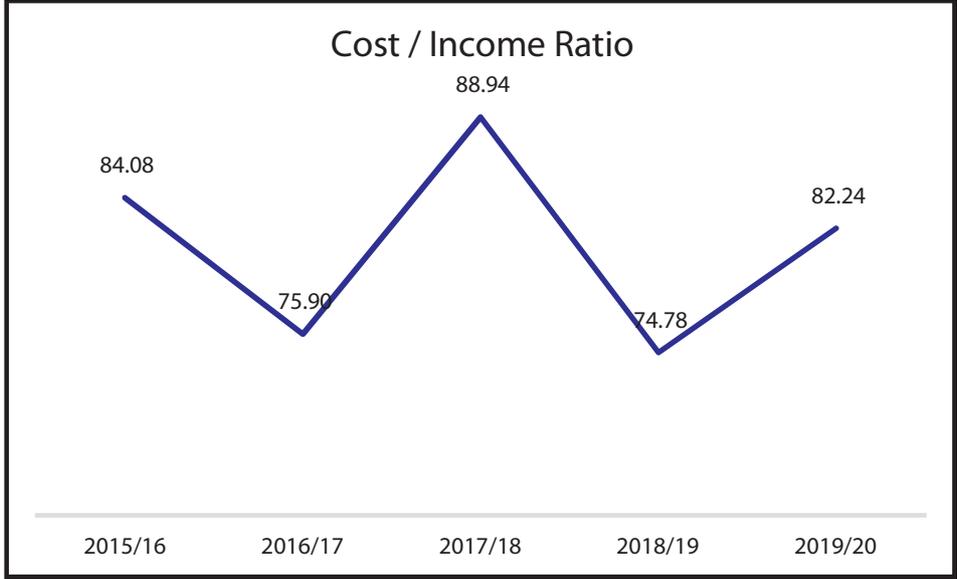
Staff Cost per Employee represents the average staff expenses incurred per employee. Staff Cost per Employee was on declining trend over the last few years prior to FY 2018/2019. Staff Cost per Employee has decreased by 27.13% during the review year making the Staff Cost per Employee NRs 0.41 million. The corresponding figure during the previous year was NRs 0.56 million.

### 1.16. Interest Expenses/ Total Deposits And Borrowings



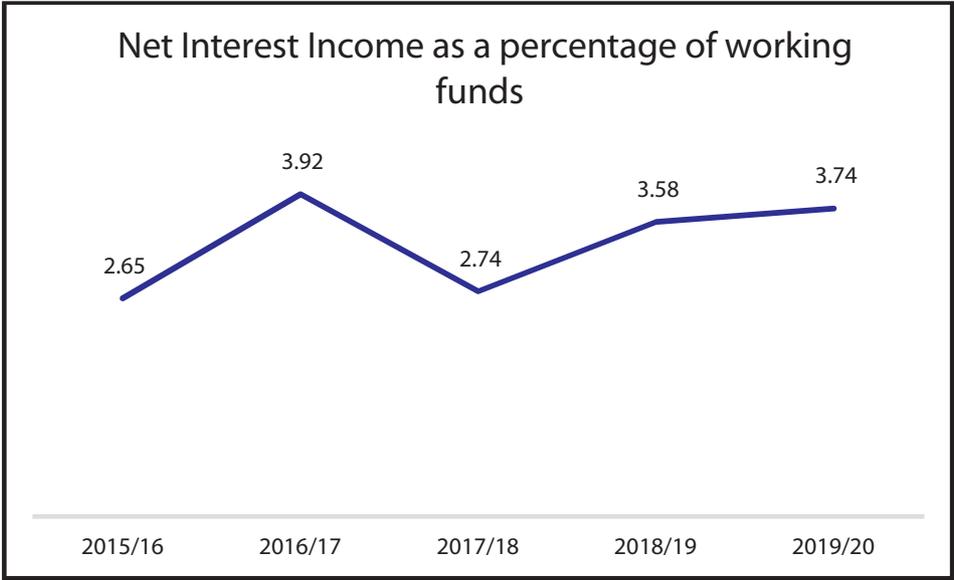
It represents the ratio of interest expenses incurred by the Finance in comparison to total deposits and borrowing. Interest Expenses/Total Deposits and Borrowings of the finance has been fluctuating throughout the past five years but has been steadily decreasing from FY 2016/17 up until 2019/2020. This shows that the finance is decreasing its cost of funds. The Finance has achieved a compound annual increment of 11.73% during the past five years and an increase of 6.02% during the review period.

**1.17. Cost/Income ratio**



Cost-to-income ratio is the measure of the costs of running a company in relation to its operating income. It is an important financial tool, particularly when evaluating financial institutions. The ratio gives investors a clear view of how efficiently the company is being run – the lower the C/I ratio is, the more profitable it should be. The cost-to-income ratio of the company has fluctuated over the past five years and during the review period there has been an increment of 9.98%. Similarly, the cost-to-income ratio of the finance has a compound annual decrease rate of 0.55% during the last five years which shows that the finance has been gradually increasing its efficiency.

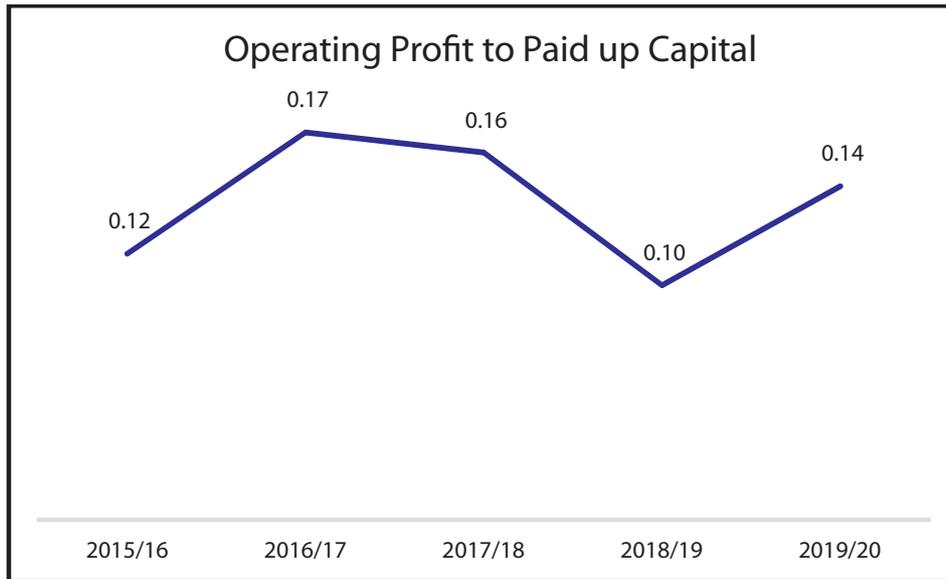
**1.18. Net Interest Income as percentage of working funds**



This represents the net interest income as a percentage of working funds. Working funds are the total resources of the finance (total liabilities or total assets) as on a particular date. The Net Interest Income as percentage of working funds of the finance has been fluctuating over the years with the highest return on FY 2016/2017 of 3.92%. Net Interest Income as percentage of working funds increased during the review period from 3.58% to 3.74% which is a percentage increment of 4.48%.

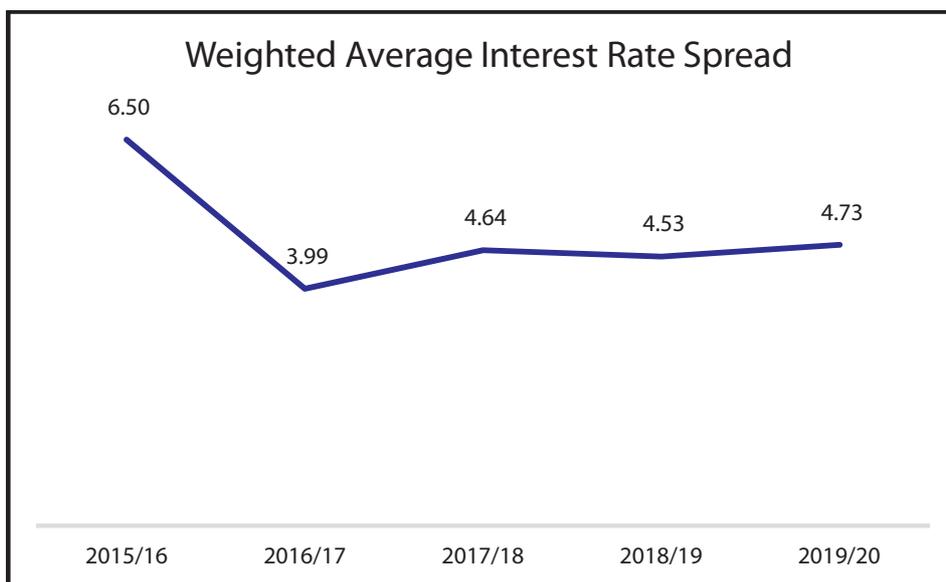


### 1.19. Operating Profit to Paid up Capital



Operating Profit to Paid up capital is a value obtained by dividing the company's operating profit by its total paid up capital. The Operating Profit to paid up capital of the finance has been fluctuating over time. Overall, the 5 years CAGR shows that the operating profit to paid up capital of the finance has increased by 5.84 %. During the review period it has increased from NRs 0.10 million to 0.14 million which is a percentage increment of 42.27%.

### 1.20. Weighted Average Interest Rate Spread

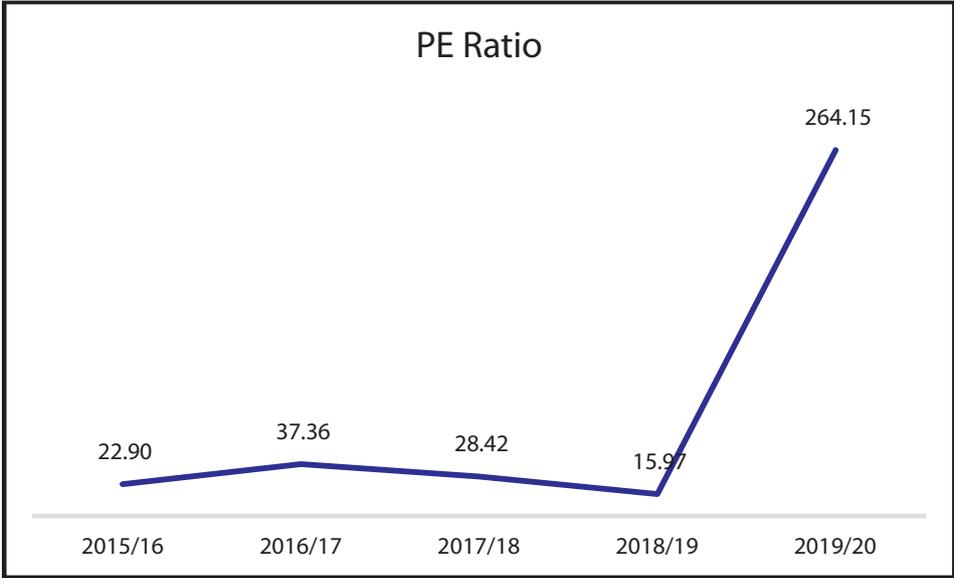


The spread rate is the difference between the interest rates on deposits and loans. The interest rate spread of the finance has been fluctuating over the five year period. The interest rate spread during the review period was 4.73% which is a increment of 4.42% from the preceding year. The reduction in spread rate from the FY 2014/15 is to comply with the directives issued by Nepal Rastra Bank which limits the interest rate spread.

**1.21. Dividend Ratio**

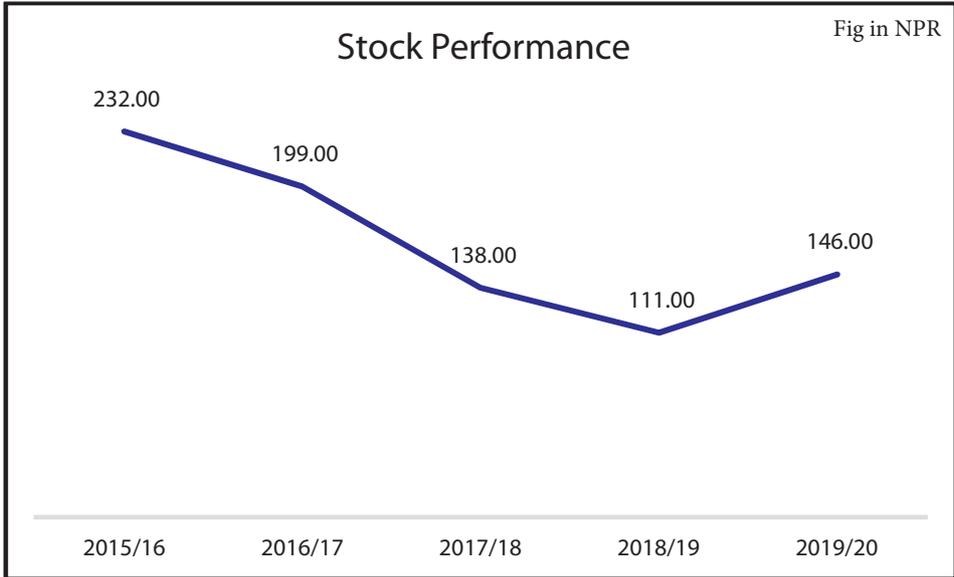
The finance has not distributed any dividend to its shareholders during the past five years. The retained earning of the finance was negative till FY 2017/18. The finance has already setoff its losses from previous year and has distributable amount in its books.

**1.22. Price Earning (Pe) Ratio**



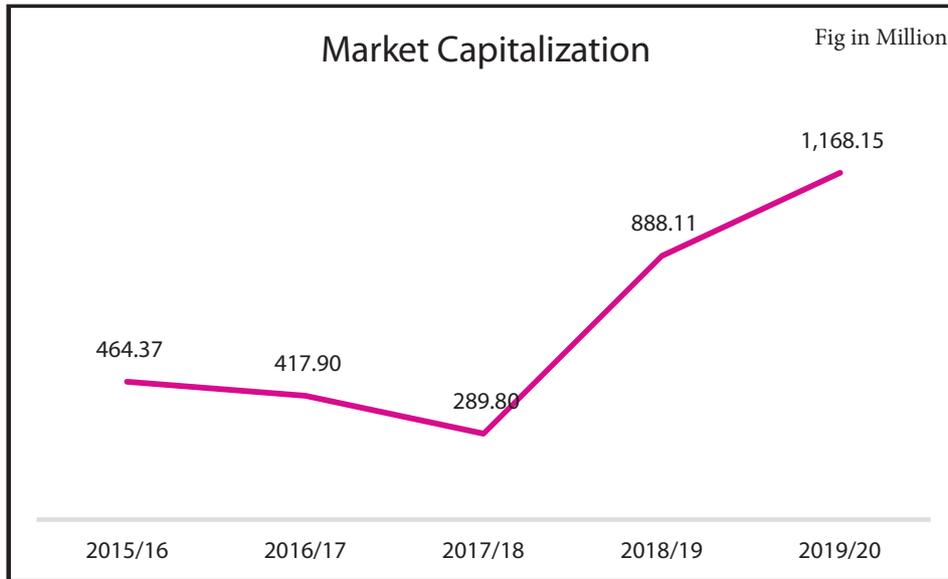
The price-to-earnings ratio (P/E ratio) is the ratio for valuing a company that measures its current share price relative to its per-share earnings. P/E ratios are used by investors and analysts to determine the relative value of a company’s shares. The Finance has a fluctuating trend in the PE ratio with the best PE ratio of 15.97 being obtained during the previous year. If a company has a high P/E, investors are paying a higher price for the stock compared to its earnings. The PE ratio of the finance increased by 1,554.06% during the review period.

**1.23. Stock Performance**



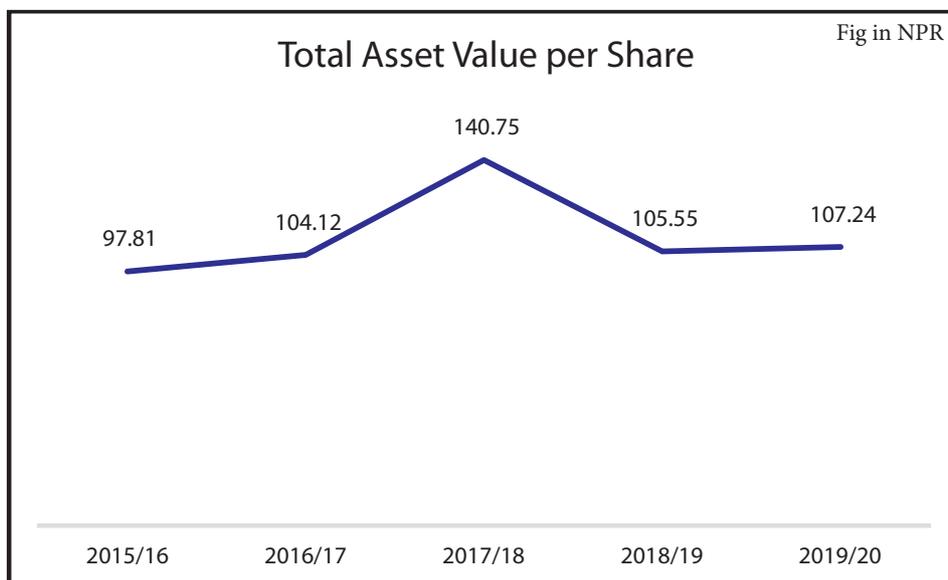
Stock price of the Finance was in a declining trend over the last few years as a result of poor market condition, with the overall stock market on a declining trend. Closing Stock Price per Share of the Finance was NPR 146 as on mid July 2020, as compared to NPR 232 as on mid July 2016. During the review period the stock price of the Finance increased by 31.53%.

#### 1.24. Market Capitalization



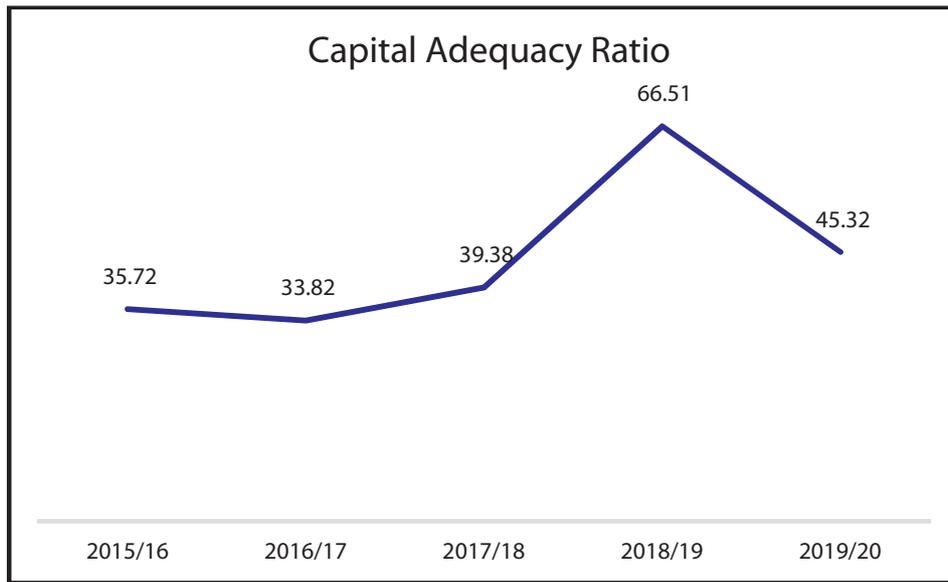
Market capitalization refers to the total value of all a company's shares of stock. It is calculated by multiplying the price of a stock by its total number of outstanding shares. The market capitalization of the finance has increased massively by 206.46% during the FY 2018/2019 due to the issue of right shares in order to comply with the minimum capital requirement laid out by Nepal Rastra Bank. The compound annual growth rate of market capitalization during the last five years is 25.94%. The market capitalization during FY 2016/17 and 2017/18 is in a decreasing trend due to the overall Nepalese Stock market being in downward trend.

#### 1.25. Total Asset value per Share



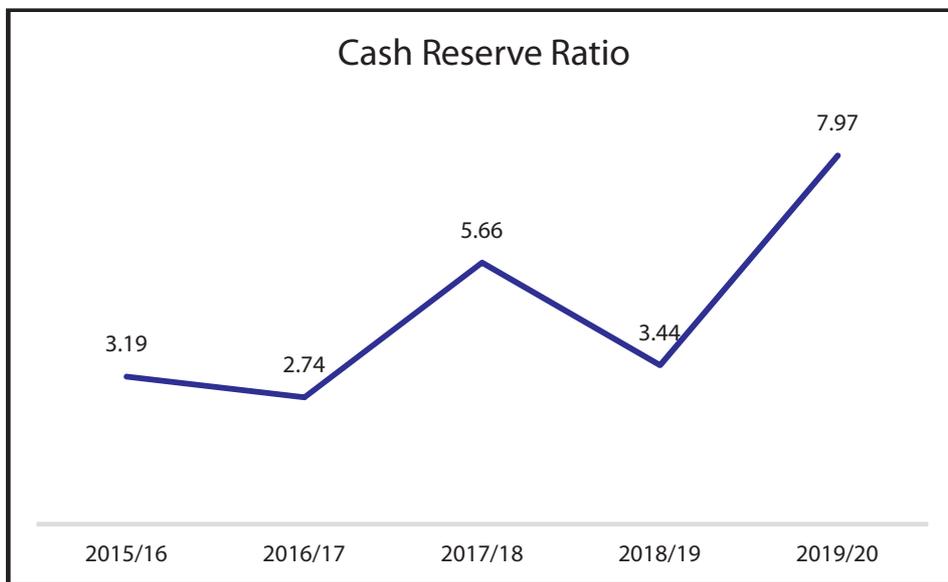
Total Asset Value per Share refers to the total value of the company’s net assets divided by its number of shares outstanding. This shows the value each shareholder will receive incase the finance liquidates as on that date. The total asset value per share had been on an increasing trend except for the FY 2018/2019. The asset value per share decreased during the FY 2018/19 from NRs 140.75 to NRs 105.55 which is a reduction of 25% due to a huge influx of new share capital into the finance. The asset value per share has increased by 1.59% during the FY 2019/2020.

**1.26. Capital Adequacy Ratio**



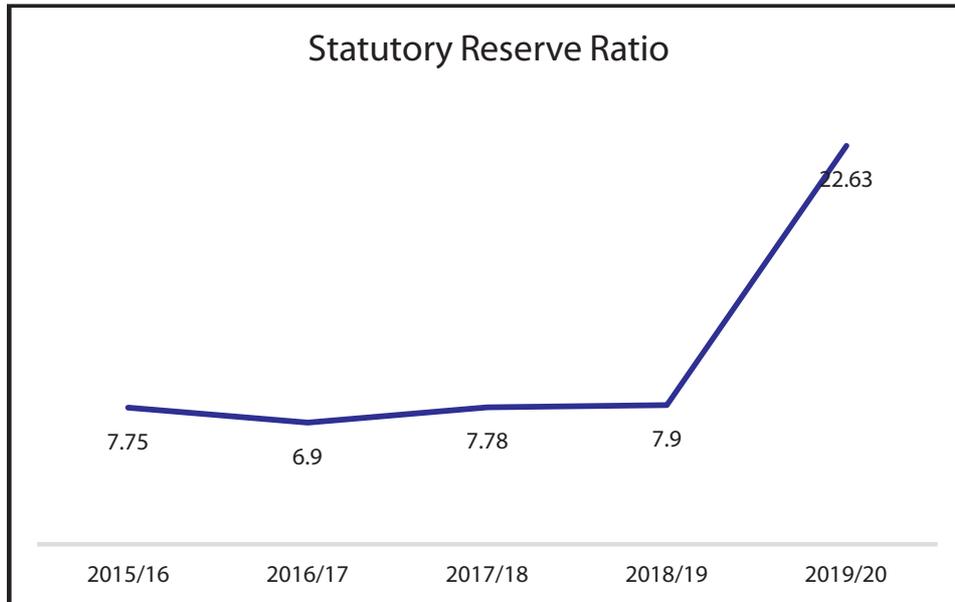
The capital adequacy ratio (CAR) is a measurement of a BFI’s available capital expressed as a percentage of a BFI’s risk-weighted credit exposures. The capital adequacy ratio, also known as capital-to-risk weighted assets ratio (CRAR), is used to protect depositors and promote the stability and efficiency of financial systems around the world. The Capital Adequacy Ratio of the finance is in an increasing trend over the last five years with its only downfall in the FY 2019/2020. This shows that the finance has adequate funds for further increasing its loan portfolio.

**1.27. Cash Reserve Ratio**



The Cash Reserve Ratio refers to a certain percentage of total deposits the financial institutions are required to maintain in the form of cash reserve with the central bank. The objective of maintaining the cash reserve is to prevent the shortage of funds in meeting the demand by the depositor.

### 1.28. Statutory Liquidity Ratio



The Statutory Liquidity Ratio (SLR) refers to the proportion of deposits the commercial bank is required to maintain with them in the form of liquid assets in addition to the cash reserve ratio.

## 2. HORIZONTAL & VERTICAL ANALYSIS

### 2.1. Statement of Financial Position

Particulars	As at 31.03.2077	As at 31.03.2076	Horizontal Analysis variance	Vertical Analysis Composition	
			2020 to 2019	2020	2019
<b>Assets</b>					
Cash and cash equivalent	594,041	794,547	-25.24%	20.89%	40.19%
Due from Nepal Rastra Bank	158,809	36,834	331.15%	5.58%	1.86%
Placement with Bank and Financial Institutions	-	-			
Derivative financial instruments	-	-			
Other trading assets	-	-			
Loan and advances to B/FIs	462,502	77,111	100.00%	16.27%	3.90%
Loans and advances to customers	1,211,050	934,107	29.65%	42.59%	47.25%
Investment securities	347,844	89,854	287.12%	12.23%	4.55%
Current tax assets	662	-			
Investment in subsidiaries	-	-			
Investment in associates	-	-			
Investment property	-	-			
Property and equipment	39,252	20,239	93.94%	1.38%	1.02%

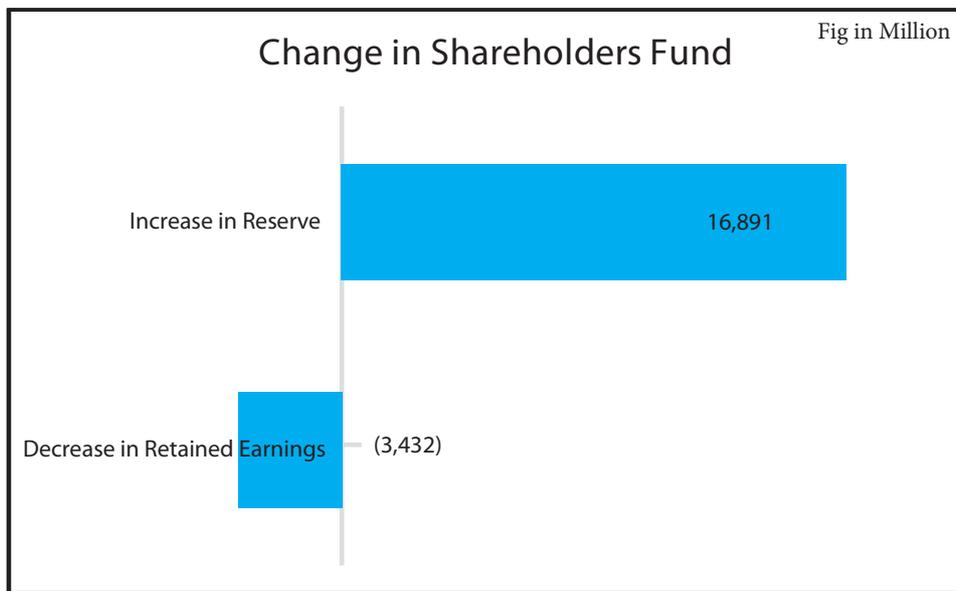
Particulars	As at 31.03.2077	As at 31.03.2076	Horizontal Analysis variance	Vertical Analysis Composition	
			2020 to 2019	2020	2019
Goodwill and Intangible assets	1,301	1,743	-25.37%	0.05%	0.09%
Deferred tax assets	-	450	-100.00%	0.00%	0.02%
Other assets	28,045	21,891	28.11%	0.99%	1.11%
<b>Total Assets</b>	<b>2,843,506</b>	<b>1,976,775</b>	<b>43.85%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Liabilities</b>					
Due to Bank and Financial Institutions	218,785	40,054	100.00%	7.69%	2.03%
Due to Nepal Rastra Bank	-	-			
Derivative financial instruments	-	-			
Deposits from customers	1,744,400	1,070,955	62.88%	61.35%	54.18%
Borrowing	-	-			
Current Tax Liabilities	-	5,736	-100.00%	0.00%	0.29%
Provisions	-	-			
Deferred tax liabilities	2,839	-			
Other liabilities	19,492	15,500	25.76%	0.69%	0.78%
Debt securities issued	-	-			
Subordinated Liabilities	-	-			
<b>Total liabilities</b>	<b>1,985,516</b>	<b>1,132,245</b>	<b>75.36%</b>	<b>69.83%</b>	<b>57.28%</b>
<b>Equity</b>					
Share capital	800,100	800,100	0.00%	28.14%	40.48%
Share premium	7,125	7,125	0.00%	0.25%	0.36%
Retained earnings	7,435	10,867	-31.58%	0.26%	0.55%
Reserves	43,329	26,438	63.89%	1.52%	1.34%
<b>Total equity attributable to equity holders</b>	<b>857,989</b>	<b>844,530</b>	<b>1.59%</b>	<b>30.17%</b>	<b>42.72%</b>
Non-controlling interest	-	-			
<b>Total equity</b>	<b>857,989</b>	<b>844,530</b>	<b>1.59%</b>	<b>30.17%</b>	<b>42.72%</b>
<b>Total liabilities and equity</b>	<b>2,843,506</b>	<b>1,976,775</b>	<b>43.85%</b>	<b>100.00%</b>	<b>100.00%</b>
Net assets value per share	107.21	105.52	1.60%		

### Talking Points:

#### Shareholders Fund

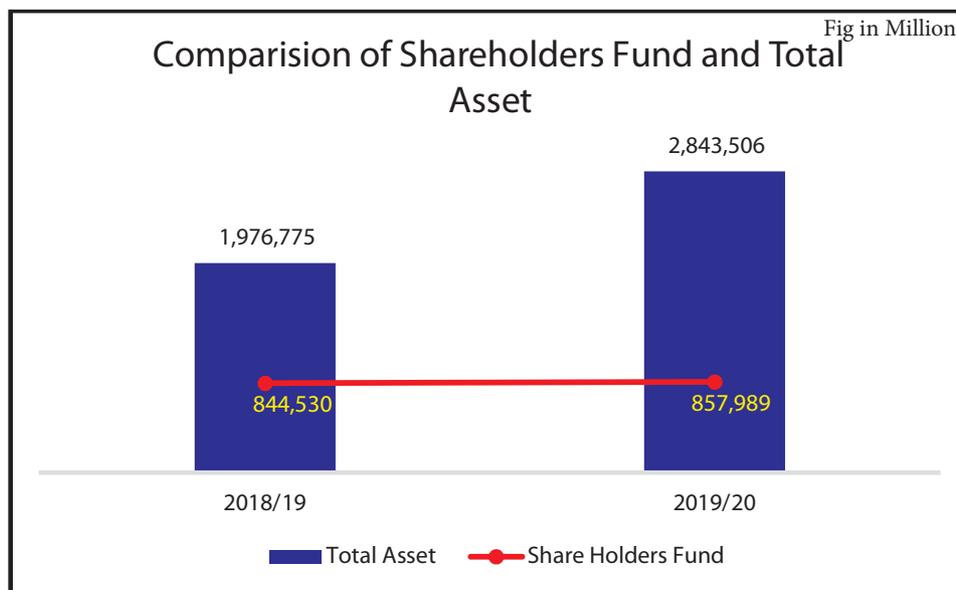
Shareholders' funds refers to the amount of equity in a company, which belongs to the shareholders. The amount of shareholders' funds yields an approximation of theoretically how much the shareholders would receive if a business were to liquidate. Shareholders Fund has increased from NRs 844.53 million in the FY 2018/19 to NRs 857.99 million in FY 2019/20 which is an increment of 1.59%.





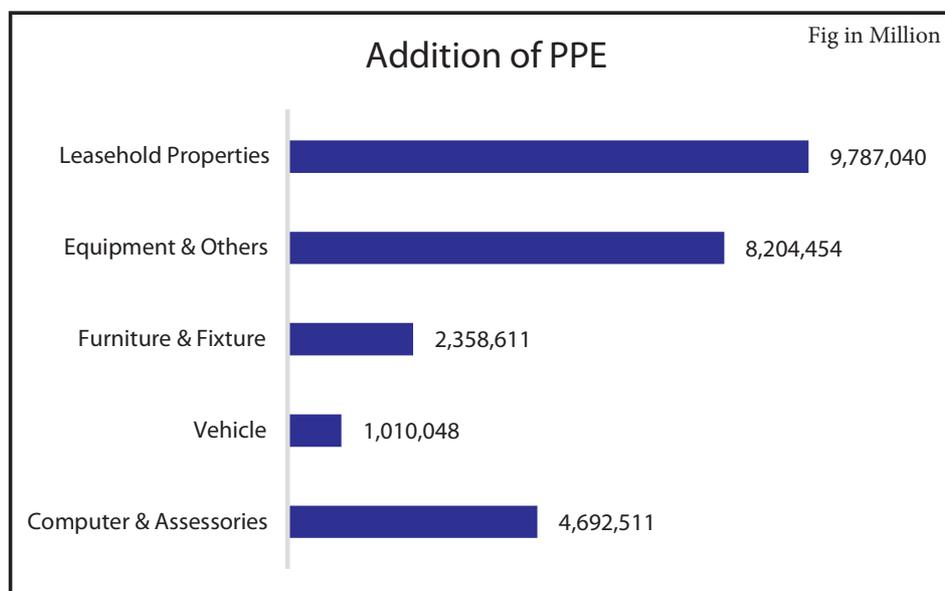
The increase in Shareholders fund is the sum total of increase in reserves and decrease in retained Earnings.

The vertical analysis of shareholders fund shows that Shareholders Fund amounts to 30.17% of the total Assets which was 42.72% during FY 2018/19. This shows that the finance has been able to substantially increase its deposit portfolio.



### Property Plant & Equipment

Property, plant, and equipment are physical or tangible assets that are long-term assets that typically have a life of more than one year. Property, Plant and Equipment has increased from NRs 20.24 million in the FY 2018/19 to NRs 39.25 million in FY 2019/20 which is an increment of NRs 19.01 million i.e 93.94%. The details of addition of various items of PPE has been presented below:



The vertical analysis of PPE shows that PPE amounts to 1.38% of the total Assets which was only 1.02% during FY 2018/19. This shows that other assets have grown relatively higher than PPE.

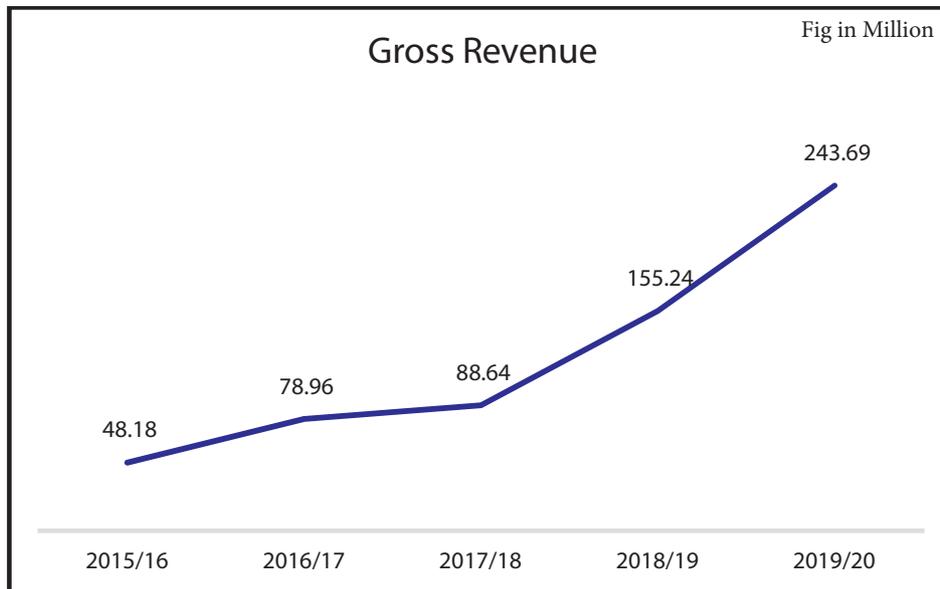
## 2.2. Statement of Profit or Loss

Particulars	As at 31.03.2077	As at 31.03.2076	Horizontal Analysis variance	Vertical Analysis Composition	
			2020 to 2019	2020	2019
Interest income	234,491.61	144,972.64	61.75%	100%	100%
Interest expense	128,065.04	74,159.74	72.69%	55%	51%
<b>Net interest income</b>	<b>106,426.57</b>	<b>70,812.91</b>	<b>50.29%</b>	<b>45%</b>	<b>49%</b>
Fee and commission income	9,194.65	10,264.76	-10.43%	4%	7%
Fee and commission expense	-	-			0
<b>Net fee and commission income</b>	<b>9,194.65</b>	<b>10,264.76</b>	<b>-10.43%</b>	<b>4%</b>	<b>7%</b>
Net interest, fee and commission income	115,621.22	81,077.67	42.61%	49%	56%
Net trading income	-	-			
Other operating income	12.18	201.17	-93.95%	0%	0%
<b>Total operating income</b>	<b>115,633.40</b>	<b>81,278.84</b>	<b>42.27%</b>	<b>49%</b>	<b>56%</b>
Impairment charge/(reversal) for loans and other losses	43,163.05	(4,213.83)	-1124.32%	18%	-3%
<b>Net operating income</b>	<b>72,470.35</b>	<b>85,492.66</b>	<b>-15.23%</b>	<b>31%</b>	<b>59%</b>
<b>Operating expense</b>	<b>-</b>	<b>-</b>			
Personnel expenses	32,861.88	21,157.14	55.32%	14%	15%
Other operating expenses	31,878.21	17,214.84	85.18%	14%	12%
Depreciation & Amortisation	7,605.34	3,699.58	105.57%	3%	3%
<b>Operating Profit</b>	<b>124.92</b>	<b>43,421.11</b>	<b>-99.71%</b>	<b>0%</b>	<b>30%</b>
Non operating income	-	4,616.46	100.00%	0%	3%

Particulars	As at 31.03.2077	As at 31.03.2076	Horizontal Analysis variance	Vertical Analysis Composition	
			2020 to 2019	2020	2019
Non operating expense	-	-	0.00%	0%	0%
<b>Profit before income tax</b>	<b>124.92</b>	<b>48,037.57</b>	<b>-99.74%</b>	<b>0%</b>	<b>33%</b>
Income tax expense	-	-			
Current Tax	(3,712.73)	15,165.11	-124.48%	-2%	10%
Deferred Tax Expenses/(Income)	(584.58)	4,643.66	-112.59%	0%	3%
<b>Profit for the period</b>	<b>4,422.23</b>	<b>28,228.80</b>	<b>-84.33%</b>	<b>2%</b>	<b>19%</b>
Earning per Share	0.55	8.64	<b>-93.60%</b>		

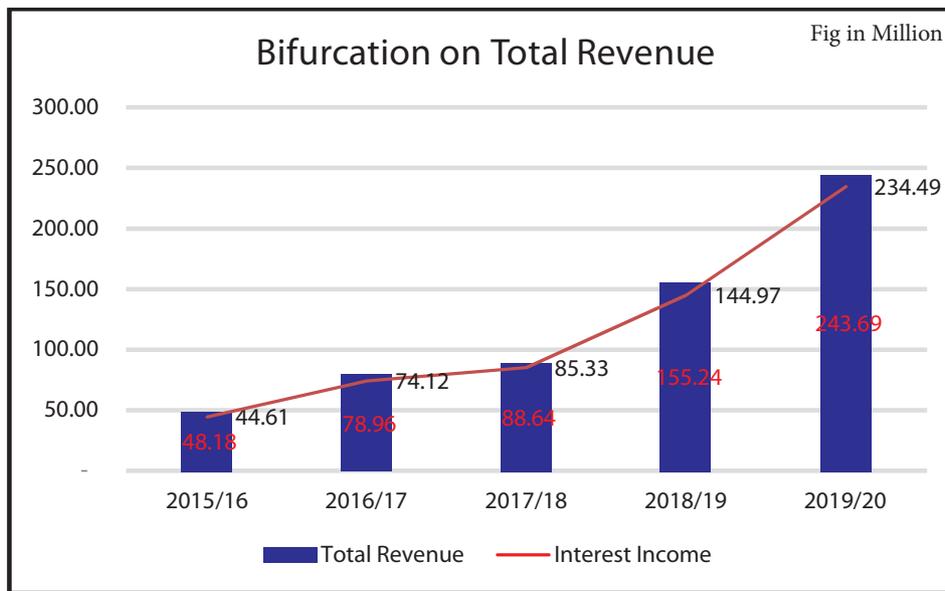
### Talking Points:

#### Total Revenue



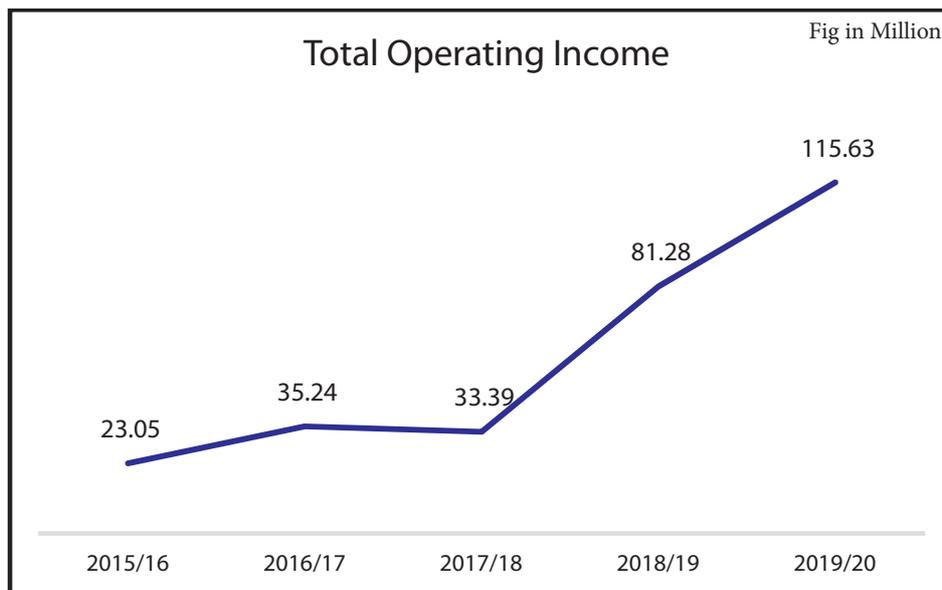
Total revenue is the total amount of sales recognized for a reporting period which includes interest income, fees and commission, prior to any deductions. This figure indicates the ability of a business to sell goods and services, but not its ability to generate a profit. Growth rate is in increasing trend from FY 2015/16 to FY 2019/20, with compounded annual growth rate (CAGR) of 49.96%.

Total Revenue of the Finance has increased massively by 56.98% during FY 2019/20 in comparison to FY 2018/19. Total Revenue during the FY 2018/19 was NRs 155.24 million which increased to NRs 243.69 million in FY 2019/20. The breakdown of Total revenue during the 5 years is provided below:

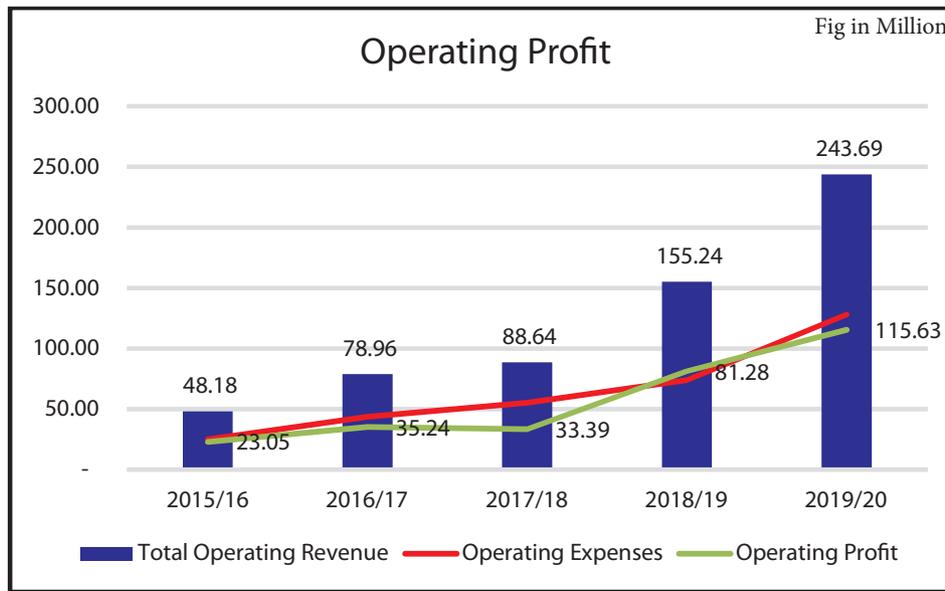


As expected from a financial institution the majority of the revenue comes from Interest Income. During the FY 2019/20 out of total revenue of NRs 243.69 million NRs 234.49 million belonged to Interest Income and the rest NRs 9.11 relates to Other Operating Income.

### Operating Profit

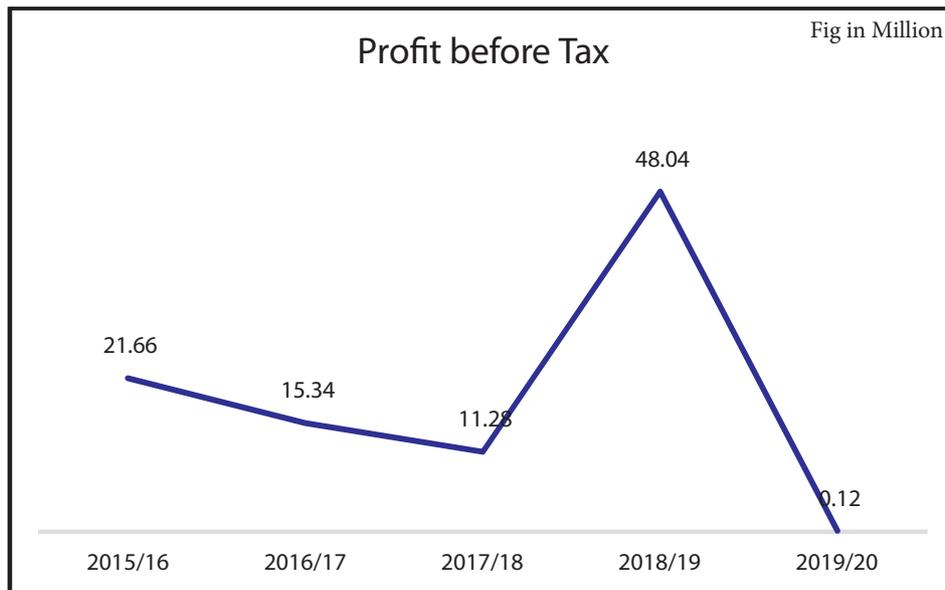


Operating income is a company’s profit after subtracting operating expenses, which are the costs of running the daily business. Operating income helps investors separate out the earnings for the company’s operating performance by excluding interest and taxes. There has been a substantial increase in the operating income of the Finance during the review period. There has been an increment of 42.27 % to take the total operating income to NRs 115.63 million from 81.28 million in the previous year. Operating Income of the finance has a compound annual growth rate (CAGR) of 49.65% during the last five years. The bifurcation of Operating Income and Operating Expenses is presented below:



Vertical Analysis shows that Operating Profit is 49% of the total interest income during the FY 2019/20. During the previous FY 2018/19 the figure was 56%. Apart from the increase in interest income the massive increment of 42.61% in Fees and Commission Income has resulted in the increment of Operating Profit.

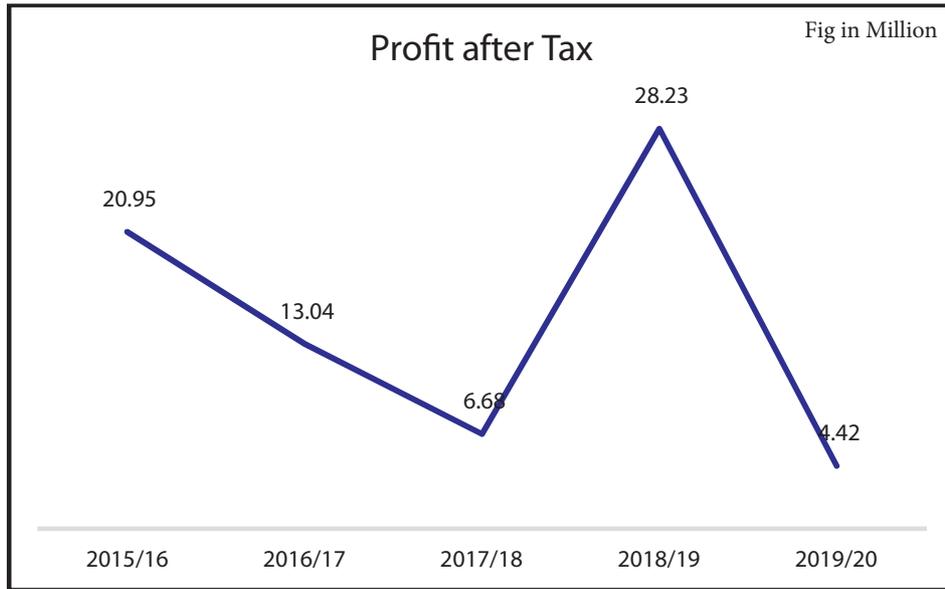
**Profit Before Tax**



Profit before tax (PBT) is a measure that looks at a company’s profits before the company has to pay corporate income tax. It deducts all expenses from revenue including interest expenses and operating expenses except for income tax. Growth and expansion of business has resulted in increase in profit from 3.61 million in FY 2014/15 to NRs 48.04 million in FY 2018/19 which is an compound annual growth rate (CAGR) of 90.98%. However, during the review period alone there has been a decrement of 99.74% in the profit before tax which is mainly due to the nationwide lockdown to curb the effects of COVID 19.

Th vertical analysis shows that Profit before Tax is 0.05% of the total interest income during the FY 2019/20. The same figure was 33% during the previous FY.

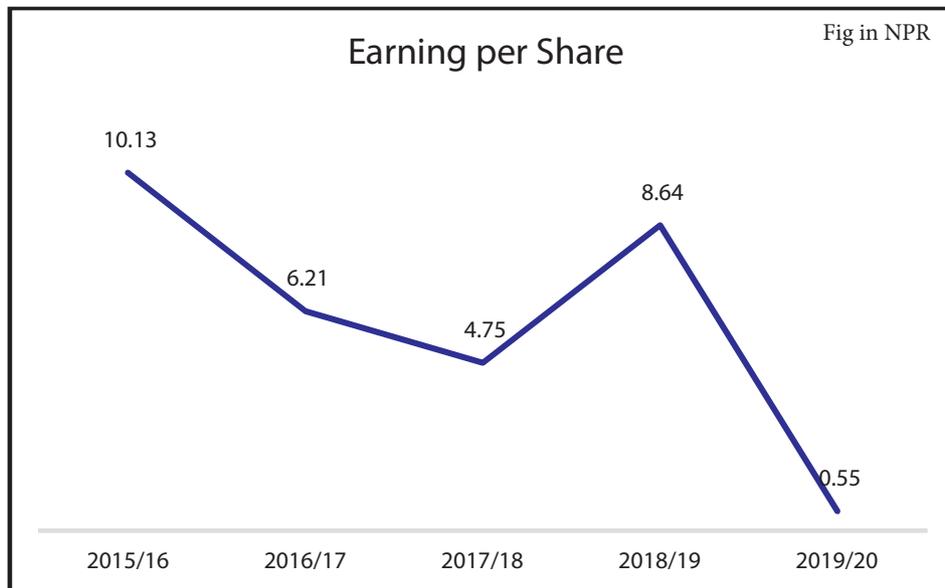
### Profit After Tax



Profit after Tax represents the net amount earned by the Finance after deducting all taxation related expenses. Rapid growth and expansion has resulted in increase in profit till the FY 2018/2019. The Finance has Profit after Tax amounting to NRs 4.42 million in the FY 2019/20 which was NRs 28.23 million in FY 2018/19.

The vertical analysis shows that Profit after Tax during the FY 2019/20 is 2% of the total interest income. The corresponding figure during the previous FY was only 19%. This is mainly due to nationwide lockdown.

### Earning Per Share



Earnings per share (EPS) is calculated as a company's profit divided by the outstanding shares of its common stock. The resulting number serves as an indicator of a company's profitability. Earning per Share of the Finance has fluctuated over the past few years. The finance achieved an Earning per Share of NRs 8.64 during the FY 2018/2019 and NRs 0.55 during the FY 2019/2020 which is an decrement of 93.60% from the previous year.



### 3. VALUE CREATION

#### Value Creation Structure

Our Value Creation Structure is guided by our vision: “To be the best financial service provider in the country.” We utilise or enhance our resources to differentiate ourselves and maximise value creation for our stakeholders in the long run.

#### Value Creation By The Finance

##### For Customers

We create value by delivering suitable products in an innovative, easily accessible and responsible way which help people to improve their lives and fuel economic growth. We continue to offer innovative debt solutions to support our customers’ growth ambitions throughout the region. Putting customers at the heart of what we do helps differentiate ourselves in an industry as commoditised as banking, enabling us to build lasting relationships. We improved customer satisfaction across segments by actively listening to our customers in order to strengthen our processes, products and services. With growing awareness of the importance of sustainability, we continued to integrate responsible financing principles into our credit assessment processes and lending activities. The development of various electronic financing services has made it possible for the financing industry to create more and more value for their customers. Customer views and needs are changing every day, and if we look at the service development of our Finance, we can proudly say that we are doing our best to provide service through digital channels for creating and adding value to customers.

Various products and services are designed and delivered in a way to help our customers secure their financial futures, by supporting people when making life - changing decisions, through seamless processing of transactions, and by empowering customers to have greater insight into their financial affairs. The Finance has focused on providing more value from single product by reengineering our product after adequate market research and bundling up different services with savings deposits in an appealing product. The Finance is expanding its digital financing services by developing proper policy and guidelines in order to provide the customers convenient financial services with less complexity and improved flexibility. The Finance is also making continuous effort to develop customer loyalty and brand name of the Finance by developing appropriate policies and guidelines.

##### For Investors And Shareholders

The Finance creates value to the investors and shareholders in the form of return on investment and return on assets, profit, distribution of bonus shares and dividend, market value of stock of the Finance, and the creation of brand value. The Finance has been able to create significant brand value during the review period. The Finance has been able to achieve outstanding growth in terms of business expansion, i.e. increase in lending and deposits, expansion of branch networks, etc. The Finance has earned operational profit and net profit of NPR 0.12 million and NPR 4.42 million, respectively, during the review period. The Finance has Return on Equity and Return on Assets of 0.13 % and 0.16%, respectively, for FY 2019/20. The, stock price of the Finance was also on an increasing trend during the review period.

##### For The Suppliers, Vendors And Business Partners

The Finance creates value to suppliers, vendors, and business partners by helping them grow and expand their business. The Finance is always committed towards making timely payment of dues and complying with the contractual terms and conditions with them. As the Finance is growing and expanding its branches and business, it will create more demand and business for the suppliers, vendors, and business partners, thereby helping them grow and expand their businesses. During the review period, the Finance has opened many new branches and extension counters, due to which massive growth was seen in the business of the Finance’s suppliers, vendors, and business partners.

##### For Employees

The Finance creates values to the employees by helping them grow, develop, and improve their skill and capabilities, and by providing incentives for their hard work. The Finance has established itself as a platform for development of skills,

knowledge, and capacity of employees, and various activities have been performed to ensure that culture of gaining knowledge is developed among employees. The Finance has incurred an amount of NPR 32.86 million towards employee expenses during the review period, out of which, NPR 0.51 million was incurred towards staff training expenses for the development and growth of the employees.

### **For Government And Societies**

The Finance creates values to the government and societies by contributing towards the well-being and development of society, protection of environment and maintaining ecological balance, paying taxes to the government on time, and helping the government on economic development of the country, as well as to achieve national policy goals.

The Finance has been playing an active role for the social benefit and development in various areas of society as a responsible corporate citizen. The Finance has allocated 1% of the net profit of review period, NPR 44,222 to the corporate social responsibility reserve. The Finance has carried out various CSR activities, and made donations and gave clothes.

The Finance has ensured its noteworthy contribution to national goals like raising the living standard of the deprived sector, supporting employment creation, increasing tax/revenue collection, and enhancing financial access.

### **Future Prospects**

Progressive Finance has strategically charted its future roadmap through vision and mission statements and therefore its operations are being executed as decided. Our financing endeavors are under control and hence our future is secured. In future, we will exercise our foremost effort in supporting the government vision of broader financial inclusion through pervasive financial access.

Our agile performance in the past has given us an unprecedented success, and in the future, we plan to simplify our operations to maintain economy and reduce organizational complexity. We will seek ways to create a cohesive culture and employee loyalty because our success so far is the outcome of robust culture and hardworking employees.

In future, Progressive Finance will elevate its financing operations in par with international standard with the use of modern digital technology and innovative business models. As digital financing and online payments have been taking toll in the global financing scenario, the Finance is committed to spread this global trend throughout the country for sustainable online financing service. The Finance looks forward to establishing itself as a leader finance in terms of digital financing.

We will seek to make Progressive Finance the most prominent and visible Finance brand in the country while keeping our core principle of “Simple, Affordable and Accessible Financing” as our core business philosophy and try to eliminate any factors causing reputational damage by complying with statutory requirements and serving society as a part of our corporate responsibility.

## **4. HUMAN RESOURCE**

The finance is committed to achieving its strategic mission, while ensuring employees are engaged and motivated. The goal is to recruit and retain employees who possess the competencies and skills required for the finance to implement its strategy. Human Resources aim to benefit from multicultural, well-informed, and target-oriented employees who integrate their personal goals with that of the Finance. The finance believes that professional development of employees, improvisation of expertise and adequate trainings determine the basis of success of finance.

Employee expenses was NPR 32.86 million for the FY 2019/2020 as compared to NPR 21.16 million last year. Total number of employees of the finance has reached to 81 in the review period as compared to 38 last year.

### **4.1. Staff Training & Development**

Realizing the fact that employees are the most valuable asset, we believe that training expenses spent on the development of their skills and capability is an investment for achieving long-term strategy of the Finance. The Finance has always considered its staff as an essential asset of the organization. Participation of employees in various internal and external

trainings is ensured to enhance their capability, to motivate them, and to develop their skills and knowledge in line with meeting the demands of a dynamic environment.

During the review period, the Finance spent NRs 506,426 on Staff Training Expenses, which is 1.54% of total staff expenses.

#### 4.2. Staff Benefits And Facilities

The finance provides the following benefits and facilities to the staffs:

- ❖ wages, salaries and social security contributions,
- ❖ paid annual leave and paid sick leave,
- ❖ profit-sharing and bonuses,
- ❖ staff loan facility at concessionary interest rate,
- ❖ non-monetary benefits,
- ❖ Contribution to Provident Fund and
- ❖ Gratuity etc.

Analysis of human resource on the basis of benefits and facilities provided:

### 5. STAKEHOLDER ANALYSIS

We believe that regular and constructive dialogue with stakeholders is central to delivering sustainable and responsible banking. The Finance operates with a vision to ensure creation of optimum values for all the stakeholders. If we are to drive commerce and prosperity, we need to understand the long-term issues that impact our markets. During the review period, we increased engagement with stakeholders and continued to listen and respond to concerns of a wide range of external groups.

We track both short- and long-term issues, assessing them based on business impact and level of stakeholder concern. Our stakeholders are those individuals or organizations who have direct or indirect interest in our success or failure, and whose opinions and actions can impact the business of the Finance, or be affected by the activities and decisions of the Finance.

### 6. INVESTORS/ SHAREHOLDERS

We aim to deliver robust returns and long-term sustainable value for our investors. Investors/ Shareholders are the holders of shares of the Finance. They provide financial capital to the Finance in the form of share capital. The Finance therefore always aspires to provide attractive returns to its investors/shareholders.

Our operating footprint, along with a commitment to sustainable and responsible banking, uniquely connects investors.

Using the capital that we receive from equity investors, we execute our business model with a focus on delivering sustainable value for all shareholders.

In 2019, we will continue to engage with investors on how we will sustainably improve our returns to create value over the long term.

The Finance has an experienced and qualified management team capable achieving its mission and vision. The Finance has been able to achieve outstanding growth in terms of business expansion, i.e. increase in lending and deposits, expansion of finance networks, etc. The Finance has earned operational profit and net profit of NPR 0.12 million and NPR 4.42 million, respectively, during the review period. The Finance has Return on Equity and Return on Assets of 0.13 % and 0.16%, respectively, for FY 2019/20.

## 7. COMMUNICATION WITH INVESTORS

All the relevant information is communicated to shareholders, customers, and the general public on a regular basis through print media (national daily newspapers) and electronic means (official website of the Finance ([www.pfltd.com.np](http://www.pfltd.com.np))). Detailed information on annual general meeting of the Finance, including ordinary agendas and special agendas to be discussed in meeting, was published in national daily newspaper 21 days prior to the date of annual general meeting.

Interim financial results are published for public reference within the stipulated deadline prescribed by Securities Board of Nepal. These interim financial results are posted on the official website of the Finance on a quarterly basis.

Any enquiries and communication can be done through the information provided below:

Corporate Office:

**Address: Tinkune, Kathmandu**

**Phone: 01-5199664, 01-5199665, 01-5199667**

**Fax: 01-5199668**

**Email ID: [info@pfltd.com.np](mailto:info@pfltd.com.np)**

**GPO Box No: 10390**

**Business Hours: 10 am–5 pm**

## 8. CUSTOMERS

We enable individuals to grow and protect their wealth. We help businesses to trade, transact, invest and expand. We also help a variety of financial institutions with their banking needs.

Clients are at the heart of everything we do as a bank. By building and fostering long-term relationships with our clients, we can serve them better, deepen our relationships, uphold our reputation and attract new customers to grow our business. In recent years, we have seen increasing demand from our clients for sustainable finance products.

Delivering fair outcomes for clients is a priority, starting with products and services that are well-designed, fairly and reasonably priced, and supported by clear and concise information. Client interests are factored into our business strategies, including how we set and monitor revenue targets, govern new product development, review and assess existing products and discontinue products. We aim to deal with issues in a fast, fair and efficient way and each business segment has tailored procedures and processes in place to handle client complaints.

Good business conduct remains central in all our client interactions. Across our businesses, we aim to ensure that frontline colleagues are trained and certified, provide the right information about fees, risks and product features and deliver on service level promises.

The customers expect convenient and easy access to the financial services of the Finance, with less complexity and improved flexibility. The customers expect availability of the required services from the Finance at the time of need.

The Finance has been able to expand its business by winning customers' confidence by providing qualitative services. The Finance is always ready to help the customers grow and provide financial services as and when required.

## 9. EMPLOYEES

We believe that great client experience is driven by great employee experience. We want our people to pursue their ambitions, to deliver with purpose, and have a rewarding career enabled by great people leaders.

Our culture is the foundation for delivering on our purpose to drive commerce and prosperity through our unique diversity. We continue to embed our culture through our valued behaviours (Never Settle, Do the Right Thing and Better Together), which describe a culture that balances innovation, client focus, ethics and inclusion. We have integrated these refreshed valued behaviours into the way we hire, recognise, reward and develop our people.

We are committed to bringing out the best in colleagues by establishing and maintaining a work environment that promotes positive wellbeing and healthy lifestyle choices. Our vision is to create a culture where employees have access to a range of wellbeing resources to help them remain happy and healthy, and can seek help when they need it. We recognise that every employee has different needs and our four wellbeing pillars – mental, physical, social and financial – allow us to provide support to employees at every stage of their lives.

## 10. SUPPLIERS AND VENDORS

We work with suppliers to ensure they can provide the right goods and services for our business, efficiently and sustainably.

It's very essential for us to maintain healthy relationship with the suppliers and vendors to ensure uninterrupted daily operational activities of the business organization. To help the expansion and growth of business organizations, it is necessary to build healthy relationship with suppliers and vendors to fulfill the increasing requirement of stationary and other related supplies and services.

The Finance is committed to maintain healthy relationship with its suppliers and vendors to ensure the continuous supply of quality supplies and services. The Finance spares no effort to make timely payments and to comply with the contractual terms and conditions with the suppliers and vendors.

## 11. LENDERS

Lenders provide fund to fulfill the requirement of business organizations. It is very important for the business organization to maintain healthy relationship with the lender to ensure smooth growth and expansion of the business organization. Lenders, in case of the Finance, are the fund providers and financing partners.

The Finance is committed to maintain healthy relationship with its lenders and financing partners, and to provide them with reasonable and competitive interest rate prevailing in the market on the fund invested in the Finance.

## 12. REGULATORY BODIES

We engage with relevant authorities to play our part in supporting the effective functioning of the financial system and the broader economy.

We are committed to complying with legislation, rules and other regulatory requirements applicable to our businesses and operations in the jurisdictions within which we operate. Our compliance with legal and regulatory frameworks across our markets ensures that the Group meets its obligations. In turn, this supports the resilience and effective functioning of the Finance and the broader financial system and economy.

The regulatory bodies expect from the Finance, compliance with their policies, guidelines, rules and regulations, effective internal control and corporate governance within the Finance, protection of customers' assets, investment and privacy, value creation to the general shareholders, implementation of advanced system and information technology, timely and adequate reporting, and transparent disclosures and compliance with applicable laws.

The Finance has implemented a robust internal control system and corporate governance by forming relevant policies and guidelines. Protection of customers' assets, investment, and privacy, and value creation to the general shareholders are always the utmost priority of the Finance.

## 13. SOCIETY

Society is the environment where the business organization operates and carries out its business activities.

We regularly measure the social and economic impact of the Bank's activities in our markets.

We finance key sectors and create products and services that drive sustainable economic growth while managing environmental and social risks associated with our financing. Business organization operates within the society, therefore,

it has certain responsibilities towards the society. Business organization needs to act in a socially responsible manner and fulfill its obligations and duties towards society as a responsible corporate citizen. According to a provision stipulated by Nepal Rastra Bank, finances are required to allocate 1% of net profit towards activities related to social responsibility, i.e. for the benefit of the senior citizens, children, disabled people, and the deprived sectors. The Finance has allocated 1% of the net profit of the review period i.e. NPR 44,222 to the corporate social responsibility reserve.

Economic Outlook

#### 14. GLOBAL ECONOMIC OUTLOOK

World economy contracted on account of the production and supply chain disruptions that resulted from the measures adopted worldwide to contain the spread of COVID19. According to the World Economic Outlook updated by the International Monetary Fund (IMF) in June 2020, the world economy is projected to contract by 4.9 percent in 2020.

The Advanced economies are projected to contract by 8.0 percent in 2020 compared to an expansion of 1.7 percent in 2019. The emerging and developing economies are projected to contract by 3 percent in 2020 compared to an expansion of 3.7 percent in 2019.

The IMF has projected the Asian economies to contract by 1.6 percent in 2020. While the Indian economy is projected to contract by 4.5 percent, the Chinese economy is projected to expand by 1 percent. The IMF projects the growth rate of Nepal to remain 1 percent in 2020.

Inflation has moderated with contraction in aggregate demand and falling oil price due to the effect of COVID-19. The IMF has projected inflation in the developed economies to remain 0.3 percent in 2020 compared to 1.4 percent in 2019. The Fund has projected inflation to remain 4.4 percent in the emerging and developing economies in 2020 compared to 5.1 percent in 2019.

#### 15. DOMESTIC ECONOMIC OUTLOOK

As per the preliminary estimate of the Central Bureau of Statistics (CBS), Gross Domestic Product (GDP) is estimated to grow by 2.28 percent in 2019/20 compared to a growth of 7 percent in the previous year. Agriculture, industry and service sector are estimated to grow by 2.6 percent, 3.2 percent and 2 percent respectively in 2019/20.

Ratios of Gross Domestic Savings and Gross National Savings to GDP are estimated at 18.1 percent and 46 percent respectively in 2019/20. In the previous year, such ratios were 19 percent and 48.9 percent respectively.

Ratios of Gross Fixed Capital Formation and Gross Capital Formation to GDP are estimated at 28.1 percent and 50.2 percent respectively in 2019/20. In the previous year, such ratios were 33.7 percent and 56.6 percent respectively.

CPI inflation, on y-o-y basis, remained 4.54 percent in mid-June 2020. Likewise, average inflation in the eleven months of 2019/20 recorded 6.28 percent compared to 4.51 percent a year ago.

Deposit mobilization of the BFIs increased by 13.3 percent to Rs. 3666.62 billion in the eleven months of 2019/20. During the same period of the previous year, deposit mobilization had increased by 13.3 percent to Rs. 3105.74 billion

Outstanding credit of the BFIs increased by 10.7 percent during the eleven months of 2019/20 to Rs. 3172.98 billion in mid-June 2020. During the same period of the previous year, outstanding credit had increased by 18.2 percent to Rs. 2836.07 billion.

Of the outstanding credit of the BFIs in mid-April 2020, the share of credit up to Rs. 1.5 million recorded 15 percent and Rs. 1.5 million to Rs 5 million recorded 24.9 percent. Similarly, credit from Rs. 5 million to Rs. 10 million, Rs. 10 million to Rs. 50 million and more than Rs. 50 million stood 10.2 percent, 22.3 percent and 27.6 percent respectively.

Paid-up capital of the BFIs stood. 349.59 billion in mid-June 2020. This is an 8.2 percent increase from mid-July 2019. Similarly, capital fund increased by 9.8 percent to Rs. 518.05 billion in the review period.

Capital adequacy ratio of commercial banks, development banks and finance companies stood at 13.4 percent, 13.4 percent and 18.7 percent respectively in mid- June 2020. Such ratios were 14 percent, 16 percent and 20.4 percent respectively in mid-July 2019.

Non Performing Loan (NPL) of the BFIs stood 1.81 percent in mid-April 2020 compared to 1.52 percent in mid-July 2019. NPL of commercial banks, development banks and finance companies stood at 1.72 percent, 1.48 percent and 6.76 percent respectively in mid-April 2020.

(Source: Based on data of Monetary Policy of 2018/19 published by Nepal Rastra Bank)

## 16. THE STOCK MARKET

NEPSE index stood 1386.35 in mid-July 2020 compared to 1259 in mid-July 2019. Similarly, market capitalization stood Rs. 1792.76 billion in mid-July 2020 from Rs. 1567.50 billion in mid-July 2019.

### Business Environment Analysis

Every organization is affected by its external and internal environment. These are the integral parts of the organization itself. External environment can be described as a set of elements that are not part of the organization, but possess an influence upon the organization. External environment constitutes of consumers, suppliers, and competitors, which has direct effect on the organization, whereas the indirect elements of external environment are government, state of the economy, scientific and technical growth, socio-cultural events, and laws and policies by the government. Hence, for smooth operation of business, the organization has to cope with elements of external environment.

Similarly, internal environment can be termed as the environment within the organization itself. It includes employees, shareholders, or stakeholders, etc. The internal environment can be modified or amended, as the entire authority and rights are embedded in the organization itself.

In the context of the Nepalese financing industry, internal and external factors that affect financing business have been presented below:

Internal Environment	External Environment
Organizational Structure	Competition
Corporate culture and Code of Conduct	Laws and Regulations
Organizational Resources (Human, Capital, Infrastructure, etc)	Consumer Behaviour
	Economy
	Location

## Additional Disclosures as per section 109 of the Companies Act, 2063

**a) A review of the business during the previous year:**

Please refer 'Board of Director's Report'.

**b) Impacts caused on the transactions of the Company, if any, from National and International Situation:**

Banking business is influenced by country's political and economic situation, Government and regulator policies, rules and regulations, business competition, country's diplomatic and economic relationship with international market, overall economic indicators, etc. Banking business is impressed by the factors as disclosed in 'Economic outlook' section of report.

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

Please refer the 'Board of Director's Report'.

**d) Regarding Banking Business**

Please refer the 'Board of Director's Report'.

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

Disclosed in the 'Board of Director's Report'.

**f) Main factors affecting the business:**

Disclosed in 'economic outlook' and 'Board of Director's Report'.

**g) Response of Board of Directors on remarks made, if any, in the Audit Report:**

The Board has directed management to improve/implement the general observations stated in the preliminary audit report. The Finance Company is committed to improve the same.

**h) Dividend:**

No any dividend declared at FY 2019/20 end.

**i) Details of shares forfeited (number of shares, face value, amount received by the Company prior to forfeiture, amount received by the Company after putting such forfeited shares into subscription and the amount refunded on account of refunded shares):**

The Finance Company has not forfeited any shares till date.

**j) Progress of transactions of the company and its subsidiary company in the previous financial year and review of the situation existing at the end of that financial year:**

Progress of business transactions of the company during current year was made in the Directors Report and attached financial statements.

**k) 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:**

Finance Company have operated banking business as defined by prevailing acts, rules and regulations. No major changes in business activities have been observed in the review period.

**l) Information furnished to the company by its principal shareholders during the previous year:**

During the previous year, no such information provided.

**m) Details of the shareholding taken by the Directors and officials of the company in the previous financial year and, in the event of their involvement in share transaction of the company, details of information received by the company from them in that respect:**

Company's board of directors and high officials were not involved in share trading of the Finance Company.

**n) Details of disclosure made about the personal interest of any Director and his/her close relative in any agreements related with the company during the previous financial year:**

During the fiscal year, no such information has been made available to the Finance Company.

**o) Buyback of shares of the company, reasons thereof for buy back, number of shares bought back, face value of the shares and the amount paid during the buy back:**

The Finance Company has not bought back any share.

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

Disclosed in the 'Board of Director Report'.

**q) Details of Operating Expenses of the previous year:**

Operating expenses of the previous year is depicted below:

- i) Staff Expenses NPR 3,28,61,881 (Including Staff Bonus)
- ii) Other Operating Expenses NPR 5,87,64,515

**r) Name list of the members of Audit Committee, remuneration, allowances and facilities received by them, details of the functions performed by that committee and of suggestions, if any, made by that committee:**

Members of the audit committee are as follows:

Director Mr. Anish Maharjan, Coordinator

Director Mr. Shambhu Lal Dangol, Member

Officer, Internal Audit Department Mr. Bikram Shakya, Member Secretary

Remuneration has not been provided to coordinator and members of the committee except sitting fees of NPR 4,000 (for BoD) and NPR 2,000 (for member secretary) per meeting. Audit Committee had met 7 times during the financial year 2019/20. The committee is accomplishing its responsibility in compliance with directive no. 6 issued by the Central Bank. The committee extensively reviews internal control system, audit procedures, techniques and programs, audit observations, risk management of the Finance Company and status of corporate governance, and provided appropriate directions both to the management and to the Board. Apart from this, the committee has discussed extensively on the reports submitted by the Central Bank and Statutory Auditor, while also providing appropriate recommendations and suggestions to the Board during the fiscal year.

**s) Amount, if any, outstanding and payable to the company by any Director, managing Director, Chief Executive, substantial shareholder or his/her close relative, or by any firm company, corporate body, in which he/she is involved:**

No such information has been made available to the Finance Company.

**t) Amount of remuneration, allowances and facilities paid to the Directors, Managing Director, Chief Executive and Officials:**

1. Board of Directors has been benefitted by fees, allowances and other facilities as depicted below:

Sitting fees of NPR 5000 and NPR 4,000 per Board meeting is being provided to Chairman and other Board members respectively. Apart from this, maximum of NPR 3,000 is being provided to board members for newspaper, magazine, periodicals, telephone, internet and other services on monthly basis. No any other facility has been provided except as mentioned.

During fiscal year 2019/20, **NPR 6,45,830** has been paid to board of directors, after deduction of applicable tax as per prevailing laws.

2. Salary, allowances and benefits paid to Chief Executive and Officials

NPR In '000

Particulars	Chief Executive Officer	Other Chief Officials
Salary, allowances and other benefits	3,623.36	3500.21

Facilities have been provided as per Employees Bylaws and Bonus as per the Bonus Act.

u) **Dividend amount remaining unclaimed by shareholders:**

Nil

v) **Details of sale and purchase of properties pursuant to Section 141:**

The Finance Company has not purchased any properties pursuant to this section.

w) **Details of transactions carried on between the associated companies pursuant to Section 175:**

Such information has been disclosed in point number 7 "Related Party Disclosures" of annexure 5 "Disclosures and Additional Information" of this Annual Report.

x) **Any other matter to be mentioned in the Board of Directors' report under Companies Act, 2063 and other prevailing laws:**

Nil

**Anish Maharjan**  
 Director  
 Progressive Finance Ltd.

**Date:** 2077/09/29

**Kishore Kumar Maharjan**  
 Chairperson  
 Progressive Finance Ltd.

**Date:** 2077/09/29

## Disclosure Related To Sub Rule (2) Of Rule 26 Of Securities Registration And Issuance Regulation, 2073

1. **Report of the Board of Directors:** Disclosed in the “Director’s Report” part of this report.
2. **Auditor’s Report:** Disclosed in the appropriate part of this Report and Financial Statements.
3. **Audited Financial Reports:** Disclosed in the appropriate part of this Report and Financial Statements.
4. **Legal Proceedings:**

a. No mentionable law suits have been filed by the Finance Company or against the Finance Company.

### 5. Share Transaction Analysis:

High, low and closing price of the stocks of the Bank, during each quarter of the preceding year along with total volume of trading shares and number of days traded are depicted below:

S.N.	Description	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1	Maximum Price	104	98	111	103
2	Minimum Price	102	97	107	102
3	Last Price	103	98	109	102
4	Number of Transactions	167	495	648	19
5	Number of trading days	41	48	43	7

### 6. Problems and Challenges

#### a. Internal Problems and Challenges

- Diversification of Income sources
- Increase in cost of fund

#### b. External Problems and Challenges

- Rigorous competition between Banks and Financial Institutions
- Mismatch between increasing demand for loans and deposits collection
- Lack of financial resources
- Global Pandemic of COVID-19

#### c. Strategy

- Diversification of deposits and risk assets
- Exploration of new avenues for revenue generation and deposits mobilization
- Development of advance technological services
- Development of more robust system and strong compliance culture

### 7. Corporate Governance:

Finance Company fully adheres to all the relevant policies and provisions of the Banks and Financial Institutions Act, 2073, directives, circulars and notification circulated by the Central Bank. Corporate Governance has been always prioritized and all the relevant policies, provisions and directives have been compiled with no compromise.

Audit committee has been formed for the effective implementation of internal control system. The said committee has been analyzing the effectiveness of internal control system by reviewing the reports issued by external auditor and regulators (on inspection) and implementing appropriate actions and advising management for effective internal control.

The Finance Company is continuously adhering all directions of Nepal Rastra Bank, directions and recommendations stated in NRB inspection report and independent auditor’s report. Board of Directors and management of the Finance Company are committed to improve further by adhering corporate governance fully.

**SMC**  
Associates  
Chartered Accountants

413, Nursery Lane Road,  
Bansbari, Kathmandu-3,  
Tel.: +977-1-4375080  
Email: info@smca.com.np

**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF PROGRESSIVE FINANCE LIMITED**

**Report on the Audit of the Financial Statement Opinion**

We have audited the accompanying financial statement of Progressive Finance Limited ("the Finance"), which comprise the Statement of Financial Position as at Ashad 31, 2077, (July 15 2020), the Statement of Profit or Loss (including Other Comprehensive Income), the Statement of Change in Equity and the Statement of Cash Flows for the year then ended on that date and a summary of the significant accounting policies and other explanatory information (hereafter referred to as "the Financial Statement").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statement presents fairly, in all material respects, the financial position of the Finance, as at Ashad 31, 2077, (July 15, 2020), and its financial performance, changes in equity, cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, in accordance with Nepal Financial Reporting Standards with allowed carveouts and comply with Company Act, 2063 and Bank and Financial Institution Act 2073.

**Basis for Opinion**

We conducted our audit of the financial statement in accordance with Nepal Standards on Auditing (NSAs). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are independent of the Finance in accordance with the Handbook of The Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Nepal (ICAN), and we have fulfilled our other ethical responsibilities in accordance with the ICAN's Handbook of The Code of Ethics for Professional Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statement.

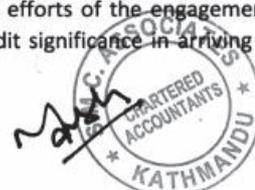
**Emphasis of Matters**

We draw attention to the uncertainties resulted due to the outbreak of SARS-CoV-2 virus (COVID-19). The Government of Nepal initiated a nation-wide lockdown from March 24, 2020 which has led to significant decline and volatility in local economic activities. The Nepalese economy would be impacted by this pandemic with contraction in industrial and services output across small and large businesses which may also impact the Finance's business. In view of these uncertainties, the impact on the Finance's results is significantly dependent on future developments.

Our opinion is not modified in respect of this matter.

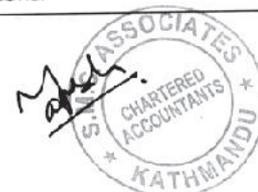
**Key audit matters: Our assessment of risks of material misstatement**

Key audit matters are those matters that in our professional judgement, were of most significance in the audit of the financial statement and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified, including those which had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarize below the key audit matters, in decreasing order of audit significance in arriving at our audit



opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statement as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Key Audit Matters	Auditor's Response
<p><b>Impairment of loans and Advances to Customers</b></p> <p>Finance's Policy for the allowance for Impairment of Loans and Advances has been described in Notes 2.4.3, Based on the application of Incurred Loss Model and the impact of COVID-19, the estimation of credit impairment on the loans and advances is uncertain as it involves significant management judgement and estimation. Further, the compulsory carve-out to provide for higher of the incurred loss model or Central Bank's Directive also makes the assessment of impairment important.</p> <p>The carrying value of the loans and advances can be materially misstated if judgements made by the management are inappropriate.</p>	<p>Our audit procedures to verify allowances for impairment of loans and advances included, amongst others, the following:</p> <p><b>Control design, observation and operation:</b></p> <p>We tested the operating effectiveness of key controls established by the finance to identify loss events and for determining the extent of provisioning required against non-performing loans and advances.</p> <p><b>Test of Controls on impairment:</b> The testing of controls included testing of:</p> <ul style="list-style-type: none"> <li>• controls over correct classification of non - performing loans and advances on time- based criteria;</li> <li>• control over statistical models used to calculate the incurred loss as prescribed under Incurred Loss Model;</li> <li>• controls over monitoring of loans and advances with higher risk of default;</li> <li>• controls over accurate computation and recording of provisions; and</li> <li>• controls over the governance and approval process related to provisions including continuous reassessment by the management.</li> </ul> <p><b>Substantive Procedures:</b> We selected a sample of loan accounts and performed the following substantive procedures:</p> <ul style="list-style-type: none"> <li>• checked repayments of loan installments and tested classification of non-performing loans based on the number of days overdue.</li> <li>• evaluated the management's assessment for classification of customer's loan facilities as performing or non-performing based on review of repayment pattern, inspection of credit documentation and thorough discussions with the management.</li> <li>• Assessment of control over mortgagee value of loans and advances.</li> </ul> <p><b>Independent Re-performance:</b></p> <p>We independently recalculated the Probabilities of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) for a sample of exposures, and compared the results with management's calculations.</p>



Key Audit Matters	Auditor's Response
<p><b>Information Technology (IT)</b>                      The Finance's key financial accounting and reporting processes are highly dependent on the automated controls over the Finance's IT systems. There exists a risk during the change in management, segregation of duties or user access management controls (in relation to key financial accounting and reporting systems) which may undermine our ability to place some reliance thereon in our audit.</p>	<p>Our audit approach regarding information technology of the finance included:</p> <p><b>User access management and control:</b> We tested the design, operation and effectiveness of control over granting, removal and appropriateness of access rights on the accounting and reporting system of the Finance.</p> <p><b>Change management control operation:</b> We obtained and inspected the change management policies and, reviewed the sample of changes in inputs and control functions on the systems, to confirm that changes had been performed in line with approved decisions.</p> <p><b>Segregation of duties:</b> Tested a sample of the automated controls that are designed to enforce appropriate segregation of duties.</p> <p><b>Test of outputs:</b> We have tested a sample of outputs particularly interest income and expenses on loans and advances of the system through manual calculations.</p>

**Information Other than the Financial Statement and Auditor's Report Thereon**

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statement, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statement or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If based on the work we have performed we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibility of Management and Those Charged with Governance for the Financial Statement**

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

In preparing the financial statement management is responsible for assessing the Finance's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Finance or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Finance's financial reporting process.



### Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statement.

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

We also:

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Finance's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Finance's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statement or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Finance to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statement including the disclosures and whether the financial statement represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Finance to express an opinion in the financial statement. We are responsible for the direction, supervision and performance of the Finance's audit. We remain solely responsible for our audit opinion.

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

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



## Report on Other Legal and Regulatory Requirements

Based on 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 Statement of Financial Position, Statement of Profit or Loss (including other Comprehensive Income), Statement of Changes in Equity, Statement of Cash Flow and attached Schedules dealt with by this report are prepared as per procedure and format prescribed by Nepal Rastra Bank and agree with the books of account maintained by the Finance.
- iii. The proper books of accounts as required by the law have been maintained by the Finance.
- iv. During our examination of the books of account of the Finance, we have not come across any cases where any office holder of the Finance has acted contrary to the provisions of law or caused loss or damage to the Finance.
- v. The Finance has been functioning as per the Directives of Nepal Rastra Bank.
- vi. We have not come across any fraudulence in the accounts based on our sample examination of the books, and
- vii. The returns received from branches of the Finance though the statements are independently not audited were adequate for the purpose of our audit.

Date: 2077/09/05  
Place: Kathmandu  
UDIN: 201220CA01206Kymo8

For SMC Associates  
Chartered Accountants



Manish Chaudhary, CA  
Partner

## Statement of Financial Position

As at 31 Asar 2077

Particulars	Note	As at 31.03.2077	As at 32.03.2076
<b>Assets</b>			
Cash and cash equivalent	4.1	594,040,745	794,546,538
Due from Nepal Rastra Bank	4.2	158,808,547	36,833,783
Placement with Bank and Financial Institutions	4.3	-	-
Derivative financial instruments	4.4	-	-
Other trading assets	4.5	-	-
Loan and advances to B/FIs	4.6	462,502,374	77,110,815
Loans and advances to customers	4.7	1,211,050,369	934,107,206
Investment securities	4.8	347,844,398	89,853,940
Current tax assets	4.9	662,152	-
Investment in subsidiaries	4.10	-	-
Investment in associates	4.11	-	-
Investment property	4.12	-	-
Property and equipment	4.13	39,251,820	20,238,867
Goodwill and Intangible assets	4.14	1,300,831	1,743,000
Deferred tax assets	4.15	-	450,068
Other assets	4.16	28,044,690	21,890,797
<b>Total Assets</b>		<b>2,843,505,926</b>	<b>1,976,775,014</b>
<b>Liabilities</b>			
Due to Bank and Financial Institutions	4.17	218,785,475	40,054,073
Due to Nepal Rastra Bank	4.18	-	-
Derivative financial instruments	4.19	-	-
Deposits from customers	4.20	1,744,399,857	1,070,955,210
Borrowing	4.21	-	-
Current Tax Liabilities	4.9	-	5,735,847
Provisions	4.22	-	-
Deferred tax liabilities	4.15	2,838,598	-
Other liabilities	4.23	19,492,498	15,500,203
Debt securities issued	4.24	-	-
Subordinated Liabilities	4.25	-	-
<b>Total liabilities</b>		<b>1,985,516,429</b>	<b>1,132,245,333</b>
<b>Equity</b>			
Share capital	4.26	800,100,000	800,100,000
Share premium		7,124,781	7,124,781
Retained earnings		7,435,459	10,867,025
Reserves	4.27	43,329,258	26,437,875
<b>Total equity attributable to equity holders</b>		<b>857,989,498</b>	<b>844,529,681</b>
Non-controlling interest			
<b>Total equity</b>		<b>857,989,498</b>	<b>844,529,681</b>
<b>Total liabilities and equity</b>		<b>2,843,505,926</b>	<b>1,976,775,014</b>
Contingent liabilities and commitment	4.28	116,981,527	67,121,067
<b>Net assets value per share</b>		<b>107.21</b>	<b>105.52</b>

This is the same financial statement mentioned in our attached report

**Amrit Kumar Sah**  
Head of Accounts

**Bishal Humagain**  
Chief Executive Officer

**Shambhu Lal Dangol**  
Director

**Kishore Kumar Maharjan**  
Chairperson

**Manish Chaudhary, CA**  
Partner

**Sabina Maharjan**  
Director

**Anish Maharjan**  
Director

**Samundra Kaji Shrestha**  
Director

**Biplove Singh**  
Director

S.M.C. Associates  
Chartered Accountants

Date: 2077/09/05  
Place: Kathmandu

## Statement of Profit or Loss

For the year ended on 31 Asar 2077

Particulars	Note	Current Year	Previous Year
Interest income	4.29	234,491,607	144,972,644
Interest expense	4.30	128,065,036	74,159,738
<b>Net interest income</b>		<b>106,426,570</b>	<b>70,812,906</b>
Fee and commission income	4.31	9,194,650	10,264,763
Fee and commission expense	4.32	-	-
<b>Net fee and commission income</b>		<b>9,194,650</b>	<b>10,264,763</b>
<b>Net interest, fee and commission income</b>		<b>115,621,221</b>	<b>81,077,669</b>
Net trading income	4.33	-	-
Other operating income	4.34	12,175	201,166
<b>Total operating income</b>		<b>115,633,396</b>	<b>81,278,835</b>
Impairment charge/(reversal) for loans and other losses	4.35	43,163,047	(4,213,828)
<b>Net operating income</b>		<b>72,470,349</b>	<b>85,492,663</b>
Operating expense			
Personnel expenses	4.36	32,861,881	21,157,139
Other operating expenses	4.37	31,878,208	17,214,838
Depreciation & Amortisation	4.38	7,605,339	3,699,575
<b>Operating Profit</b>		<b>124,921</b>	<b>43,421,111</b>
Non operating income	4.39	-	4,616,458
Non operating expense	4.40	-	-
<b>Profit before income tax</b>		<b>124,921</b>	<b>48,037,569</b>
Income tax expense	4.41		
Current Tax		(3,712,732)	15,165,107
Deferred Tax Expenses/(Income)		(584,582)	4,643,658
Profit for the period		4,422,235	28,228,804
<b>Profit attributable to:</b>			
Equity holders of the Bank		4,422,235	28,228,804
Non-controlling interest		-	-
Profit for the period		4,422,235	28,228,804
<b>Earnings per share</b>			
Basic earnings per share		0.55	8.64
Diluted earnings per share		0.55	8.64

This is the same financial statement mentioned in our attached report

Amrit Kumar Sah  
Head of Accounts

Bishal Humagain  
Chief Executive Officer

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Director

Kishore Kumar Maharjan  
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Sabina Maharjan  
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Anish Maharjan  
Director

Samundra Kaji Shrestha  
Director

Biplove Singh  
Director

S.M.C. Associates  
Chartered Accountants

Date: 2077/09/05  
Place: Kathmandu

## Statement of Comprehensive Income

For the year ended on 31 Asar 2077

Particulars	Note	Current Year	Previous Year
<b>Profit for the year</b>		<b>4,422,235</b>	<b>28,228,804</b>
<b>Other comprehensive income, net of income tax</b>			
<b>a) Items that will not be reclassified to profit or loss</b>			
Gain/(loss) from investments in equity instruments measured at fair value		12,910,829	(489,924)
Gain/(loss) on revaluation			
Actuarial gains/(losses) on defined benefit plans			
Income tax relating to above items		(3,873,249)	146,977
<b>Net other comprehensive income that will not be reclassified to profit or loss</b>		<b>9,037,580</b>	<b>(342,947)</b>
<b>b) Items that are or may be reclassified to profit or loss</b>			
Gains/(losses) on cash flow hedge			
Exchange gain/(losses) arising from translating financial assets of foreign operation			
Income tax relating to above items			
Net other comprehensive income that are or may be reclassified to profit or loss		-	-
<b>c) Share of other comprehensive income of associate accounted as per equity method</b>			
<b>Other comprehensive income for the period, net of income tax</b>		<b>9,037,580</b>	<b>(342,947)</b>
<b>Total comprehensive income for the period</b>		<b>13,459,815</b>	<b>27,885,857</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Bank		13,459,815	27,885,857
Non-controlling interest			-
<b>Total comprehensive income for the period</b>		<b>13,459,815</b>	<b>27,885,857</b>

This is the same financial statement mentioned in our attached report

**Amrit Kumar Sah**  
Head of Accounts

**Bishal Humagain**  
Chief Executive Officer

**Shambhu Lal Dangol**  
Director

**Kishore Kumar Maharjan**  
Chairperson

**Manish Chaudhary, CA**  
Partner  
S.M.C. Associates  
Chartered Accountants

**Sabina Maharjan**  
Director

**Anish Maharjan**  
Director

**Samundra Kaji Shrestha**  
Director

**Biplove Singh**  
Director

Date: 2077/09/05  
Place: Kathmandu

## Statement of Changes in Equity

For the year ended on 31 Asar 2077

Particulars	Attributable to Equity holders of the Bank										Total Equity
	Share Capital	Share Premium	General Reserve	Regulatory Reserve	Fair Value Reserve	Retained Earning	Other Reserve	Total	Total Equity		
Balance at 1 Sawan 2075	279,350,800	6,796,664	12,442,805	-	143,299	(3,810,548)	643,487	295,566,507	295,566,507	295,566,507	
Adjustment/Restatement	-	-	-	-	-	-	-	-	-	-	
Adjusted/Restated balance at 1 Sawan 2075	279,350,800	6,796,664	12,442,805	-	143,299	(3,810,548)	643,487	295,566,507	295,566,507	295,566,507	
Comprehensive income for the year											
Profit for the year						28,228,804					
Other comprehensive income, net of tax											
Remeasurements of defined benefit liability (assets)					(342,947)						
Fair value reserve (Investment in equity instrument):					(342,947)						
Net change in fair value					(342,947)						
Net amount transferred to profit or loss											
Net gain (loss) on revaluation											
<b>Cash flow hedges:</b>											
Effective portion of changes in fair value											
Net Amount reclassified to profit or loss											
Total comprehensive income for the year											
Transfer to reserve during the year			5,645,761	8,244,833		621,650	282,288	14,794,532	14,794,532	14,794,532	
Transfer from reserve during the year						(14,172,882)	(621,650)	(14,794,532)	(14,794,532)	(14,794,532)	
<b>Transactions with owners, directly recognised in equity</b>											
Right share issued	520,749,200	328,117						521,077,317	521,077,317	521,077,317	
Share based payments											
Dividends to equity holders											
Bonus shares issued											
Cash dividend paid											
<b>Total contributions by and distributions</b>	520,749,200	328,117									
Balance at Asar end 2076	800,100,000	7,124,781	18,088,566	8,244,833	(199,648)	10,867,025	304,125	844,529,681	844,529,681	844,529,681	
Adjustment/Restatement											
Adjusted/Restated balance at 1 Sawan 2076	800,100,000	7,124,781	18,088,566	8,244,833	(199,648)	10,867,025	304,125	844,529,683	844,529,683	844,529,683	

Particulars	Attributable to Equity holders of the Bank							Total Equity	
	Share Capital	Share Premium	General Reserve	Regulatory Reserve	Fair Value Reserve	Retained Earning	Other Reserve		Total
<b>Comprehensive income for the year</b>									
Profit for the year						4,422,235		4,422,235	4,422,235
Other comprehensive income, net of tax									
Remeasurements of defined benefit liability (assets)									
Fair value reserve (Investment in equity instrument):					9,037,580			9,037,580	9,037,580
Net change in fair value									
Net amount transferred to profit or loss									
Net gain (loss) on revaluation									
<b>Cash flow hedges:</b>									
Effective portion of changes in fair value									
Net Amount reclassified to profit or loss									
Total comprehensive income for the year									
Transfer to reserve during the year			884,447	7,079,133		(8,157,926)	194,346		
Transfer from reserve during the year						304,125	(304,125)		
<b>Transactions with owners, directly recognised in equity</b>									
Right share issued									
Share based payments									
Dividends to equity holders									
Bonus shares issued									
Cash dividend paid									
Total contributions by and distributions									
<b>Balance at Asar end 2077</b>	<b>800,100,000</b>	<b>7,124,781</b>	<b>18,973,013</b>	<b>15,323,966</b>	<b>8,837,932</b>	<b>7,435,459</b>	<b>194,346</b>	<b>857,989,498</b>	<b>857,989,498</b>

This is the same financial statement mentioned in our attached report

<b>Anrit Kumar Sah</b> Head of Accounts	<b>Bishal Humagain</b> Chief Executive Officer	<b>Shambhu Lal Dangol</b> Director	<b>Kishore Kumar Maharjan</b> Chairperson	<b>Manish Chaudhary, CA</b> Partner
<b>Sabina Maharjan</b> Director	<b>Anish Maharjan</b> Director	<b>Samundra Kaji Shrestha</b> Director	<b>Biplove Singh</b> Director	<b>S.M.C. Associates</b> Chartered Accountants

Date: 2077/09/05  
Place: Kathmandu

## Statement of Cash Flow

For the year ended on 31 Asar 2077

Particulars	Current Year	Previous Year
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest received	180,703,701	126,666,292
Fees and other income received	9,194,650	10,264,763
Divided received	-	-
Receipts from other operating activities	(3,861,690)	13,456,834
Interest paid	(125,529,062)	(75,366,908)
Commission and fees paid	-	-
Cash payment to employees	(32,509,795)	(15,337,675)
Other expense paid	(31,878,208)	(13,441,600)
<b>Operating cash flows before changes in operating assets and liabilities</b>	<b>(3,880,404)</b>	<b>46,241,706</b>
<u>(Increase)/Decrease in operating assets</u>		
Due from Nepal Rastra Bank	(121,974,764)	7,585,623
Placement with bank and financial institutions	-	-
Other trading assets	-	-
Loan and advances to bank and financial institutions	(385,391,559)	(77,889,712)
Loans and advances to customers	(280,255,054)	(444,866,971)
Other assets	3,788,325	(3,351,536)
<u>Increase/(Decrease) in operating liabilities</u>		
Due to bank and financial institutions	178,731,402	40,054,073
Due to Nepal Rastra Bank	-	-
Deposit from customers	673,444,647	286,317,170
Borrowings	-	-
Other liabilities	4,527,415	3,216,273
<b>Net cash flow from operating activities before tax paid</b>	<b>68,990,009</b>	<b>(142,693,374)</b>
Income taxes paid	(2,023,115)	(10,576,712)
<b>Net cash flow from operating activities</b>	<b>66,966,894</b>	<b>(153,270,086)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investment securities	(245,079,629)	(72,767,816)
Receipts from sale of investment securities	25,000	-
Purchase of property and equipment	(26,201,123)	(11,477,744)
Receipt from the sale of property and equipment	-	-
Purchase of intangible assets	-	(1,813,650)
Receipt from the sale of intangible assets	-	-
Purchase of investment properties	-	-
Receipt from the sale of investment properties	-	-
Interest received	3,782,448	719,250
Dividend received	617	183,166
<b>Net cash used in investing activities</b>	<b>(267,472,687)</b>	<b>(85,156,794)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipt from issue of debt securities	-	-
Repayment of debt securities	-	-
Receipt from issue of subordinated liabilities	-	-
Repayment of subordinated liabilities	-	-
Receipt from issue of shares	-	521,077,317
Dividends paid	-	-
Interest paid	-	-
Other receipt/payment	-	-
<b>Net cash from financing activities</b>	<b>-</b>	<b>521,077,317</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(200,505,793)</b>	<b>282,650,437</b>
<b>Cash and cash equivalents as at Sawan 1, 2076</b>	<b>794,546,538</b>	<b>511,896,101</b>
Effect of exchange rate fluctuations on cash and cash equivalents held	-	-
<b>Closing Cash and Cash Equivalent at Ashad 31, 2077</b>	<b>594,040,745</b>	<b>794,546,538</b>

This is the same financial statement mentioned in our attached report

**Amrit Kumar Sah**  
Head of Accounts

**Bishal Humagain**  
Chief Executive Officer

**Shambhu Lal Dangol**  
Director

**Kishore Kumar Maharjan**  
Chairperson

**Manish Chaudhary, CA**  
Partner

**Sabina Maharjan**  
Director

**Anish Maharjan**  
Director

**Samundra Kaji Shrestha**  
Director

**Biplove Singh**  
Director

S.M.C. Associates  
Chartered Accountants

Date: 2077/09/05, Place: Kathmandu

# Progressive Finance Limited

## Notes to Financial Statements

For the year ended on 31 Asar 2077

### 1 Reporting entity

Progressive Finance Limited (hereinafter referred to as "Finance Co.") is class "C" licenced financial institution licenced by Nepal Rastra Bank. Finance is now operating with corporate office at Tinkune Kathmandu, main branch at New Road Kathmandu, two other branches and three extension counters.

Finance Co. was incorporated under Companies Act 2063 on as public limited company. Finance is listed with Nepal Stock Exchange.

Finance Co. offers comprehensive banking services within the scope of provisions of Banking and Financial Institutions Act 2074.

### 2 Basis of Preparation

#### 2.1 Statement of Compliance

The financial statements are prepared in line with Nepal Financial Reporting Standards (to the extent of carve out pronounced by ICAN, as stated in note 2.1.1) as issued by Accounting Standards Board Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN).

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

#### 2.1.1 Use of Carve-out

ICAN has provided carve out on specific areas for alternative treatment of the items of financial statements required as per NFRS. Based on such, Finance Co. has used following carve out for preparation and presentation of financial statements in line with NFRS.

##### a) Impairment Loss on Loan and Advances

As per para 63 of NAS 39 Financial Instruments: Recognition and Measurement, impairment loss is calculated on incurred loss model. The carve out has allowed to use higher amount of loss calculated as per para 63 or as per NRB Directives 2/076. Finance Co. has used this carve out and presented the impairment loss calculated as per NRB Directives and disclosed the amount of impairment loss as per NAS 39.

##### b) Effective Interest Rate

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

##### c) Interest income on amortized loan after impairment recognition

As per para AG63 of NAS 39, Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The carve out provides that interest income can be calculated on gross carrying amount of loan. Finance Co. has used the stated carve out in preparing the financial statements.

### 2.2 Reporting Period and Approval of Financial Statements

#### 2.2.1 Reporting Period

The reporting period for this financial statements is fiscal year 2076-77, starting from 1 Shrawan 2076 and ending on 31 Ashad 2077. Financial information of following period/dates are provided on the financial statements.

1. Comparative NFRS financial statements (financial statements as on and for the period ended on 31 Ashad 2076)
2. NFRS financial statements for current period (financial statements as on and for the period ended on 31 Ashad 2077)

## 2.2.2 Approval of Financial Statements

The financial statements are authorised for issue by the Board of Directors in meeting no. 452 on 5th Poush 2077 . The financial statements are presented for approval to the upcoming annual general meeting of shareholders.

## 2.3 Functional and Presentation Currency

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

## 2.4 Use of Estimates, Assumptions and Judgments

The preparation of the financial statements in conformity with Nepal Financial Reporting Standards (NFRS) requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in the process of applying the company's accounting policies. The company makes certain estimates and assumptions regarding the future events. Estimates and judgments are continuously evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual result may differ from these estimates and assumptions. The estimates and assumptions that might result in adjustment to the carrying amounts of assets and liabilities within the next financial year are on the following components:

### 1. Classification of financial assets

Classification of financial assets into Amortized cost or at fair value (either through profit or loss or through other comprehensive income) depends upon the intention of management whether to hold or trade the assets. At the reporting dates, the classification been based on the intention of management on particular group of financial assets. The classification of financial assets may change based on the economic circumstances and intention of management.

### 2. Fair value of financial assets

Fair value of financial statements is determined on three levels on the basis of available market on reporting date and the measurement may change depending on available market circumstances.

The fair value of financial instruments that are traded in an active market is the closing price on the reporting dates. Whenever the instruments are not actively traded in active market, they are determined using other techniques considering the observable market inputs to the extent possible.

The Bank measures fair values using the following fair value hierarchy as provided in NFRS 13.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability. Company has used its own data (accounting value) and considered if there exists factors that would otherwise result in changes to the book value of assets or liabilities.

### 3. Impairment loss on financial assets

Impairment loss on financial assets is provided on the higher of loan loss provision as per NRB Directive 2075 and para 63 of NAS 39. On calculating loss as per para 63, estimates are made on amount of loans that are considered to require individual assessment, grouping of loans for collective assessment, parameters for assessing impairment, future cash flow estimates, historical data on similar types of loan or group of loans.

### 4. Useful life and salvage value of property and equipment

Management reconsiders the economic useful life and salvage value of property and equipment on each reporting dates based on the information available on such dates.

### 5. Impairment loss of non financial assets

Impairment loss is calculated if carrying amount exceeds the recoverable amount. For recoverable amount, value in use is estimated and an estimated discount rate is used to arrive the present value of value in use.



## 6. Current Tax and Deferred tax

Significant management judgment is required to arrive at the figure of current tax and deferred tax, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The finance based its assumptions and estimates on parameters available when the financial statements were prepared.

## 7. Employee benefit obligations

Judgment is required to determine the estimated liability that shall arise on part of accumulated leave of staff which is generally paid out on retirement or termination of employment. Valuation of such is done by qualified actuary using assumption like interest rate, rate of increase in annual compensation, remaining service period etc. Factors considered may change depending on market changes or legal changes which are beyond the control of the company. Considering the cost benefit analysis, Finance Co. has not done actuarial valuation and carried the liability at book value.

### 2.5 Changes in Accounting Policies

There are changes in accounting policy adopted by the finance in this fiscal year as follows;

\*Operating Lease : As per NAS 17 Para 33, Lease payment under an operating lease shall be recognised as an expense on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern of the users benefits. Previously , payment made under operating leases were recognised in profit or loss as per contractual rates with periodic adjustment on inflation. However, since finance has entered into number of lease agreements during the year, for recognizing rental expense under operating lease for this fiscal year, SLM method has been adopted. The total rental expense for the remaining term of the rental agreement including all the incremental clauses divided by the remaining term of the agreement gives the rental expense for the year 2076-77.

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

The financial statements are prepared in line with NFRS issued on 2013. NFRS has not been revised thereafter and accordingly, accounting standards issued by International Accounting Standard Boards and revision thereof have not been considered.

### 2.7 New Standards and Interpretation not Adopted

Finance has adopted all the applicable interpretation pronounced by ICAN.

### 2.8 Discounting

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

### 2.9 Going Concern

The financial statements are prepared on the assumption that Finance Co. is going concern entity.

### 2.10 Standalone Financial Statements

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

## 3 Significant Accounting Policies

The significant accounting policies adopted by Finance Co. while preparing financial statements are as follows:

Note No.	Accounting Policy	Information Note No.
3.1	Basis of Measurement	
3.2	Basis of Consolidation	
3.3	Cash and Cash Equivalent	4.1
3.4	Financial Assets and Financial Liabilities	
3.5	Trading Assets	4.5
3.6	Derivative Assets and Liabilities	4.4
3.7	Property and Equipment	4.13
3.8	Goodwill Intangible assets	4.14
3.9	Investment Property	4.12

Note No.	Accounting Policy	Information Note No.
3.10	Income tax	4.9
3.11	Deposits, debt securities issued and subordinated liabilities	4.17, 4.20, 4.24, 4.25
3.12	Provisions	4.22
3.13	Revenue	4.29, 4.31, 4.33, 4.34, 4.39
3.14	Interest expense	4.30
3.15	Employees Benefits	4.23
3.16	Leases	
3.17	Foreign currency translation	
3.18	Financial guarantee and loan commitment	
3.19	Share capital and reserves	4.26, 4.27
3.2	Earning per share including diluted	
3.21	Segment reporting	5.4
3.22	Events after reporting date	

### 3.1 Basis of Measurement

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

Particulars	Measurement Basis
Investment in shares and mutual fund schemes	Fair value
Non-banking assets	Lower of Market Value or Outstanding Receivable at the date of booking NBA
Loans to employees	Amortized cost
Property and equipment, investment property and intangible assets	Deemed cost as fair value

### 3.2 Basis of consolidation

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

### 3.3 Cash and cash equivalent

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

### 3.4 Financial assets and financial liabilities

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

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

#### 3.4.1 Recognition

The Finance Co. initially recognises financial assets or financial liability on the date of which the Finance becomes party to the contractual arrangement.

### 3.4.2 Classification and Measurement

**Financial Assets:** The classification and measurement of financial assets depend on how these are managed i.e. the Finance Co.'s business model and their contractual cash-flow characteristics. Based on these factors, financial assets are classified on following three categories:

- i) At Amortized Cost
- ii) At Fair Value through Profit or Loss (FVPL)
- iii) At Fair Value through Other Comprehensive Income (FVOCI)
  - i) At amortized cost: Financial assets at amortized cost are non-derivative financial assets with fixed or determinable payments for which the Finance Co. has intent and ability to hold till maturity. They are initially measured at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, such financial assets are measured at amortized cost using effective interest rate method less any impairment losses.
  - ii) At fair value through profit or loss: Financial assets are classified at fair value through profit or loss if the Finance Co. manages such instruments and makes purchases and sales decisions based on its fair value. Attributable transaction costs and changes in fair value are taken to profit or loss.
  - iii) At fair value through other comprehensive income: Financial assets at FVOCI are non-derivative financial assets that are not classified in any of the above category. Financial assets at FVOCI are measured at fair value. Subsequent to initial recognition, financial assets are measured at fair value, as far as such fair value is available, and changes therein are recognized in other comprehensive income and presented in the fair value reserve in equity. Finance Co. has opted to classify the investment made in shares and mutual fund schemes as financial assets at FVOCI on initial recognition.

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

### 3.4.3 De-recognition

#### Financial Assets

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

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

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

#### Financial Liabilities

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

### 3.4.4 Determination of fair value

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

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

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the

factors that market participants would take into account in pricing a transaction.

Fair value of non-financial assets like property & equipment, investment property and intangible assets are considered the deemed cost of such assets in line with NFRS 1.

#### **Fair Value Hierarchy**

Assets and liabilities carried at fair value or for which fair values are disclosed have been classified into three levels according to the observability of the significant inputs used to determine the fair values.

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

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

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

#### **3.4.5 Impairment**

At each reporting date, the Finance Co. assesses whether there is objective evidence that financial assets are impaired. The financial assets or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset and that the loss has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer
- default or delinquency by a borrower
- the restructuring of a loan or advance by the Finance Co. on terms that the Finance would not consider otherwise;
- indication that a borrower or issuer will enter bankruptcy
- the disappearance of an active market for a security; or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group or economic conditions that correlate with defaults in the group.

In addition, for an investment in an equity security, a significant or prolonged decline in its net worth below its book value is objective evidence of impairment.

The Finance Co. considers evidences of impairment for loans and advances and investment securities at both specific asset and at collective level. All individually significant loans and advances and investment securities are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and investment securities with similar risk characteristics.

In assessing the collective impairment, the Finance Co. uses the statistical modelling of historic trends of the probability of default, the time of recoveries and the amount of loss incurred and makes an adjustment if the current economic and credit conditions are such that the actual losses are likely to be greater or lesser than is suggested by historic trends. Default rates, loss rates and expected timing of future recoveries are regularly benchmarked against the actual outcomes to ensure that they remain appropriate.

Impairment losses on assets measured at amortised cost are calculated as difference between the carrying amount and the present value of the estimated future cash flows discounted at the assets original effective interest rate.

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or investment securities. Interest on the impaired assets continues to be recognised through the unwinding of the discount. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss (through OCI for such investments measured at fair value through OCI on which there exists fair value reserve).

The Finance Co. writes off a loan or an investment security, either partially or in full and any related allowance for impairment losses, when the Finance determines that there is no realistic prospect of recovery.

#### 3.4.6 Amortized cost measurement

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

#### 3.4.7 Effective Interest Method

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

#### 3.5 Trading assets

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

#### 3.6 Derivatives assets and derivative liabilities

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

#### 3.7 Property and Equipment

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

##### Recognition

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

##### Measurement

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

Subsequent to the initial measurement, there is option to measure the assets either on cost or on revaluation. Finance has measured all items at cost on subsequent measurement. On transition to NFRS, the Finance Co. has elected to continue with the carrying value of all of its property and equipment measured as per the previous NAS and use that carrying value as the deemed cost as fair value in line with provisions of NFRS 1.

##### Derecognition

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

##### Assets not capitalized

Items of property and equipment with original cost up to Rs. 2,000 are directly accounted as expenses.

##### Capital Work in Progress

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

### Salvage Value

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

### Depreciation

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

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

Items of property and equipment are depreciated on Straight Line Method over their useful life.

Management of the Finance Co. has assessed useful life and salvage value of property and equipment, as follows:

Items	Estimated useful life (years)	Salvage Value
Building	50	5%
Leasehold Properties	Lease period	0
Computer & Accessories	5	0
Vehicle	10	25%
Furniture & Fixture	7	3%
Machinery	10	5%
Equipment & Others	3-5	0%

### 3.8 Goodwill and Intangible assets

#### Goodwill

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

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

#### Acquired Intangible Assets

Intangible assets are recognized whenever the cost of assets can be reliably measured, by the past experience it is demonstrated Finance Co. has control over such assets for the specified period and it is probable that future economic benefits could be derived from such assets. Finance has followed NAS 38 for accounting of intangible assets.

In the financial statements, software are presented as intangible assets.

#### Computer Software

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

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

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

On transition to NFRS, the Finance Co. has elected to continue with the carrying value of all of its intangible assets measured as per the previous NAS and use that carrying value as the deemed cost as fair value in line with provisions of NFRS 1.



### 3.9 Investment Property

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

Useful life of building held as investment property is considered to be same as that of property and equipment (i.e. 40 years) with 5% salvage value.

### 3.10 Income tax

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

#### Current Tax

Current tax is the amount of income tax payable in respect of taxable profit. This is calculated as per the provisions of Income Tax Act with the effective tax rate for current period. Taxable profit differs from the profit reported in the statement of profit or loss, because some item of income or expense are taxable or deductible in different years or may never be taxable or deductible. Income tax rate applicable for Finance Co. is 30% (previous year rate was 30%).

#### Deferred Tax

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

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

In line with NRB Directives, deferred tax reserve is created to the amount equal to deferred tax assets and presented as part of regulatory reserve from current year.

#### Income tax on items of OCI

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

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

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

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

### 3.12 Provisions

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

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

Contingent liabilities are separately disclosed in financial statements.

### 3.13 Revenue Recognition

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

### 3.13.1 Interest income

Interest, in general, is recognized using effective interest rate on the particular assets. Finance Co. has opted to use the carve-out mentioned in Note 2.1.1 (c) and continued to use the actual interest rate to account for interest income. Interest income has been booked for all interest received during the year as well as on those loans having collective impairment as per NRB Directives up to 50%, in line with circular issued by NRB. Interest on those loan with impairment on more than 50% have not been recognized.

As on Asadh End 2077 the finance has ceased accrual of interest amounting to NPR. 2,848,942 related to bad and doubtful loan which was NPR. 2,628,736 as on Asadh End 2076.

Finance Co., in general, generates interest income from loan to customers, investment in debt securities and call deposits.

### 3.13.2 Fee and commission income

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

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

### 3.13.3 Dividend income

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

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

### 3.13.4 Net trading income

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

### 3.13.5 Other Operating Income

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

### 3.14 Interest expense

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

### 3.15 Employees Benefits

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

Employee benefits are accounted using normal calculation method. Actuarial valuation has not been done considering the cost benefit and materiality impact.

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

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

Employee benefits are provided as per Employee Service Regulation of the Finance Co. and on book value basis. Finance believes that the impact of actuarial valuation will not be material and its benefit will not be more than the cost involved on such expert valuation.

### 3.16 Leases

A lease is classified at the inception date as a finance lease or an operating lease. Finance Co. has determined whether the arrangement contain lease on the basis of facts and circumstances existing on the date of transition.

Finance Co. has not entered into finance lease.

In line with NAS 17, lease payments under an operating lease are recognised as an expense on a straight line basis over the lease term.

### 3.17 Foreign Currency Transaction

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

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

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

### 3.18 Financial guarantee and loan commitment

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

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

### 3.19 Share Capital and Reserves

#### 3.19.1 Share Capital

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

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

#### 3.19.2 Reserves

Finance Co. has created various types of reserves as part of regulatory requirement.

##### a) General Reserve

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

##### b) Exchange Equalization Reserve

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

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

In line with clause 16 of Directive 16/076, Finance Co. is required to allocate 1% of its net profit for the year for CSR and is required to create CSR Reserve. The amount appropriated to this reserve is expensed off as prescribed in the same Directive in the next fiscal year.

**d) Regulatory Reserve**

This is specific reserve created in line with NRB Directive 4. All the adjustments made in NFRS that are different from earlier NRB Directives are included in this fund. This fund is not available for distribution of dividend.

**e) Capital Reserve**

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

**f) Fair Value Reserve**

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

**g) Actuarial Gain Reserve**

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

**h) Special Reserve**

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

**i) Assets Revaluation Reserve**

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

**j) Capital Redemption Reserve**

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

**k) Dividend Equalization Reserve**

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

**l) Investment Adjustment Reserve**

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

**3.19.3 Share Premium**

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

**3.19.4 Retained Earning**

The accumulated profits which has not been distributed to shareholders and has been ploughed back in the licensed institutions' operations and is free for distribution of dividend to the shareholders shall be presented under this heading.



### 3.20 Earning per share including diluted

The Finance Co. 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. EPS for prior year have been restated because of issue of bonus share during the year as per NAS 33.

### 3.21 Segment reporting

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

### 3.22 Events after Reporting Date

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

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

## Cash and cash equivalent

For the year ended on 31 Asar 2077

Note: 4.1

Particulars	As at 31.03.2077	As at 31.03.2076
Cash in hand	47,649,740	23,693,901
Balances with B/FIs	5,452,614	5,357,544
Money at call and short notice	540,938,391	765,495,093
Other	-	-
<b>Total</b>	<b>594,040,745</b>	<b>794,546,538</b>

## Due from Nepal Rastra Bank

For the year ended on 31 Asar 2077

Note: 4.2

Particulars	As at 31.03.2077	As at 31.03.2076
Statutory balances with NRB	158,808,547	36,833,783
Securities purchased under resale agreement	-	-
Other deposit and receivable from NRB	-	-
<b>Total</b>	<b>158,808,547</b>	<b>36,833,783</b>

## Placements with Bank and Financial Institutions

For the year ended on 31 Asar 2077

Note: 4.3

Particulars	As at 31.03.2077	As at 31.03.2076
Placement with domestic B/FIs	-	-
Placement with foreign B/FIs	-	-
Less: Allowances for impairment	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

## Derivative financial instruments

For the year ended on 31 Asar 2077

Note: 4.4

Particulars	As at 31.03.2077	As at 31.03.2076
Held for trading	-	-
Interest rate swap	-	-
Currency swap	-	-
Forward exchange contract	-	-
Others	-	-
Held for risk management	-	-
Interest rate swap	-	-
Currency swap	-	-
Forward exchange contract	-	-
Other	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

## Other trading assets

For the year ended on 31 Asar 2077

Note: 4.5

Particulars	As at 31.03.2077	As at 31.03.2076
Treasury bills	-	-
Government bonds	-	-
NRB Bonds	-	-
Domestic Corporate bonds	-	-
Equities	-	-
Other	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
Pledged		
Non-pledged		

## Loan and advances to B/FIs

For the year ended on 31 Asar 2077

Note: 4.6

Particulars	As at 31.03.2077	As at 31.03.2076
Loans to microfinance institutions	467,172,286	77,889,712
Other		-
Less: Allowances for impairment	(4,669,913)	(778,897)
<b>Total</b>	<b>462,502,374</b>	<b>77,110,815</b>

## Allowances for impairment

For the year ended on 31 Asar 2077

Note: 4.6.1

Particulars	As at 31.03.2077	As at 31.03.2076
Balance at Shrawan 1	778,897	-
Impairment loss for the year:		
Charge for the year	3,891,016	778,897
Recoveries/reversal		
Amount written off		
<b>Balance at Asar end</b>	<b>4,669,913</b>	<b>778,897</b>

## Loans and advances to customers

For the year ended on 31 Asar 2077

Note: 4.7

Particulars	As at 31.03.2077	As at 31.03.2076
Loan and advances measured at amortized cost	1,274,645,665	958,430,471
Less: Impairment allowances		
Collective impairment	(63,595,296)	(24,323,265)
Individual impairment		
Net amount	1,211,050,369	934,107,206
Loan and advances measured at FVTPL		
<b>Total</b>	<b>1,211,050,369</b>	<b>934,107,206</b>

Loan and advance is inclusive of staff loan and accrued interest on such loan net of interest suspense amount.

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

The total amount of impairment reported to NRB as on asadh end 2077 was Rs. 73,911,363 out of which Rs.69,241,450 was related to loans and advances to customers and remaining 4,669,913 related to loans and advances to BFI's. The impairment amount of loans and advances to customers decreased by Rs. 5,646,154 since previously additional impairment was charged due to non-consideration of relaxation given by NRB.

We have selected outstanding loan exceeding 50 Lacs for individual impairment test. The market value of collateral on valuation date was subjected to 25% haircut to arrive at adjusted fair value of collateral on each reporting date and if the adjusted fair value is less than outstanding amount, individual impairment is considered along with other factors like repayment history of borrower, credit rating, additional information of customer regarding financial capability, restructuring/rescheduling of loan, etc. None of the loans were individually impaired. Collective assessment has been done using past default rate (probability of default) and a calculated percentage for non-recovery (loss given default) and the rates have been used to calculate impairment allowance as per NAS 39 using incurred loss model.

Provided below is the impairment calculated as per NFRS:

Particulars	As at 31.03.2077	As at 31.03.2076
Individual impairment		-
Collective impairment	5,622,994	23,279,468
<b>Total</b>	<b>5,622,994</b>	<b>23,279,468.4</b>

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

Particulars	As at 31.03.2077	As at 31.03.2076
Performing loan	1,157,513,446	926,147,742
Good	819,315,132	891,131,509
Watchlist	338,198,314	35,016,233
Non-performing loan	57,086,061	14,350,534
Substandard	25,161,756	4,664,201
Doubtful	8,807,760	1,394,289
Loss	23,116,546	8,292,044
Total	1,214,599,507	940,498,276
Add: loan to employees and Net AIR	60,046,158	17,932,196
Total loan	1,274,645,665	958,430,472
<b>Impairment allowance</b>		
Performing loan	25,103,067	11,998,007
Good	8,193,151	10,247,195
Watchlist	16,909,916	1,750,812
Non-performing loan	33,810,865	12,325,258
Substandard	6,290,439	1,166,050
Doubtful	4,403,880	697,144
Loss	23,116,546	8,292,044
Additional	4,681,364	2,170,020
<b>Total</b>	<b>63,595,296</b>	<b>24,323,265</b>

## Analysis of loan and advances - By Product

For the year ended on 31 Asar 2077

Note: 4.7.1

Product	As at 31.03.2077	As at 31.03.2076
Term loans	302,162,252	291,794,060
Overdraft	-	-
Trust receipt/Import loans	-	-
Demand and other working capital loans	307,092,098	190,621,310
Personal residential loans	54,562,747	44,059,840
Real estate loans	50,309,614	44,915,880
Margin lending loans	49,293,586	32,946,150
Hire purchase loans	82,543,588	90,821,120
Deprived sector loans	10,478,599	23,262,408
Bills purchased	-	-
Staff loans	14,053,150	-
Other	358,157,024	233,423,224
<b>Sub total</b>	<b>1,228,652,658</b>	<b>951,843,992</b>
Interest receivable	45,993,008	6,586,483
<b>Grand total</b>	<b>1,274,645,665</b>	<b>958,430,475</b>

## Analysis of loan and advances - By Currency

For the year ended on 31 Asar 2077

Note: 4.7.2

Currency	As at 31.03.2077	As at 31.03.2076
Nepalese rupee	1,274,645,665	958,430,471
Indian rupee		
United State dollar		
Great Britain pound		
Euro		
Japanese yen		
Chinese yuan		
Other		
<b>Total</b>	<b>1,274,645,665</b>	<b>958,430,471</b>

## Analysis of loan and advances - By Collateral

For the year ended on 31 Asar 2077

Note: 4.7.3

Collateral	As at 31.03.2077	As at 31.03.2076
<u>Secured</u>		
Movable/immovable assets	1,106,488,097	898,044,600
Gold and silver		
Guarantee of domestic B/FIs	-	9,999,998
Government guarantee		
Guarantee of international rated bank		
Collateral of export document		
Collateral of fixed deposit receipt	3,590,534	2,576,450
Collateral of Government securities		
Counter guarantee		
Personal guarantee	24,677,454	11,431,080
Other collateral	139,889,580	36,378,343
<b>Subtotal</b>	<b>1,274,645,665</b>	<b>958,430,471</b>
<u>Unsecured</u>		
<b>Grant Total</b>	<b>1,274,645,665</b>	<b>958,430,471</b>

## Allowances for impairment

For the year ended on 31 Asar 2077

Note: 4.7.4

Particulars	As at 31.03.2077	As at 31.03.2076
<u>Specific allowances for impairment</u>		
Balance at Sawan 1		
Impairment loss for the year:		
Charge for the year		
Recoveries/reversal during the year		
Write-offs		
Exchange rate variance on foreign currency		
Other movement		
Balance at Asar end	-	-
<u>Collective allowances for impairment</u>		
Balance at Sawan 1	24,323,264	15,877,155
Impairment loss for the year:		
Charge/(reversal) for the year	39,272,032	8,446,109
Exchange rate variance on foreign currency		
Other movement		
Balance at Asar end	63,595,296	24,323,264
<b>Total allowances for impairment</b>	<b>63,595,296</b>	<b>24,323,264</b>

## Investment securities

For the year ended on 31 Asar 2077

Note: 4.8

Particulars	As at 31.03.2077	As at 31.03.2076
Investment securities measured at amortized cost	215,000,000	15,000,000
Investment in equity measured at FVTOCI	132,844,398	74,853,940
<b>Total</b>	<b>347,844,398</b>	<b>89,853,940</b>

## Investment securities measured at amortized cost

For the year ended on 31 Asar 2077

Note: 4.8.1

Particulars	As at 31.03.2077	As at 31.03.2076
Debt securities	-	-
Government bonds	215,000,000	15,000,000
Government treasury bills	-	-
Nepal Rastra Bank bonds	-	-
Nepal Rastra Bank deposits instruments	-	-
Other	-	-
Less: specific allowances for impairment	-	-
<b>Total</b>	<b>215,000,000</b>	<b>15,000,000</b>

## Investment in equity measured at fair value through other comprehensive income

For the year ended on 31 Asar 2077

Note: 4.8.2

Particulars	As at 31.03.2077	As at 31.03.2076
<u>Equity instruments</u>		
Quoted equity securities	131,755,397	73,764,940
Unquoted equity securities	1,089,000	1,089,000
<b>Total</b>	<b>132,844,397</b>	<b>74,853,940</b>

## Information relating to investment in equities

For the year ended on 31 Asar 2077

Note: 4.8.3

Particulars	As at 31.03.2077		As at 31.03.2076	
	Cost	Fair Value	Cost	Fair Value
<b>Investment in quoted equity</b>	<b>120,024,279</b>	<b>131,755,397</b>	<b>74,944,651</b>	<b>73,764,940</b>
Shares of class D licensed institution (RMDC Ltd 6069 shares of Rs. 100 each)	5,062,619	4,254,369		
Shares of insurance companies (NLIC Ltd 3500 shares of Rs. 100 each)	5,017,009	4,410,000		
Portfolio Management Service				
NIC Asia Capital	24,944,651	30,383,584	24,944,651	23,736,244
Sunrise Capital	25,000,000	29,315,316	25,000,000	25,114,135
NIBL Capital	25,000,000	27,987,675	25,000,000	24,914,561
Himalayan Capital	15,000,000	15,404,453		
Mutual Fund	20,000,000	20,000,000		
<b>Investment in unquoted equity</b>	<b>194,500</b>	<b>1,089,000</b>	<b>194,500</b>	<b>1,089,000</b>
Karja Suchana Kendra	94,500	945,000	94,500	945,000
Nepal Clearing House Limited	100,000	144,000	100,000	144,000
<b>Total</b>	<b>120,218,779</b>	<b>132,844,397</b>	<b>75,139,151</b>	<b>74,853,940</b>

## Current tax assets/(liabilities)

For the year ended on 31 Asar 2077

Note: 4.9

Particulars	As at 31.03.2077	As at 31.03.2076
Current tax assets	662,152	10,905,490
Current year income tax assets	662,152	10,905,490
Tax assets of prior periods		
Current tax liabilities	-	16,641,337
Current year income tax liabilities	-	16,641,337
Tax liabilities of prior periods		
<b>Net assets/(liabilities)</b>	<b>662,152</b>	<b>(5,735,847)</b>

## Investment in subsidiaries

For the year ended on 31 Asar 2077

Note: 4.10

Particulars	As at 31.03.2077	As at 31.03.2076
Investment in quoted subsidiaries		
Investment in unquoted subsidiaries		
<b>Total investment</b>	-	-
Less: Impairment allowances		
<b>Net carrying amount</b>	-	-

## Investment in quoted subsidiaries

For the year ended on 31 Asar 2077

Note: 4.10.1

	As at 31.03.2077		As at 31.03.2076	
	Cost	Fair Value	Cost	Fair Value
<b>Total</b>	-	-	-	-

## Investment in unquoted subsidiaries

For the year ended on 31 Asar 2077

Note: 4.10.2

	As at 31.03.2077		As at 31.03.2076	
	Cost	Fair Value	Cost	Fair Value
<b>Total</b>	-	-	-	-

## Information relating to subsidiaries of the Bank

For the year ended on 31 Asar 2077

Note: 4.10.3

	Percentage of ownership held by the Bank	
	As at 31.03.2077	As at 31.03.2076
<b>Total</b>	-	-

## Non controlling interest of the subsidiaries

For the year ended on 31 Asar 2077

Note: 4.10.4

		As at 31.03.2076
		... Ltd.
Equity interest held by NCI (%)		-
Profit/(loss) allocated during the year		-
Accumulated balances of NCI as on Asar end		-
Dividend paid to NCI		-
		As at 32.03.2075
		... Ltd.
Equity interest held by NCI (%)		-
Profit/(loss) allocated during the year		-
Accumulated balances of NCI as on Asar end		-
Dividend paid to NCI		-
		As at 31.03.2074
		... Ltd.
Equity interest held by NCI (%)		-
Profit/(loss) allocated during the year	-	-
Accumulated balances of NCI as on Asar end	-	-
Dividend paid to NCI	-	-

## Investment in associates

For the year ended on 31 Asar 2077

Note: 4.11

Particulars	As at 31.03.2077	As at 31.03.2076
Investment in quoted associates	-	-
Investment in unquoted associates	-	-
<b>Total investment</b>	-	-
Less: Impairment allowances	-	-
<b>Net carrying amount</b>	-	-

## Investment in quoted associates

For the year ended on 31 Asar 2077

Note: 4.11.1

	As at 31.03.2077		As at 31.03.2076	
	Cost	Fair Value	Cost	Fair Value
<b>Total</b>	-	-	-	-

## Investment in unquoted associates

For the year ended on 31 Asar 2077

Note: 4.11.2

	As at 31.03.20767		As at 31.03.2076	
	Cost	Fair Value	Cost	Fair Value
<b>Total</b>	-	-	-	-

## Information relating to associates of the Bank

For the year ended on 31 Asar 2077

Note: 4.11.3

	Percentage of ownership held by the Bank	
	As at 31.03.20767	As at 31.03.2076
<b>Total</b>	-	-



## Equity value of associates

For the year ended on 31 Asar 2077

Note: 4.11.4

.....Ltd.		
.....Ltd.		
<b>Total</b>		

## Investment properties

For the year ended on 31 Asar 2077

Note: 4.12

Particulars	As at 31.03.2077	As at 31.03.2076
<b>Investment properties measured at fair value</b>		
Balance as on Sawan 1	-	-
Addition/disposal during the year	-	-
Net changes in fair value during the year	-	-
Adjustment/transfer	-	-
<b>Net amount</b>	-	-
<b>Investment properties measured at cost</b>		
Balance as on Sawan 1	-	-
Addition/disposal during the year	-	-
Adjustment/transfer	-	-
Accumulated depreciation	-	-
Accumulated impairment loss	-	-
<b>Net amount</b>	-	-
<b>Total</b>	-	-

## Property and Equipment

For the year ended on 31 Asar 2077

Note: 4.13

Particulars	Land	Building	Leasehold Properties	Computer & Accessories	Vehicle	Furniture & Fixture	Machinery	Equipment & Others	Total
<b>Cost</b>									
Balance as on Asar end 2075	-	-	6,042,262	5,731,349	2,388,830	1,411,773	-	5,216,493	20,790,707
Addition during the Year									
Acquisition	-	-	-	1,678,199	4,925,000	114,130	-	312,306	7,029,635
Capitalization	-	-	-	-	-	-	-	-	-
WTP	-	-	4,448,109	-	-	-	-	-	4,448,109
Disposal during the year	-	-	-	-	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-
Balance as on Asar end 2076	-	-	10,490,371	7,409,548	7,313,830	1,525,903	-	5,528,799	32,268,451
Addition during the Year									
Acquisition	-	-	14,235,149	4,692,511	1,146,950	2,358,611	-	8,204,454	30,637,674
Capitalization									
Disposal during the year									
Adjustment/Revaluation			(4,448,109)		(136,902)				(136,902)
Balance as on Asar end 2077	-	-	20,277,411	12,102,059	8,323,878	3,884,514	-	13,733,253	58,321,114
<b>Depreciation and Impairment</b>									
As on Asar end 2075	-	-	1,004,749	2,145,828	1,519,656	1,253,690	-	2,695,513	8,619,436
Impairment for the year	-	-	-	-	-	-	-	-	-
Depreciation charge for the Year	-	-	1,208,452	1,183,460	150,267	66,898	-	801,071	3,410,148
Disposals	-	-	-	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-	-	-	-
As on Asar end 2076	-	-	2,213,201	3,329,288	1,669,923	1,320,588	-	3,496,584	12,029,584

Particulars	Land	Building	Leasehold Properties	Computer & Accessories	Vehicle	Furniture & Fixture	Machinery	Equipment & Others	Total
Impairment for the year									
Depreciation charge for the Year	-	-	2,887,186	1,683,971	542,235	181,306		1,868,473	7,163,170
Disposals					(123,460)				(123,460)
Adjustment									
<b>As on Asar end 2077</b>	-	-	<b>5,100,387</b>	<b>5,013,259</b>	<b>2,088,698</b>	<b>1,501,894</b>	-	<b>5,365,057</b>	<b>19,069,294</b>
Capital Work in Progress									
<b>Net Book Value</b>									
<b>As on Asar end 2076</b>	-	-	<b>8,277,170</b>	<b>4,080,260</b>	<b>5,643,907</b>	<b>205,315</b>	-	<b>2,032,215</b>	<b>20,238,867</b>
<b>As on Asar end 2077</b>	-	-	<b>15,177,024</b>	<b>7,088,800</b>	<b>6,235,180</b>	<b>2,382,620</b>	-	<b>8,368,196</b>	<b>39,251,820</b>

## Goodwill and Intangible Assets

For the year ended on 31 Asar 2077

Note: 4.14

Particulars	Goodwill	Software		Other	Total
		Purchased	Developed		
<b>Cost</b>					
As on Sawan 1, 2075	-	1,164,995.00	-	-	1,164,995
Addition during the Year					
Acquisition	-	1,813,650	-	-	1,813,650
Capitalization	-	-	-	-	-
Disposal during the year	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-
<b>Balance as on Asar end 2076</b>	<b>-</b>	<b>2,978,645</b>	<b>-</b>	<b>-</b>	<b>2,978,645</b>
Addition during the Year	-	-	-	-	-
Acquisition	-	-	-	-	-
Capitalization	-	-	-	-	-
Disposal during the year	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-
<b>Balance as on Asar end 2077</b>	<b>-</b>	<b>2,978,645</b>	<b>-</b>	<b>-</b>	<b>2,978,645</b>
<b>Amortization and Impairment</b>					
As on Sawan 1, 2075	-	946,218.00	-	-	946,218
Amortization charge for the Year	-	289,427	-	-	289,427
Impairment for the year	-	-	-	-	-
Disposals	-	-	-	-	-
Adjustment	-	-	-	-	-
<b>As on Asar end 2076</b>	<b>-</b>	<b>1,235,645</b>	<b>-</b>	<b>-</b>	<b>1,235,645</b>
Amortization charge for the Year	-	442,169	-	-	442,169
Impairment for the year	-	-	-	-	-
Disposals	-	-	-	-	-
Adjustment	-	-	-	-	-
<b>As on Asar end 2077</b>	<b>-</b>	<b>1,677,814</b>	<b>-</b>	<b>-</b>	<b>1,677,814</b>
Capital Work in Progress	-	-	-	-	-
<b>Net Book Value</b>					
As on Asar end 2076	-	1,743,000	-	-	1,743,000
As on Asar end 2077	-	1,300,831	-	-	1,300,831

## Deferred Tax

For the year ended on 31 Asar 2077

Note: 4.15

Particulars	As at 31.03.2077		
	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets/(Liabilities)
<b>Deferred tax on temporary differences on following items</b>			-
Loan and Advance to B/FIs			-
Loans and advances to customers			-
Investment properties			-
Investment securities		3,787,685	(3,787,685)
Property & equipment		374,941	(374,941)
Employees' defined benefit plan	1,178,788		1,178,788
Lease liabilities			-
Provisions			-
Other temporary differences	145,240		145,240
<b>Deferred tax on temporary differences</b>			<b>(2,838,598)</b>
Deferred tax on carry forward of unused tax losses			
Deferred tax due to changes in tax rate			
<b>Net Deferred tax asset/(liabilities) as on year end of Ashad 31, 2077</b>			<b>(2,838,598)</b>
Deferred tax (asset)/liabilities as on Sawan 1, 2076			450,068
<b>Deferred tax expenses/(income) during the year</b>			<b>(3,288,667)</b>
Deferred tax expense/(income) recognised in profit or loss			(584,582)
Deferred tax expense/(income) recognised in other comprehensive income			3,873,249
Deferred tax expense/(income) recognised in directly in equity			

Particulars	As at 31.03.2076		
	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets/(Liabilities)
<b>Deferred tax on temporary differences on following items</b>			
Loan and Advance to B/FIs			-
Loans and advances to customers	-	-	-
Investment properties	-	-	-
Investment securities	85,563		85,563
Property & equipment	-	837,074	(837,074)
Employees' defined benefit plan	1,201,579	-	1,201,579
Lease liabilities	-	-	-
Provisions	-	-	-
Other temporary differences	-	-	-
<b>Deferred tax on temporary differences</b>	<b>1,287,142</b>	<b>837,074</b>	<b>450,068</b>

Particulars	As at 31.03.2076		
	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets/(Liabilities)
Deferred tax on carry forward of unused tax losses	-	-	-
Deferred tax due to changes in tax rate	-	-	-
<b>Net Deferred tax asset/(liabilities) as on year end of Ashad 31, 2076</b>	<b>1,287,142</b>	<b>837,074</b>	<b>450,068</b>
Deferred tax (asset)/liabilities as on Sawan 1, 2075			(4,946,749)
<b>Deferred tax expenses/(income) during the year</b>			<b>4,496,681</b>
Deferred tax expense/(income) recognised in profit or loss			4,558,096
Deferred tax expense/(income) recognised in other comprehensive income			(61,415)
Deferred tax expense/(income) recognised in directly in equity			-



## Other Assets

For the year ended on 31 Asar 2077

Note: 4.16

Particulars	As at 31.03.2077	As at 31.03.2076
Assets held for sale	-	-
Other non banking assets	-	-
Bills receivable	-	-
Accounts receivable	6,990,869	1,243,237
Accrued income	10,154,303	11,828,750
Prepayments and deposit	1,529,335	1,244,981
Income tax deposit	-	-
Deferred employee expenditure	4,724,751	5,036,335
Other miscellaneous assets	4,645,432	2,537,494
<b>Total</b>	<b>28,044,690</b>	<b>21,890,797</b>

## Due to Bank and Financial Institutions

For the year ended on 31 Asar 2077

Note: 4.17

Particulars	As at 31.03.2077	As at 31.03.2076
Money market deposits	-	-
Interbank borrowing	-	-
Other deposits from BFIs	218,785,475	40,054,073
Settlement and clearing accounts	-	-
Other deposits from BFIs	-	-
<b>Total</b>	<b>218,785,475</b>	<b>40,054,073</b>

## Due to Nepal Rastra Bank

For the year ended on 31 Asar 2077

Note: 4.18

Particulars	As at 31.03.2077	As at 31.03.2076
Refinance from NRB	-	-
Standing Liquidity Facility	-	-
Lender of last report facility from NRB	-	-
Securities sold under repurchase agreements	-	-
Other payable to NRB	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

## Derivative financial instruments

For the year ended on 31 Asar 2077

Note: 4.19

Particulars	As at 31.03.2077	As at 31.03.2076
<b>Held for trading</b>	-	-
Interest rate swap	-	-
Currency swap	-	-
Forward exchange contract	-	-
Others	-	-
<b>Held for risk management</b>	-	-
Interest rate swap	-	-
Currency swap	-	-
Forward exchange contract	-	-
Others	-	-
<b>Total</b>	-	-

## Deposits from customers

For the year ended on 31 Asar 2077

Note: 4.20

Particulars	As at 31.03.2077	As at 31.03.2076
<b>Institutions customers:</b>		
Term deposits	479,255,000	124,679,800
Call deposits	154,983,745	75,706,260
Current deposits	177,753,383	920,660
Other	52,950,666	246,182,550
<b>Individual customers:</b>		
Term deposits	423,400,512	272,991,500
Saving deposits	453,896,473	348,338,840
Current deposits	2,119,307	2,135,600
Other	40,771	-
<b>Total</b>	<b>1,744,399,857</b>	<b>1,070,955,210</b>

## Currency wise analysis of deposit from customers

For the year ended on 31 Asar 2077

Note: 4.20.1

Particulars	As at 31.03.2077	As at 31.03.2076
Nepalese rupee	1,744,399,857	1,070,955,210
Indian rupee	-	-
United State dollar	-	-
Great Britain pound	-	-
Euro	-	-
Japanese yen	-	-
Chinese yuan	-	-
Other	-	-
<b>Total</b>	<b>1,744,399,857</b>	<b>1,070,955,210</b>

## Borrowing

For the year ended on 31 Asar 2077

Note: 4.21

Particulars	As at 31.03.2077	As at 31.03.2076
Domestic Borrowing	-	-
Nepal Government	-	-
Other Institutions	-	-
Other	-	-
<b>Sub total</b>	<b>-</b>	<b>-</b>
Foreign Borrowing	-	-
Foreign Bank and Financial Institutions	-	-
Multilateral Development Banks	-	-
Other Institutions	-	-
<b>Sub total</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>-</b>	<b>-</b>

## Provisions

For the year ended on 31 Asar 2077

Note: 4.22

Particulars	As at 31.03.2077	As at 31.03.2076
Provisions for redundancy	-	-
Provision for restructuring	-	-
Pending legal issues and tax litigation	-	-
Onerous contracts	-	-
Other	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

## Movement in provision

For the year ended on 31 Asar 2077

Note: 4.22.1

Particulars	As at 31.03.2077	As at 31.03.2076
Balance at Sawan 1	-	-
Provisions made during the year	-	-
Provisions used during the year	-	-
Provisions reversed during the year	-	-
Unwind of discount	-	-
<b>Balance at Asar end</b>	<b>-</b>	<b>-</b>

## Other liabilities

For the year ended on 31 Asar 2077

Note: 4.23

Particulars	As at 31.03.2077	As at 31.03.2076
Liability for employees defined benefit obligation*	2,051,584	2,562,943
Liability for long-service leave	1,877,709	1,442,320
Short-term employee benefits	-	176,141
Bills payable	-	-
Creditors and accruals	7,320,760	2,363,771
Interest payable on deposit	3,743,145	1,207,170
Interest payable on borrowing	-	-
Liabilities on deferred grant income	-	-
Unpaid Dividend	-	-
Liabilities under Finance Lease	-	-
Employee bonus payable	12,492	4,803,758
Other liabilities	4,486,807	2,944,100
<b>Total</b>	<b>19,492,498</b>	<b>15,500,203</b>

\*This represents gratuity payable amount calculated on non-actuarial basis. Please refer accounting note no. 3.15.

## Defined benefit obligations

For the year ended on 31 Asar 2077

Note: 4.23.1

As actuarial valuation has not been done, the following notes (note 4.23.1 to 4.23.7) are not required to be filled up. Nevertheless, the form has been provided.

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

Particulars	As at 31.03.2077	As at 31.03.2076
Present value of unfunded obligations		
Present value of funded obligations		
Total present value of obligations	-	-
Fair value of plan assets		
Present value of net obligations		
Recognised liability for defined benefit obligations		

## Plan assets

For the year ended on 31 Asar 2077

Note: 4.23.2

There is no plan assets.

Particulars	As at 31.03.2077	As at 31.03.2076
Equity securities		
Government bonds		
Bank deposit		
Other		
<b>Total</b>		

## Movement in the present value of defined benefit obligations

For the year ended on 31 Asar 2077

Note: 4.23.3

Particulars	As at 31.03.2077	As at 31.03.2076
Defined benefit obligations at Sawan 1		
Actuarial losses		
Benefits paid by the plan		
Current service costs and interest		
Defined benefit obligations at Asar end		

## Movement in the fair value of plan assets

For the year ended on 31 Asar 2077

Note: 4.23.4

Particulars	As at 31.03.2077	As at 31.03.2076
Fair value of plan assets at Sawan 1		
Contributions paid into the plan		
Benefits paid during the year		
Actuarial (losses) gains		
Expected return on plan assets		
Fair value of plan assets at Asar end		

## Amount recognised in profit or loss

For the year ended on 31 Asar 2077

Note: 4.23.5

Particulars	As at 31.03.2077	As at 31.03.2076
Current service costs		
Interest on obligation		
Expected return on plan assets		
<b>Total</b>	-	-

## Amount recognised in other comprehensive income

For the year ended on 31 Asar 2077

Note: 4.23.6

Particulars	As at 31.03.2077	As at 31.03.2076
Actuarial (gain)/loss		
<b>Total</b>	-	-

## Actuarial assumptions

For the year ended on 31 Asar 2077

Note: 4.23.7

Particulars	As at 31.03.2077	As at 31.03.2076
Discount rate		
Expected return on plan asset		
Future salary increase		
Withdrawal rate		

## Debt securities issued

For the year ended on 31 Asar 2077

Note: 4.24

Particulars	As at 31.03.2077	As at 31.03.2076
Debt securities issued designated as at fair value through profit or loss	-	-
Debt securities issued at amortised cost	-	-
<b>Total</b>	-	-

## Subordinated Liabilities

For the year ended on 31 Asar 2077

Note: 4.25

Particulars	As at 31.03.2077	As at 31.03.2076
Redeemable preference shares	-	-
Irredeemable cumulative preference shares	-	-
Other	-	-
<b>Total</b>	-	-

## Share capital

For the year ended on 31 Asar 2077

Note: 4.26

Particulars	As at 31.03.2077	As at 31.03.2076
Ordinary shares	800,100,000	800,100,000
Convertible preference shares (equity component)		
Irredeemable preference shares (equity component)		
Perpetual debt (equity component only)		
<b>Total</b>	<b>800,100,000</b>	<b>800,100,000</b>
<b>Regulatory share capital</b>	<b>800,100,000</b>	<b>800,100,000</b>

## Ordinary shares

For the year ended on 31 Asar 2077

Note: 4.25.1

Particulars	As at 31.03.2077	As at 31.03.2076
Authorized Capital		
8,001,000 Ordinary share of Rs. 100 each	800,100,000	800,100,000
Issued capital		
8,001,000 Ordinary share of Rs. 100 each	800,100,000	800,100,000
Subscribed and paid up capital*		
8,001,000 Ordinary share of Rs. 100 each	800,100,000	800,100,000
<b>Total</b>	<b>800,100,000</b>	<b>800,100,000</b>
Capital as per NRB Directives	800,100,000	800,100,000

Reconciliation of no. of equity shares	As at 31.03.2077	As at 31.03.2076
Opening	2,100,000	2,100,000
Add: issued during the year	5,901,000	5,901,000
Closing	8,001,000	8,001,000

## Ordinary share ownership

For the year ended on 31 Asar 2077

Note: 4.25.2

Particulars	As at 31.03.2076		As at 31.03.2075	
	Percent	Amount	Percent	Amount
<u>Domestic ownership</u>				
Nepal Government				
"A" class licensed institutions				
Other licensed institution				
Other Institutions	0.65%	52,236	0.85%	6,795,600
Public	99.35%	7,948,764	99.15%	793,304,400
Other (Corporate)				
<u>Foreign ownership</u>				
<b>Total</b>		<b>8,001,000</b>		<b>800,100,000</b>

The shareholders holding 0.5% or more of total paid up capital as at 31.03.2076 are as follows:

Name of shareholder	% of holding
Tirtha Lal Maharjan	4.54
Saila Shrestha	3.69
Ram Kaji Awale	3.15
Babu Raja Maharjan	1.98
Bulal Maharjan	1.95
Mukesh Maharjan	1.95
Bishan Maharjan	1.95
Krishna Awale	1.94
Surendra Awale	1.90
Manoj Dangol	1.90

Name of shareholder	% of holding
Laxmi Prasad Maharjan	1.90
Raju Maharjan	1.90
Rabi Maharjan	1.90
Shambhu Lal Dangol	1.90
Bhim Lal Maharjan	1.90
Ram Maharjan	1.90
Rajit Maharjan	1.90
Sumin Maharjan	1.90
Sangha Ratna Dangol	1.90
Sanu Kaji Maharjan	1.90

Name of shareholder	% of holding
Sanjib Maharjan	1.84
Samundra Kaji Shrestha	1.76
Krishna Awale	1.41
Rabin Maharjan	1.35
Gyanesh Maharjan	1.20
Babu Kaji Maharjan	1.18
Hera Man Maharjan	1.12
Ram Kaji Awale	1.03
Aayunskha Maharjan	1.00
Anil Maharjan	1.00
Hira Kaji Maharjan	1.00
Bikki Maharjan	1.00
Rajeeb Prasad Pyakurel	1.00
Ishwori Bade	0.99
Arjun Maharjan	0.96

Name of shareholder	% of holding
Isha Shrestha	0.94
Bish Ram Singh	0.91
Anil Maharjan	0.79
Toya Nath Poudel	0.77
Bijaya Maharjan	0.74
Saraswoti Timalisina	0.71
Rajendra Shakya	0.70
Binaya Amatya	0.62
Ishan Shrestha	0.62
Ajay Humagain	0.56
Ramesh Singh Maharjan	0.54
Sandip Timalisina	0.53
Purna Maharjan	0.50
<b>Total</b>	<b>70.72</b>

## Reserves

For the year ended on 31 Asar 2077

Note: 4.27

Particulars	As at 31.03.2077	As at 31.03.2076
Statutory general reserve	18,973,013	18,088,566
Exchange equalisation reserve	-	-
Corporate social responsibility reserve	44,222	282,288
Capital redemption reserve	-	-
Regulatory reserve	15,323,966	8,244,833
Investment adjustment reserve	-	-
Capital reserve	-	-
Assets revaluation reserve	-	-
Fair value reserve	8,837,932	(199,648)
Dividend equalisation reserve	-	-
Actuarial gain	-	-
Special reserve	-	-
Other reserve	-	-
Capital Adjustment Fund	-	-
Staff Training Reserve	150,124	21,836
<b>Total</b>	<b>43,329,258</b>	<b>26,437,875</b>

Regulatory reserve includes the amount that is allocated from profit or retained earnings for the finance as per directive of NRB for the purpose of implementation of NFRS and which shall not be regarded as free for distribution of dividend (cash as well as bonus shares). The amount allocated to this reserve includes the following adjustments as per NFRS:

Particulars	As at 31.03.2077	As at 31.03.2076
Accrued Interest on Loans and Advances recognised as income	15,323,966	6,586,482
Loss on Investment	-	1,293,846
Deferred Tax Assets	-	364,505
<b>Total</b>	<b>15,323,966</b>	<b>8,244,833</b>

Movement of specific reserves for the year 2076-77 is as follows:

Particulars	Corporate social responsibility reserve	Training reserve
Opening	282,288	21,835
Addition for the year	44,222	150,124
Utilization during the year	(282,288)	(21,835)
Closing	44,222	150,124

## Contingent liabilities and commitments

For the year ended on 31 Asar 2077

Note: 4.28

Particulars	As at 31.03.2077	As at 31.03.2076
Contingent liabilities	-	-
Undrawn and undisbursed facilities	38,883,170	22,461,930.00
Capital commitment	-	2,419,279.00
Lease Commitment	78,098,357	42,239,858.00
Litigation		
<b>Total</b>	<b>116,981,527</b>	<b>67,121,067.00</b>

## Contingent liabilities

For the year ended on 31 Asar 2077

Note: 4.28.1

Particulars	As at 31.03.2077	As at 31.03.2076
Acceptance and documentary credit		
Bills for collection		
Forward exchange contracts		
Guarantees		
Underwriting commitment		
Other commitments		
<b>Total</b>	<b>-</b>	<b>-</b>

## Undrawn and undisbursed facilities

For the year ended on 31 Asar 2077

Note: 4.28.2

Particulars	As at 31.03.2077	As at 31.03.2076
Undisbursed amount of loans	38,883,170	22,461,930
Undrawn limits of overdrafts		
Undrawn limits of credit cards		
Undrawn limits of letter of credit		
Undrawn limits of guarantee		
<b>Total</b>	<b>38,883,170</b>	<b>22,461,930</b>

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

For the year ended on 31 Asar 2077

Note: 4.28.3

Particulars	As at 31.03.2077	As at 31.03.2076
<b>Capital commitments in relation to Property and Equipment</b>		
Approved and contracted for	-	2,419,279
Approved but not contracted for	-	
Sub total	-	2,419,279
<b>Capital commitments in relation to Intangible assets</b>		
Approved and contracted for	-	
Approved but not contracted for	-	
Sub total	-	-
<b>Total</b>	-	2,419,279

## Lease commitments

For the year ended on 31 Asar 2077

Note: 4.28.4

Particulars	As at 31.03.2077	As at 31.03.2076
<b>Operating lease commitments</b>		
Future minimum lease payments under non cancellable operating lease, where the bank is lessee		
Not later than 1 year	9,148,072	4,824,327
Later than 1 year but not later than 5 years	38,433,392	20,995,470
Later than 5 years	30,516,893	16,420,061
Sub total	78,098,357	42,239,858
<b>Finance lease commitments</b>		
Future minimum lease payments under non cancellable operating lease, where the bank is lessee		
Not later than 1 year		
Later than 1 year but not later than 5 years		
Later than 5 years		
Sub total	-	-
<b>Grand total</b>	78,098,357	42,239,858

## Litigation

For the year ended on 31 Asar 2077

Note: 4.28.5

There is no any legal case pending for or against the Finance company

## Interest income

For the year ended on 31 Asar 2077

Note: 4.29

Particulars	Current Year	Previous Year
Cash and cash equivalent	41,573,751	35,205,845
Due from Nepal Rastra Bank	-	-
Placement with bank and financial institutions	-	-
Loan and advances to bank and financial institutions	-	-
Loans and advances to customers	187,716,923	108,659,281
Investment securities	3,782,448	719,250
Loan and advances to staff	1,418,485	388,268
Other	-	-
<b>Total interest income</b>	<b>234,491,607</b>	<b>144,972,644</b>

## Interest expense

For the year ended on 31 Asar 2077

Note: 4.30

Particulars	Current Year	Previous Year
Due to bank and financial institutions	-	-
Due to Nepal Rastra Bank	-	-
Deposits from customers	128,065,036	74,159,738
Borrowing	-	-
Debt securities issued	-	-
Subordinated liabilities	-	-
Other	-	-
<b>Total interest expense</b>	<b>128,065,036</b>	<b>74,159,738</b>

## Fees and Commission Income

For the year ended on 31 Asar 2077

Note: 4.31

Particulars	Current Year	Previous Year
Loan administration fees	-	-
Service fees	8,137,268	10,128,666
Penalty Income	861,757	-
Commitment fees	-	-
DD/TT/Swift fees	-	-
Credit card/ATM issuance and renewal fees	400	-
Prepayment and swap fees	-	-
Investment banking fees	-	-
Asset management fees	-	-
Brokerage fees	-	-
Remittance fees	194,428	136,097
Commission on letter of credit	-	-
Commission on guarantee contracts issued	-	-
Commission on share underwriting/issue	-	-
Locker rental	-	-
Other fees and commission income	798	-
<b>Total fees and Commission Income</b>	<b>9,194,650</b>	<b>10,264,763</b>

## Fees and commission expense

For the year ended on 31 Asar 2077

Note: 4.32

Particulars	Current Year	Previous Year
ATM management fees	-	-
VISA/Master card fees	-	-
Guarantee commission	-	-
Brokerage	-	-
DD/TT/Swift fees	-	-
Remittance fees and commission	-	-
Other fees and commission expense	-	-
<b>Total fees and Commission Expense</b>	<b>-</b>	<b>-</b>

## Net trading income

For the year ended on 31 Asar 2077

Note: 4.33

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

## Other operating income

For the year ended on 31 Asar 2077

Note: 4.34

Particulars	Current Year	Previous Year
Foreign exchange revaluation gain	-	-
Gain/loss on sale of investment securities	-	-
Fair value gain/loss on investment properties	-	-
Dividend on equity instruments	617	183,166
Gain/loss on sale of property and equipment	11,558	-
Gain/loss on sale of investment property	-	-
Operating lease income	-	-
Gain/loss on sale of gold and silver	-	-
Locker rent	-	-
Other	-	18,000
<b>Total</b>	<b>12,175</b>	<b>201,166</b>

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

For the year ended on 31 Asar 2077

Note: 4.35

Particulars	Current Year	Previous Year
Impairment charge/(reversal) on loan and advances to B/FIs	3,891,016	778,897
Impairment charge/(reversal) on loan and advances to customer	39,272,031	8,446,109
Impairment charge/(reversal) on financial investment	-	-
Impairment charge/(reversal) on placement with banks and financial institutions	-	(13,438,834)
Impairment charge/(reversal) on property and equipment	-	-
Impairment charge/(reversal) on goodwill and intangible assets	-	-
Impairment charge/(reversal) on investment properties	-	-
<b>Total</b>	<b>43,163,047</b>	<b>(4,213,828)</b>

## Personnel Expense

For the year ended on 31 Asar 2077

Note: 4.36

Particulars	Current Year	Previous Year
Salary	15,748,502	8,080,593
Allowances	10,819,523	4,680,143
Gratuity expense	574,674	516,671
Provident fund	1,484,621	665,297
Uniform	800,000	330,000
Training & development expense	506,426	362,195
Leave encashment	961,645	717,467
Medical	1,690,374	981,281
Insurance	-	-
Employees incentive	-	-
Cash-settled share-based payments	-	-
Pension expense	-	-
Finance expense under NFRS	263,624	19,734
Other expenses related to staff	-	-
Subtotal	32,849,389	16,353,381
Employees bonus	12,492	4,803,758
<b>Grand total</b>	<b>32,861,881</b>	<b>21,157,139</b>

## Other operating expense

For the year ended on 31 Asar 2077

Note: 4.37

Particulars	Current Year	Previous Year
Directors' fee	561,800	384,600
Directors' expense	210,805	118,521
Auditors' remuneration	169,500	169,500
Other audit related expense	218,815	216,724
Professional and legal expense	869,953	465,437
Office administration expense	19,280,968	11,593,973
Operating lease expense	9,182,040	4,074,915
Operating expense of investment properties	-	-
Corporate social responsibility expense	1,384,326	191,168
Onerous lease provisions	-	-
Other	-	-
<b>Total</b>	<b>31,878,208</b>	<b>17,214,838</b>

Office administration expenses include the following:	Current Year	Previous Year
Water and electricity	1,332,153	514,822
Repair and maintenance		
Building	-	-
Vehicles	165,653	81,597
Computer and accessories	-	-
Office equipment and furniture	785,945	-
Others	1,771,016	695,450
Insurance	951,102	1,127,736
Postage, telex, telephone , fax	1,488,884	208,039
Printing and stationery	1,145,604	533,567
Newspaper, books and journal	124,981	43,304
Advertisement	1,001,707	664,869
Donation	40,000	-
Security	5,966,400	2,379,404
Deposit and loan guarantee premium	-	-
Travel allowance and expense	796,914	332,329
Entertainment	366,713	349,051
Annual/special general meeting	428,746	430,508
Other expenses	2,915,150	4,233,297
<b>Total</b>	<b>19,280,968</b>	<b>11,593,973</b>

## Depreciation & Amortisation

For the year ended on 31 Asar 2077

Note: 4.38

Particulars	Current Year	Previous Year
Depreciation on property and equipment	7,163,170	3,410,148
Depreciation on investment property	-	-
Amortisation of intangible assets	442,169	289,427
<b>Total</b>	<b>7,605,339</b>	<b>3,699,575</b>

## Non operating income

For the year ended on 31 Asar 2077

Note: 4.39

Particulars	Current Year	Previous Year
Recovery of loan written off	-	4,616,458
Other income	-	-
<b>Total</b>	<b>-</b>	<b>4,616,458</b>



## Non operating expense

For the year ended on 31 Asar 2077

Note: 4.40

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

## Income tax expense

For the year ended on 31 Asar 2077

Note: 4.41

Particulars	Current Year	Previous Year
<b>Current tax expense</b>	<b>(3,712,732)</b>	<b>15,165,107</b>
Current year	-	16,641,337
Adjustments for prior years	(3,712,732)	(1,476,230)
<b>Deferred tax expense</b>	<b>(584,582)</b>	<b>4,643,658</b>
Origination and reversal of temporary differences	(584,582)	4,643,658
Changes in tax rate		
Recognition of previously unrecognised tax losses		
<b>Total income tax expense</b>	<b>(4,297,314)</b>	<b>19,808,765</b>

## Reconciliation of tax expense and accounting profit

For the year ended on 31 Asar 2077

Note: 4.41.1

Current Year		
Profit before tax	124,921	48,037,569
Tax amount at tax rate of 30%	37,476	14,411,271
Add: Tax effect of expenses that are not deductible for tax purpose	(37,476)	(1,378,305)
Less: Tax effect on exempt income	-	-
Add/less: Tax effect on other items	-	-
Total income tax expense	-	13,032,966
Effective tax rate	0.00%	27.13%

## Statement of Distributable Profit or Loss

For the year ended on 31 Asar 2077

Note: 4.42

Particulars	Current Year	Previous Year
Adjusted Retained earning of 1st Shrawan	10,867,025	(8,869,360.00)
Regulatory Adjustment of Previous Year		(1,341,166.00)
<b>Adjusted Retained Earning available for distribution before current year profit</b>	<b>10,867,025</b>	<b>(5,151,713.00)</b>
<b>Net profit or (loss) as per statement of profit or loss</b>	<b>4,422,235</b>	<b>28,228,804</b>
Appropriations:		
a. General reserve	(884,447)	(5,645,761)
b. Foreign exchange fluctuation fund		-
c. Capital redemption reserve		-
d. Corporate social responsibility fund	(44,222)	(282,288)
e. Employees' training fund	(150,124)	-
f. Investment Adjustment Reserve	-	348,258
g. Other	-	273,392
<b>Profit or (loss) before regulatory adjustment</b>	<b>14,210,467</b>	<b>17,770,692</b>
Regulatory adjustment :		
a. Interest receivable (-)/previous accrued interest received (+)	(8,737,483)	(5,738,618)
b. Short loan loss provision in accounts (-)/reversal (+)	-	-
c. Short provision for possible losses on investment (-)/reversal (+)	1,293,846	(800,544)
d. Short loan loss provision on Non Banking Assets (-)/reversal (+)	-	-
e. Deferred tax assets recognised (-)/ reversal (+)	364,505	(364,505)
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognised (-)/reversal (+)	-	-
h. Actuarial loss recognised (-)/reversal (+)	-	-
i. Other (+/-)	-	-
Distributable profit or (loss) from current year profit	7,131,335	10,867,025
Add: Amount transferred from CSR to retained earnings	282,288	
Add: Amount transferred from Employee Trainings fund to retained earnings	21,835	
<b>Net Distributable profit or (loss) from current year profit</b>	<b>7,435,459</b>	<b>9,701,976</b>

Total amount available for distribution is as follows:	
Retained earning	7,435,459
Share premium (bonus share only)	7,124,781
<b>Total</b>	<b>14,560,240</b>

## Disclosure and Additional Information

For the year ended on 31 Asar 2077

Note: 5

### 5.1 Risk Management

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

#### a) Credit Risk

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

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

Each prospective borrower is thoroughly analysed on his/her past, current status and future endeavours in order to ensure that borrower has capacity of repayment, before a credit is approved. Sufficient adequate collateral is obtained for all approved credit. Depending on the risk assigned to borrower, subsequent monitoring is being done. For similar group of borrowers, credit portfolio is prepared based on sector of loan.

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

#### b) Market Risk

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

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

**Interest Rate Risk:** Interest rate risk is the risk of increased volatility due to changes in interest rate. Our nation has seen frequent and high changes in interest rate on deposit in the recent year with interest rate skyrocketing on few months time. Managing this risk is itself a huge challenge because fund diversion from one to Finance to another Finance is of high probability. Finance Co. has been focusing on raising fixed term deposits with fixed interest rate in order to lock the available liquidity/deposit for specified period.

**Foreign Exchange Risk:** Foreign exchange risk is the risk of changes in exchange rates of convertible foreign currencies. This risk mainly arises from changes in exchange rate of US Dollars. Finance Co. does not have transaction in foreign currency.

**Equity Price Risk:** Finance Co. has secured its loan by way of obtaining lien over the collateral of borrower. The value of loan disbursed is directly pegged with the value of collateral. Decrease in price of collateral may result in cases of non-recovery of the due amount if borrower defaults in making payment. Collateral value may decline due to environmental factors, government decision, etc. Finance Co. properly analyses the collateral before considering it as security and

conducts independent valuation of collateral. Revaluation is done on periodic basis based on the developments after previous valuation and necessary mitigative measures are taken if the value is found to have been declined.

#### c) Liquidity Risk

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

#### d) Operational Risk

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

#### e) Information Technology Risk

Information technology risk refers to the risk arising from use of information technology. It includes hardware and software failure, human error on using IT, spam, virus, malicious attacks and also includes natural disaster. IT is integral part of operation of Finance Co. and Finance Co. has to rely heavily on IT. Finance Co. has in-house IT department for daily monitoring, evaluation of IT related issues. Finance Co.'s IT risk management comprises of investing in resources for identification, detection, recovery, respond and protection of IT assets.

#### f) Other Risk

The ever-changing environment gives rise to various new risks. Some of this include reputational risk, human resource risk, compliance risk etc. The risks are being evaluated and managed on daily/periodic basis by way of implementing mitigating measures. Nevertheless, the Risk Management Department/Compliance Department remains vigilant towards each risk.

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

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

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

As at 31 Ashad 2077

Particulars	Classification	Level 1	Level 2	Level 3
<b>Financial Assets</b>				
Cash and cash equivalent		594,040,745		
Due from Nepal Rastra Finance	AC	158,808,547		
Loans and advances to customers	AC			1,211,050,369
Investment securities				
Quoted shares	FVOCI	131,755,397		
Unquoted shares	FVOCI			1,089,000
Other Investment	AC			215,000,000
Total Financial Assets		884,604,689	-	1,427,139,369

Particulars	Classification	Level 1	Level 2	Level 3
<b>Financial Liabilities</b>				
Due to Finance and Financial Institutions	AC	218,785,475		
Deposits from customers	AC	1,744,399,857		
Other Liabilities	AC			
<b>Total Financial Liabilities</b>		<b>1,963,185,332</b>	-	-

As at 31 Ashad 2076

Particulars	Classification	Level 1	Level 2	Level 3
<b>Financial Assets</b>				
Cash and cash equivalent		794,546,538		
Due from Nepal Rastra Bank	AC	36,833,783		
Loans and advances to customers	AC			934,107,206
Investment securities				
Quoted shares	FVOCI	73,764,940		
Unquoted shares	FVOCI			1,089,000
Other Investment	AC			15,000,000
Total Financial Assets		905,145,261	-	950,196,206
<b>Financial Liabilities</b>				
Due to Finance and Financial Institutions	AC	40,054,073		
Deposits from customers	AC	1,070,955,210		
Other Liabilities	AC			15,500,203
<b>Total Financial Liabilities</b>		<b>1,111,009,283</b>	-	<b>15,500,203</b>

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

### 5.3 Capital Management

#### 5.3.1 Principle and Objective

The principle of capital management of the Finance is to maintain strong capital base, meet the regulatory requirements and ensure reasonable return on capital to its shareholders. The Finance Co., through its senior management level and manages the capital to meet regulatory requirement at all times and the Board ensures that such management of capital has been carried out by the management. Finance Co. has issued ordinary equity shares and the paid up capital meets the requirement of NRB. Periodic review of core capital and capital fund is also being done to ensure the capital base remains strong. Capital Adequacy Framework (CAF) 2007 (Updated 2008) is a benchmark of managing capital base of the Finance Co.

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

#### 5.3.2 Capital Structure and Capital Adequacy

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

Particulars	As at 31 Ashad 2077	As at 31 Ashad 2076
<b>1.1 Risk Weighted Exposure (RWE)</b>		
RWE for Credit Risk	1,819,782.28	1,194,694.21
RWE for Operational Risk	74,960.00	101,025.10
RWE for Market Risk	-	-
<b>Total RWE before adjustment under Pillar II</b>	<b>1,894,742.28</b>	<b>1,295,719.31</b>

Particulars	As at 31 Ashad 2077	As at 31 Ashad 2076
<b>Adjustments under Pillar II</b>		
<b>Total RWE</b>	<b>1,894,742.28</b>	<b>1,295,719.31</b>
<b>1.2 Capital</b>		
<b>A. Core Capital (Tier I)</b>	<b>833,633.25</b>	<b>849,281.53</b>
Paid up Equity Share Capital	800,100.00	800,100.00
Irredeemable Non-cumulative preference shares		
Share Premium	7,124.78	7,124.78
Proposed Bonus Equity Shares		
Statutory General Reserves	18,973.01	18,088.57
Retained Earnings	7,435.46	(3,810.55)
Un-audited current year cumulative profit/(loss)	-	28,228.80
Capital Redemption Reserve		
Capital Adjustment Reserve		
Dividend Equalization Reserves		
Other Free Reserve		
Less: Goodwill		
Less: Deferred Tax Assets	-	(450.07)
Less: Fictitious Assets		
Less: Investment in equity in licensed Financial Institutions		
Less: Investment in equity of institutions with financial interests		
Less: Investment in equity of institutions in excess of limits		
Less: Investments arising out of underwriting commitments		
Less: Reciprocal crossholdings		
Less: Purchase of land & building in excess of limit and unutilized		
Less: Other Deductions		
<b>Adjustments under Pillar II</b>		
<b>B. Supplementary Capital (Tier II)</b>	<b>25,103.07</b>	<b>12,492.34</b>
Cumulative and/or Redeemable Preference Share		
Subordinated Term Debt		
Hybrid Capital Instruments		
General Loan Loss Provision	25,103.07	11,998.01
Exchange Equalization Reserve		
Investment Adjustment Reserve	-	348.26
Assets Revaluation Reserve	-	41.59
Other Reserves	-	104.48
<b>Total Capital Fund (Tier I and Tier II)</b>	<b>858,736.32</b>	<b>861,773.87</b>
<b>1.3 Capital Adequacy Ratio</b>		
<b>Tier I Capital to Total RWE</b>	<b>44.00%</b>	<b>65.55%</b>
<b>Total Capital Fund to Total RWE</b>	<b>45.32%</b>	<b>66.51%</b>



## Risk Exposure

### For the year ended on 31 Asar 2077

Note: 5.3.3

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

#### a) Credit Risk

	Current Year						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
<b>A. Balance Sheet Exposures</b>								
Cash Balance	47,650			47,650	0%	-		
Balance With Nepal Rastra Bank	158,809			158,809	0%	-		
Gold				-	0%	-		
Investment in Nepalese Government Securities	215,000			215,000	0%	-		
All Claims on Government of Nepal				-	0%	-		
Investment in Nepal Rastra Bank securities				-	0%	-		
All claims on Nepal Rastra Bank				-	0%	-		
Claims on Foreign Government and Central Bank (ECA 0-1)				-	0%	-		
Claims on Foreign Government and Central Bank (ECA -2)				-	20%	-		
Claims on Foreign Government and Central Bank (ECA -3)				-	50%	-		
Claims on Foreign Government and Central Bank (ECA-4-6)				-	100%	-		
Claims on Foreign Government and Central Bank (ECA -7)				-	150%	-		
Claims On BIS, IMF, ECB, EC and MDP's 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	546,391			546,391	20%	109,278.20		

	Current Year						Previous Year	
	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures	Net Value	Risk Weighted Exposures
	a	b	c	d=a-b-c	e	f=d*e		
Claims on domestic banks that do not meet capital adequacy requirements				-	100%	-		
Claims on foreign bank (ECA Rating 0-1)				-	20%	-		
Claims on foreign bank (ECA Rating 2)				-	50%	-		
Claims on foreign bank (ECA Rating 3-6)				-	100%	-		
Claims on foreign bank (ECA Rating 7)				-	150%	-		
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement				-	20%	-		
Claims on Domestic Corporates	776,337	5,803		770,533	100%	770,533.29		
Claims on Foreign Corporates (ECA 0-1)				-	20%	-		
Claims on Foreign Corporates (ECA 2)				-	50%	-		
Claims on Foreign Corporates (ECA 3-6)				-	100%	-		
Claims on Foreign Corporates (ECA 7)				-	150%	-		
Regulatory Retail Portfolio (Not Overdue)	567,394	17,357	3,885	546,152	75%	409,614.21		
Claims fulfilling all criterion of regularity retail except granularity				-	100%	-		
Claims secured by residential properties	230,223	1,378		228,846	60%	137,307.39		
Claims not fully secured by residential properties				-	150%	-		
Claims secured by residential properties (Overdue)				-	100%	-		
Claims secured by Commercial real estate	40,935	19,984		20,951	100%	20,950.59		
Past due claims (except for claims secured by residential properties)				-	150%	-		
High Risk claims	10,379	3,358		7,021	150%	10,531.36		
Lending against shares	56,323	231		56,092	150%	84,138.02		
Investments in equity and other capital instruments of institutions listed in stock exchange	131,755			131,755	100%	131,755.40		
Investments in equity and other capital instruments of institutions not listed in the stock exchange	1,089			1,089	150%	1,633.50		
Staff loan secured by residential property				-	60%	-		
Interest Receivable/claim on government securities	3,318			3,318	0%	-		

	Current Year						Previous Year	
	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures	Net Value	Risk Weighted Exposures
	a	b	c	d=a-b-c	e	f=d*e		
Cash in transit and other cash items in the process of collection				-	20%	-		
Other Assets (as per attachment)	65,942			65,942	100%	65,941.96		
<b>TOTAL (A)</b>	<b>2,851,544</b>	<b>48,111</b>	<b>3,885</b>	<b>2,799,548</b>		<b>1,741,683.92</b>		
<b>B. Off Balance Sheet Exposures</b>								
Revocable Commitments	38,883			38,883	0%	-		
Bills Under Collection				-	0%	-		
Forward Exchange Contract Liabilities				-	10%	-		
LC Commitments With Original Maturity Up to 6 months domestic counterparty				-	20%	-		
Foreign counterparty (ECA Rating 0-1)				-	20%	-		
Foreign counterparty (ECA Rating 2)				-	50%	-		
Foreign counterparty (ECA Rating 3-6)				-	100%	-		
Foreign counterparty (ECA Rating 7)				-	150%	-		
LC Commitments With Original Maturity Over 6 months domestic counterparty				-	50%	-		
Foreign counterparty (ECA Rating 0-1)				-	20%	-		
Foreign counterparty (ECA Rating 2)				-	50%	-		
Foreign counterparty (ECA Rating 3-6)				-	100%	-		
Foreign counterparty (ECA Rating 7)				-	150%	-		
Bid Bond, Performance Bond and Counter guarantee domestic counterparty				-	50%	-		
Foreign counterparty (ECA Rating 0-1)				-	20%	-		
Foreign counterparty (ECA Rating 2)				-	50%	-		
Foreign counterparty (ECA Rating 3-6)				-	100%	-		
Foreign counterparty (ECA Rating 7)				-	150%	-		
Bid Bond, Performance Bond and Counter guarantee domestic counterparty				-	50%	-		
Foreign counterparty (ECA Rating 0-1)				-	20%	-		
Foreign counterparty (ECA Rating 2)				-	50%	-		
Foreign counterparty (ECA Rating 3-6)				-	100%	-		
Foreign counterparty (ECA Rating 7)				-	150%	-		
Underwriting commitments				-	50%	-		
Lending of Bank's Securities or Posting of Securities as collateral				-	100%	-		
Repurchase Agreements, Assets sale with recourse				-	100%	-		
Advance Payment Guarantee				-	100%	-		
Financial Guarantee				-	100%	-		

	Current Year					Previous Year		
	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures	Net Value	Risk Weighted Exposures
	a	b	c	d=a-b-c	e	f=d*e		
Acceptances and Endorsements				-	100%	-		
Unpaid portion of Partly paid shares and Securities				-	100%	-		
Irrevocable Credit commitments (short term)	-			-	20%	-		
Irrevocable Credit commitments (long term)	-			-	50%	-		
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement				-	20%	-		
Other Contingent Liabilities	78,098			78,098	100%	78,098		
Unpaid Guarantee Claims				-	200%	-		
<b>TOTAL (B)</b>	<b>116,982</b>	<b>-</b>	<b>-</b>	<b>116,982</b>		<b>78,098</b>		
<b>Total RWE for credit Risk Before Adjustment (A) +(B)</b>	<b>2,968,525</b>	<b>48,111</b>	<b>3,885</b>	<b>2,916,529</b>		<b>1,819,782.28</b>		
<u>Adjustments under Pillar II</u>				-		-		
<b>Total RWE for Credit Risk</b>				<b>2,916,529</b>		<b>1,819,782.28</b>		

### Eligible Credit Risk Mitigants

Credit exposures	Deposits with Bank	Deposits with other banks/FI	Gold	Govt. & NRB Securities	G'tee of Govt. of Nepal	Sec/G'tee of Other Sovereigns	G'tee of domestic banks	G'tee of MDBs	Sec/ G'tee of Foreign Banks	Total
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
<b>Balance Sheet Exposures</b>										
Claims on Foreign government and Central Bank (ECA -2)										-
Claims on Foreign government and Central Bank (ECA -3)										-
Claims on Foreign government and Central Bank (ECA-4-6)										-
Claims on Foreign government and Central Bank (ECA -7)										-
Claims on Other Multilateral Development Banks										-
Claims on Public Sector Entity (ECA 0-1)										-
Claims on Public Sector Entity (ECA 2)										-
Claims on Public Sector Entity (ECA 3-6)										-
Claims on Public Sector Entity (ECA 7)										-

Credit exposures	Deposits with Bank	Deposits with other banks/FI	Gold	Govt. & NRB Securities	G'tee of Govt. of Nepal	Sec/G'tee of Other Sovereigns	G'tee of domestic banks	G'tee of MDBs	Sec/ G'tee of Foreign Banks	Total
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
Claims on domestic banks that meet capital adequacy requirements										-
Claims on domestic banks that do not meet capital adequacy requirements										-
Claims on foreign bank (ECA Rating 0-1)										-
Claims on foreign bank (ECA Rating 2)										-
Claims on foreign bank (ECA Rating 3-6)										-
Claims on foreign bank (ECA Rating 7)										-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement										-
Claims on Domestic Corporates										-
Claims on Foreign Corporates (ECA 0-1)										-
Claims on Foreign Corporates (ECA 2)										-
Claims on Foreign Corporates (ECA 3-6)										-
Claims on Foreign Corporates (ECA 7)										-
Regulatory Retail Portfolio (Not Overdue)	3,885									3,885.00
Claims fulfilling all criterion of regularity retail except granularity										-
Claims secured by residential properties										-
Claims not fully secured by residential properties										-
Claims secured by residential properties (Overdue)										-
Claims secured by Commercial Real Estate										-
Past due claims (except for claims secured by residential properties)										-
High Risk claims										-
Lending against shares										-
Investments in equity and other capital instruments of institutions listed in stock exchange										-
Investments in equity and other capital instruments of institutions not listed in the stock exchange										-
Other Assets (as per attachment)										-
<b>Total</b>	<b>3,885</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,885</b>

Credit exposures	Deposits with Bank	Deposits with other banks/FI	Gold	Govt. & NRB Securities	G'tee of Govt. of Nepal	Sec/G'tee of Other Sovereigns	G'tee of domestic banks	G'tee of MDBs	Sec/ G'tee of Foreign Banks	Total
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
Off Balance Sheet Exposures										
Forward Exchange Contract Liabilities										
LC Commitments With Original Maturity Up to 6 months domestic counterparty										
Foreign counterparty (ECA Rating 0-1)										
Foreign counterparty (ECA Rating 2)										
Foreign counterparty (ECA Rating 3-6)										
Foreign counterparty (ECA Rating 7)										
LC Commitments With Original Maturity Over 6 months domestic counterparty										
Foreign counterparty (ECA Rating 0-1)										
Foreign counterparty (ECA Rating 2)										
Foreign counterparty (ECA Rating 3-6)										
Foreign counterparty (ECA Rating 7)										
Bid Bond, Performance Bond and Counter guarantee domestic counterparty										
Foreign counterparty (ECA Rating 0-1)										
Foreign counterparty (ECA Rating 2)										
Foreign counterparty (ECA Rating 3-6)										
Foreign counterparty (ECA Rating 7)										
Underwriting commitments										
Lending of Bank's Securities or Posting of Securities as collateral										
Repurchase Agreements, Assets sale with recourse										
Advance Payment Guarantee										
Financial Guarantee										
Acceptances and Endorsements										
Unpaid portion of Partly paid shares and Securities										
Irrevocable Credit commitments (short term)										
Irrevocable Credit commitments (long term)										
Other Contingent Liabilities										
Unpaid Guarantee Claims										
<b>Total</b>	3,885	-	-	-	-	-	-	-	-	3,885
<b>Grand Total</b>										

## b) Operational Risk

Amount in '000

Particulars	Fiscal Year		
	2073-74	2074-75	2075-76
Net Interest Income	30,394.44	30,985.62	64,164.91
Commission and Discount Income	15.95	51.08	10,264.76
Other Operating Income	4,830.91	3,357.78	201.17
Exchange Fluctuation Income			
Addition/Deduction in Interest Suspense during the period	339.20	(1,355.15)	6,648.00
<b>Gross income (a)</b>	<b>35,580.51</b>	<b>33,039.33</b>	<b>81,278.84</b>
<b>Alfa (b)</b>	<b>15%</b>	<b>15%</b>	<b>15%</b>
<b>Fixed Percentage of Gross Income [c=(a×b)]</b>	<b>5,338.00</b>	<b>4,956.00</b>	<b>12,192.00</b>
<b>Capital Requirement for operational risk (d) (average of c)</b>	<b>7,496.00</b>		
<b>Risk Weight (reciprocal of capital requirement of 10%) in times (e)</b>	<b>10</b>		
<b>Equivalent Risk Weight Exposure [f=(d×e)]</b>	<b>74,960.00</b>		
Pillar II Adjustments			
<b>If Gross Income for the last three years is negative (6.4 a 8)</b>			
Total Credit and Investment (net of Specific Provision) of related month			-
Capital Requirement for Operational Risk (5% of net credit and investment)			-
<b>Risk Weight (reciprocal of capital requirement of 10%) in times</b>	<b>10</b>		
<b>Equivalent Risk Weight Exposure (g)</b>	<b>-</b>		
<b>Equivalent Risk Weight Exposure [h=f+g]</b>	<b>74,960.00</b>		

## c) Market Risk

Currency	Open Position (FCY)	Exchange Rate	Open Position (NRs.)	Relevant Open Position of Previous Year
INR	-	-	-	-
USD	-	-	-	-
GBP	-	-	-	-
EUR	-	-	-	-
THB	-	-	-	-
CHF	-	-	-	-
AUD	-	-	-	-
CAD	-	-	-	-
SGD	-	-	-	-
JPY	-	-	-	-
HKD	-	-	-	-
DKK	-	-	-	-
SEK	-	-	-	-
SAR	-	-	-	-
QAR	-	-	-	-
AED	-	-	-	-
MYR	-	-	-	-
KRW	-	-	-	-

Currency	Open Position (FCY)	Exchange Rate	Open Position (NRs.)	Relevant Open Position of Previous Year
CNY	-	-	-	-
KWD	-	-	-	-
BHD	-	-	-	-
(a) Total Open Position				-
(b) Fixed Percentage				5%
(c) Capital Charge for Market Risk (=a*b)				-
(d) Risk Weight (reciprocal of capital requirement of 10%) in times				10
(e) Equivalent Risk Weight Exposure (=c*d)				-

#### d) Non Performing Assets (Gross and Net)

Non Performing Assets	Gross Amount	Impairment Allowance	Net Amount
Restructured and Rescheduled	-	-	-
Sub-Standard	25,161,755.62	6,290,438.91	18,871,316.72
Doubtful	8,807,759.77	4,403,879.89	4,403,879.89
Bad	23,116,545.87	23,116,545.87	-
<b>Total</b>			<b>23,275,196.60</b>

## Compliance with Capital Requirement

For the year ended on 31 Asar 2077

Note: 5.3.4

Inline with NRB Directive 1/076, the following is the status of compliance with capital requirements at Ashad end 2077

Particulars	Requirement	Position
Tier I Capital to RWE	6%	44.00%
Tier I and Tier II Capital to RWE	10%	45.32%

## Operating Segment Information

For the year ended on 31 Asar 2077

Note: 5.4

### 5.4.1 General Information

Finance Co.'s management has identified its operating segments based on the management of its branches and offices. In line with this, 7 different segments are identified based on 7 Provinces of Nepal on geographical separation basis. The operation, risk, transactions, etc. are more inclined on similar manner on a particular state. All the related income and expenses of such segments are presented in the segment information. Equity, staff bonus, NFRS adjustments and income tax are not segregated and are included in central account. Intra-segment transactions are eliminated. Finance has only presence in Province 3, hence all income, expenses, assets and liabilities have been allocated in this segment and there does not exist unallocated portion.

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

- Financial Intermediary Activities: Revenue generated by way of providing financing services is categorized under this sector. This includes loans and deposit, service charges related to loans and deposit and related charges and income.

- ii) Treasury: Revenue generated by way of making investment in government securities, corporate bonds, mutual fund units, shares etc. are grouped under this product.
- iii) Others: Other revenue are included in this product and includes operational service fees, locker, guarantee commission, ATM fees, remittance commission etc.

#### 5.4.2 Segment result and segment position for the year ended on Ashad 2077

Particulars	Province 1	Province 2	Province 3	Gandaki	Province 5	Karnali	Far West	Total
Revenue from external customers		5,722,900	236,007,767	1,955,589				243,686,257
Intersegment revenues		936,004	(3,233,418)	2,297,415				-
<b>Net revenue</b>		<b>6,658,904</b>	<b>232,774,349</b>	<b>4,253,004</b>				<b>243,686,257</b>
Interest income		5,916,142	224,568,249	4,007,216				234,491,607
Interest expenses		4,720,367	118,999,195	4,345,475				128,065,036
<b>Net interest revenue</b>		<b>1,195,775</b>	<b>105,569,054</b>	<b>(338,258)</b>				<b>106,426,570</b>
Depreciation and amortization		856,904	6,298,874	449,562				7,605,339
<b>Segment profit/(loss)</b>		<b>(6,516,551)</b>	<b>11,388,311</b>	<b>(4,734,346)</b>				<b>137,413</b>
<b>Entity's interest in the profit or loss of associate accounted for using equity method</b>								
<b>Other material non-cash items:</b>								
<b>Loans:</b>								
Consumer		57,236,451	428,270,814	16,378,567				501,885,832
Corporate		11,081,874	1,161,541,475	7,081,606				1,179,704,955
<b>Deposit</b>								
Consumer		52,995,414	777,537,442	48,924,208				879,457,064
Corporate		124,003,875	929,435,124	30,289,271				1,083,728,270
Impairment of Assets		683,183	67,347,424	234,602				68,265,209
Segment Assets		214,665,068	2,591,020,790	37,820,068				2,843,505,926
Segment Liabilities		214,665,068	1,733,031,292	37,820,068				1,985,516,429

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

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

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

- a) Revenue

<b>Total revenue for reportable segments</b>	<b>243,686,257</b>
Other revenue	-
Elimination of intersegment revenues	-
<b>Entity's revenue</b>	<b>243,686,257</b>

#### b) Profit or loss

<b>Total profit or loss for reportable segments</b>	<b>137,413</b>
Other profit or loss	-
Elimination of intersegment profit	-
Unallocated amounts:	
Staff bonus	12,492
Income tax	(4,297,314)
NFRS adjustments	-
<b>Profit After income tax</b>	<b>4,422,235</b>

#### c) Assets

<b>Total assets for reportable segments</b>	<b>2,843,505,926</b>
Other assets	-
Unallocated assets	-
<b>Entity's assets</b>	<b>2,843,505,926</b>

#### d) Liabilities

<b>Total liabilities for reportable segments</b>	<b>1,985,516,429</b>
Other liabilities	-
Unallocated liabilities	-
<b>Entity's liabilities</b>	<b>1,985,516,429</b>

#### 5.4.5 Information about product and services

Particulars	Amount
Financial Intermediary Activities	238,846,427
Treasury	3,783,065
Others	1,068,940

#### 5.4.6 Information about geographical areas

Revenue from geographical areas are as follows:

Domestic:	243,686,257
Province 1	
Province 2	5,722,900
Province 3	236,007,767
Gandaki	1,955,589
Province 5	
Karnali	
Far West	
Foreign:	
<b>Total Revenue</b>	<b>243,686,257</b>

#### 5.4.7 Information about major customers

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

## 5.5 Share options and share based payment

Not applicable

## 5.6 Contingent liabilities and capital commitment

Contingent liabilities are:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or
- present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

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

Quantitative information on contingent liabilities and capital commitments are presented in Note 4.28.

## 5.7 Related parties disclosure

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

### 5.7.1 Key management personnel

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

#### a) Board of Directors

Board of Directors comprise the following:

Name	Position
Mr. Kishore Kumar Maharjan	Chairperson
Mr. Anish Maharjan	Director
Mr. Sambhu Lal Dangol	Director
Ms. Sabina Maharjan	Director
Mr. Samundra Kaji Shrestha	Director
Mr. Biplove Singh	Independent Director
Mr. Bishal Humagain serves as the secretary of Board.	

#### Allowance and facilities provided to board members

Chairperson of the Board is provided Rs. 2,200 and other board members are provided Rs. 2,000 as meeting fees for attending the board meetings. Total amount paid as meeting allowance during the year to board members was Rs. 561,800.

All board members are provided Rs. 1,500 per month per person in order to cover expenses related to newspaper and telephone expenses.

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

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

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

#### b) Chief Executive Officer

Mr Bishal Humagain serves as Chief Executive Officer of the Bank. He is provided salary and allowance and benefits as per contract entered on his appointment. Annual salary and allowances provided to Mr. Humagain during the year amounts to Rs 3,623,358 (previous year Rs. 3,125,390).

In addition, the CEO is provided vehicle facility by the bank.

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

#### 5.8 Merger and acquisition

During the current fiscal year, there has not been any completed merger or acquisition.

#### 5.9 Events after reporting date

##### Proposed dividend

The Board of Directors of the Bank has not proposed any bonus shares and cash dividend.

Adjustment of Interest received till Ashwin 2077 on regulatory reserve

Creation of regulatory reserve is not required for Accrued interest receivable as on Ashad end 2077 which was recognized subsequently up to Asoj end 2077. Such accrued interest receivable as on Ashad End 2077 which was subsequently recovered within Asoj end 2077 amount to NPR 22,093,496.

#### 5.10 COVID Related Relief

Due to the corona virus outbreak and lockdown situation subsequent to spread of the virus, borrowers have faced/ are facing financial hardship that has aggravated their financial situation and their ability to suffice their loan commitments is under immense stress. Finance has duly complied with the directives, circulars and notices related to COVID's impact mitigating measures issued by Nepal Rastra Bank time to time. NRB on 16th Baisakh 2077 had issued notice in relation to relief for COVID notice stipulates on the relief rebate of 2% to almost all the credit customers on the interest rate as on Chaitra 2076 to be effective for last quarter of the FY 2076/77. In the same line finance had provided relief to the customers as per the regulatory direction.

## Major Financial Indicators of Last Five Years

For the year ended on 31 Asar 2077

Note: 5.11

S.N.	Particulars	Indicator	2076-77	2075-76	2074-75	2073-74	2072-73
1	Net profit/total income	%	1.81	17.64	7.51	14.18	24.80
2	Earning per share						
	Basic earning per share	Rs.	0.55	8.64	4.75	6.21	10.13
	Diluted earning per share	Rs.	0.55	8.64	4.75	6.21	10.13
3	Market price per share	Rs.	146.00	138.00	135.00	232.00	232.00
4	Price/earning ratio	Times	264.15	15.97	28.42	37.36	22.90
5	Dividend or bonus per share	Rs.	-	-	-	-	-
6	Cash dividend	Rs.	-	-	-	-	-
7	Interest income/loan and advances	%	13.83	14.00	16.64	12.25	9.98
8	Employee expenses/total operating expenses	%	45.42	50.29	44.74	14.38	21.29
9	Employee expenses/total deposit and borrowing	%	1.67	1.90	1.34	1.62	1.70
10	Exchange income/total income	%	-	-	-	-	-
11	Staff bonus/total employee expenses	%	0.04	22.71	11.44	17.36	23.84
12	Net profit/loans and advances	%	0.26	2.79	1.34	2.15	4.54
13	Net profit/total assets	%	0.16	1.43	0.61	1.68	2.78
14	Total loans and advances/total deposit	%	64.93	93.21	65.35	110.69	83.82
15	Total operating expenses/total assets	%	2.54	2.13	2.16	7.92	5.85
16	Capital adequacy ratio						
	a) Core Capital	%	44.00	65.55	173.02	32.20	34.84
	b) Supplementary Capital	%	1.32	0.96	-	1.62	0.88
	c) Total Capital Fund	%	45.32	66.51	173.02	33.82	35.72
17	Cash reserve ratio (CRR)	%	7.97	3.76	3.27	2.74	3.19
18	NPAs/total loan and advances	%	2.18	1.43	1.90	1.67	1.59
19	Base rate	%	11.22	10.55			
20	Weighted average interest rate spread	%	4.73	4.53		3.99	6.50
21	Book net worth	Rs.	107.21	105.55	140.75	104.12	95.45
22	Total shares	No.	8,001,000	8,001,000	2,100,000	2,100,000	2,001,600
23	Total employees	No.	81.00	38	31	19	19
24	Others:						
	<b>Per employee business (Rs. In lakh)</b>	%	<b>3,008,623</b>	<b>26,799,684</b>	<b>16,460,387</b>	<b>31,850,455</b>	<b>23,532,700</b>
	<b>Employee expenses/total income</b>	%	<b>13.48</b>	<b>13.22</b>	<b>11.86</b>	<b>9.62</b>	<b>11</b>

## Comparison Audited and Unaudited Financial Statements

Fiscal Year: 2076-77

Amount in '000

Statement of Financial Position	As per Unaudited Financial Statements	As per Audited Financial Statements	Variance		Reasons for Variance
			In Amount	In %	
<b>Assets</b>					
Cash and cash equivalent	47,649,740	594,040,745	(546,391,005)	-1147%	Regrouping with due from NRB
Due from Nepal Rastra Bank	694,620,627	158,808,547	535,812,080	77%	Regrouping with cash and cash equivalent
Placement with Bank and Financial Institutions	-	-	-	0%	
Derivative financial instruments	-	-	-	0%	
Other trading assets	-	-	-	0%	
Loan and advances to B/FIs	462,321,357	462,502,374	(181,016)	0%	
Loans and advances to customers	1,197,362,954	1,211,050,369	(13,687,415)	-1%	Regrouping with loans and advance to B/FIs, AIR on loans (net of suspense) included along with loan which was included in other assets in unaudited
Investment securities	358,568,119	347,844,398	10,723,721	3%	Correction of incorrect investment entry
Current tax assets	-	662,152	(662,152)	0%	
Investment in subsidiaries	-	-	-	0%	
Investment in associates	-	-	-	0%	
Investment property	-	-	-	0%	
Property and equipment	38,501,218	39,251,820	(750,602)	-2%	Depreciation charge rectified for some assets.
Goodwill and Intangible assets	1,767,320	1,300,831	466,489	26%	Reclassified from Property & Equipment
Deferred tax assets	-	-	-	0%	
Other assets	39,478,229	28,044,690	11,433,539	29%	Staff Loans & Advances regrouped to loans & advances
<b>Total Assets</b>	<b>2,840,269,564</b>	<b>2,843,505,926</b>	<b>(3,236,362)</b>		
<b>Liabilities</b>					
Due to Bank and Financial Institutions	218,785,470	218,785,475	(5)	0%	
Due to Nepal Rastra Bank	-	-	-	0%	
Derivative financial instruments	-	-	-	0%	
Deposits from customers	1,744,399,862	1,744,399,857	5	0%	
Borrowing	-	-	-	0%	
Current Tax Liabilities	3,098,348	-	3,098,348	100%	Recomputation of tax liability

Statement of Financial Position	As per Unaudited Financial Statements	As per Audited Financial Statements	Variance		Reasons for Variance
			In Amount	In %	
Provisions	-	-	-	0%	
Deferred tax liabilities	3,466,619	2,838,598	628,021	18%	Recomputation of Deferred Tax
Other liabilities	15,403,303	19,492,498	(4,089,195)	-27%	Changes in figures of liabilities on finalization of calculation related to staffs, bonus etc.
Debt securities issued	-	-	-	0%	
Subordinated Liabilities	-	-	-	0%	
<b>Total liabilities</b>	<b>1,985,153,603</b>	<b>1,985,516,429</b>	<b>(362,825)</b>		
<b>Equity</b>					
Share capital	800,100,000	800,100,000	-	0%	
Share premium	7,124,781	7,124,781	-	0%	
Retained earnings	(19,917,519)	7,435,459	(27,352,978)	137%	Resulting change of all adjustments related to Statement of Profit or Loss and regulatory reserve
Reserves	67,808,699	43,329,258	24,479,441	36%	Change in profit changed the allocation to reserves along with change in fair value of investment
Total equity attributable to equity holders	855,115,961	857,989,498	(2,873,536)		
Non-controlling interest	-	-	-		
<b>Total equity</b>	<b>855,115,961</b>	<b>857,989,498</b>	<b>(2,873,536)</b>		
<b>Total liabilities and equity</b>	<b>2,840,269,564</b>	<b>2,843,505,926</b>	<b>(3,236,362)</b>		

Statement of Profit or Loss	As per Unaudited Financial Statements	As per Audited Financial Statements	Variance		Reasons for Variance
			In Amount	In %	
Interest income	227,540,965	234,491,607	(6,950,642)	-3%	Change in accrued interest on recalculation
Interest expense	128,065,036	128,065,036	-	0%	
<b>Net interest income</b>	<b>99,475,928</b>	<b>106,426,570</b>			
Fee and commission income	195,226	9,194,650	(8,999,425)	-4610%	Reclassification to Other operating income
Fee and commission expense	-	-	-	0%	
<b>Net fee and commission income</b>	<b>195,226</b>	<b>9,194,650</b>			
Net interest, fee and commission income	99,671,154	115,621,221			
<b>Net trading income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0%</b>	

Statement of Profit or Loss	As per Unaudited Financial Statements	As per Audited Financial Statements	Variance		Reasons for Variance
			In Amount	In %	
Other operating income	8,999,425	12,175	8,987,250	100%	Reclassification from fee & commission income
Total operating income	8,999,425	115,633,396			
Impairment charge/(reversal) for loans and other losses	37,627,190	43,163,047	(5,535,857)	-15%	Change in impairment based on new NRB circular
Net operating income	71,043,389	72,470,349			
<b>Operating expense</b>					
Personnel expenses	32,625,025	32,861,881	(236,857)	-1%	Finalized calculation of gratuity and bonus
Other operating expenses	30,381,857	31,878,208	(1,496,351)	-5%	Correction on few other expenses
Depreciation & Amortisation	7,883,811	7,605,339	278,471	4%	Correction on calculation of depreciation
<b>Operating Profit</b>	<b>152,697</b>	<b>124,921</b>			
Non operating income	6,533	-	6,533	100%	Reclassification from other operating income
Non operating expense	-	-	-	0%	
Profit before income tax	159,230	124,921			
Income tax expense	-	-	-	0%	
Current Tax	47,769	(3,712,732)	3,760,501	7872%	Recomputation of tax liability
Deferred Tax Expenses/(Income)	-	(584,582)	584,582	0%	
Profit for the period	111,461	4,422,235			
Other comprehensive income	9,138,938	9,037,580	101,357	1%	Due to remeasurement of fair value of equity instruments
<b>Total comprehensive income</b>	<b>9,138,938</b>	<b>9,037,580</b>			
Distributable Profit	9,250,399	13,459,815			
Net profit/(loss) as per profit or loss	111,461	4,422,235			
Add/Less: Regulatory adjustment as per NRB Directive	32,536,010	7,079,133	25,456,877	78%	Excess figures was transferred to regulatory reserve in unaudited financials without considering interest received, tax effect and Bonus effect.
<b>Free profit/(loss) after regulatory adjustments</b>	<b>(32,424,549)</b>	<b>(2,656,898)</b>	<b>(29,767,651)</b>	<b>92%</b>	



**नेपाल राष्ट्र बैंक**  
**वित्त कम्पनी सुपरिवेक्षण विभाग**  
 गैर-स्थलगत सुपरिवेक्षण इकाई



केन्द्रीय कार्यालय  
 बालुवाटार, काठमाडौं  
 फोन : ४४१९८०४/४४१९२५०  
 फ्याक्स : ४४१२१५८  
 ईमेल : fsidreportsfc@nrb.org.np  
 Web : [www.nrb.org.np](http://www.nrb.org.np)  
 पोष्ट बक्स : ७३

पत्रसंख्या:- वि.कं.सु.वि./अफसाइट/एजिएम/०९/२०७७-७८/११११  
 प्रोग्रेसिभ फाइनेन्स लिमिटेड  
 तीनकुने, काठमाडौं

मिति २०७७/०९/०७

**विषय: वित्तीय विवरण प्रकाशन सम्बन्धमा ।**

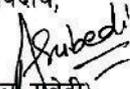
महाशय,

तहाँवाट पेश गरिएका वित्तीय विवरण तथा अन्य कागजातका आधारमा आयकर ऐन/नियमावली तथा अन्य प्रचलित कानुनी व्यवस्थाको पालना गर्ने गरी आ.व. २०७६/७७ को वार्षिक हिसाब वार्षिक साधारण सभामा स्वीकृतिको लागि पेश गरी सार्वजनिक गर्न देहायको निर्देशन सहित सहमति प्रदान गरिएको व्यहोरा निर्णयानुसार अनुरोध गर्दछु ।

१. यस बैंकले दिएका निर्देशन पालना गर्न तथा लेखापरीक्षण प्रतिवेदनमा उल्लेख गरिएका कैफियतहरु सुधार गर्न तथा त्यस्ता कैफियतहरु पुनः दोहोरिन नदिने व्यवस्था गर्नुहुन ।
२. नियमित रुपमा System Audit गर्ने व्यवस्था मिलाउनु हुन ।
३. सम्पत्ति शुद्धीकरण (मनी लाउण्डरिङ्ग) निवारण ऐन, २०६४(दोस्रो संशोधन, २०७०), सम्पत्ति शुद्धीकरण (मनी लाउण्डरिङ्ग) निवारण नियमावली, २०७३ तथा नेपाल राष्ट्र बैंकबाट जारी भएको एकीकृत निर्देशन तथा परिपत्रको व्यवस्थाहरुको पूर्ण पालना गर्न संचालक समिति र प्रमुख कार्यकारी अधिकृतको ध्यानाकर्षण गराइन्छ ।

उपर्युक्त निर्देशनलाई त्यस संस्थाको वार्षिक प्रतिवेदनको छुट्टै पानामा प्रकाशित गर्नु हुन अनुरोध गर्दछु ।

भवदीय,

  
 (अपिल सुबेदी)  
 सहायक निर्देशक



बोधार्थ :

१. नेपाल राष्ट्र बैंक बैंक तथा वित्तीय संस्था नियमन विभाग ।
२. वित्त कम्पनी सुपरिवेक्षण विभाग, प्रतिवेदन कार्यान्वयन इकाई, प्रोग्रेसिभ फाइनेन्स लि.



मिति: २०७७/०९/०८

**विषय: आ.व.०७६/०७७ को वार्षिक साधारण सभा गर्न स्वीकृति दिँदा औल्याएका कैफियत सम्बन्धमा ।**

महोदय,

त्यहाँबाट प.सं. वि.कं.सु.वि./अफसाइट/एजिएम/०९/२०७७-७८ को मिति २०७७/०९/०७ मा आर्थिक वर्ष २०७६/०७७ को वित्तीय विवरणहरु वार्षिक साधारण सभा प्रयोजनका लागि प्रकाशन गर्ने स्वीकृति सहितको पत्र प्राप्त भई व्यहोरा अवगत भयो । सो पत्रमा उल्लेखित कैफियतहरु तथा निर्देशनहरु पालना गर्न संस्था सदैव प्रतिबद्ध रहेको समेत निर्णयानुसार जानकारी गराउँदछौं । साथै संस्थाको मिति २०७७/०९/०७ गते बसेको संचालक समितिको ४५३ औं बैठकमा छलफल हुँदा तपशिल बमोजिम जवाफ तथा प्रतिक्रिया पठाउने निर्णय भएको हुँदा उक्त व्यहोरा जानकारीका लागि अनुरोध गर्दछौं ।

निर्देशन तथा कैफियतहरुका सम्बन्धमा प्रत्युत्तर :

१. त्यस बैकबाट प्राप्त निर्देशनहरुको पूर्ण पालना गर्न र लेखापरीक्षण प्रतिवेदनमा औल्याइएका कैफियतहरुलाई पुनः नदोहोरिने गरी सुधारलाई निरन्तरता दिनेछौं ।
२. नियमित रुपमा System Audit गर्ने व्यवस्था मिलाउन आवश्यक कार्य गर्नेछौं ।
३. प्राप्त निर्देशन अनुसार सम्पत्ती शुद्धिकरण (मनी लाउन्डरिङ) निवारण ऐन, २०६४ (दोस्रो संसोधन, २०७०), सम्पत्ति शुद्धिकरण (मनी लाउन्डरिङ) निवारण नियमावली, २०७३ तथा नेपाल राष्ट्र बैकबाट जारी भएको एकिकृत निर्देशन तथा परिपत्रका व्यवस्थाहरुको पूर्ण पालना गर्न संचालक समिति तथा प्रमुख कार्यकारी अधिकृत प्रतिबद्ध रहेको व्यहोरा जानकारी गराउँदछौं ।

भवदीय,

विशाल हुमागाई  
प्रमुख कार्यकारी अधिकृत

बोधार्थ

श्री नेपाल राष्ट्र बैंक,  
बैंक तथा वित्तीय संस्था नियमन विभाग





# PROGRESSIVE SME LOAN

साना तथा मझौला  
व्यवसाय कर्जा

## विशेषताहरू

- साना तथा मझौला व्यवसाय अन्तरगतका उत्पादनमूलक, सेवामूलक वा आयात निर्यात सम्बन्धी कारोबार गरिरहेका वा नयाँ व्यवसाय संचालन गर्न इच्छुक नेपाली नागरिकलाई यस्तो कर्जा प्रदान गर्न सकिने ।
- कर्जाको न्यूनतम सीमा रु. २ लाख देखि अधिकतम सीमा ५ करोडसम्म हुनेछ ।
- कर्जा अवधि चालू पूँजी कर्जाको हकमा १ वर्ष हुनेछ भने आवधिक कर्जाको हकमा १० वर्षसम्म हुनेछ ।
- व्यवसाय वृद्धिका निमित्त आवश्यक परामर्श तथा व्यवसायिक योजनाका लागि आवश्यक सहयोग निःशुल्क उपलब्ध गराइने ।
- छिटो तथा सरल कर्जा प्रक्रिया - आवश्यक कागजात् पेश गरेको ३ कार्यदिन भित्र कर्जा स्वीकृत गरिने ।

सामान्यतया  
**बेस रेट + 8%**  
**सम्म प्रिमियम थप**  
(बजार दर अनुसार परिवर्तनशिल)  
तर सिमित अवधिको लागि  
**व्याजदर ९.५३%**  
हुने

उत्पादन बढाउँ स्वरोजगार भई गरौँ आर्थिक उन्नति  
लगानी तथा योजनाका लागि प्रोग्रेसिभ नै हो साथी

## प्रोग्रेसिभ फाइनेन्स लि.

केन्द्रीय कार्यालय, तीनकुने, काठमाण्डौं । फोन नं. ०१-५१९९६४/६५/६७

## शाखाहरू

मुख्य शाखा, पाको न्युरोड ०१-४२४९२४४/४२४६४०३ । बनेपा शाखा ०१९६९१९९ । पोखरा शाखा ०६९५२८९९१/२२ । सबैला शाखा ९८९०५५२९५३  
छिरेश्वरनाथ शाखा ९८५४०२४८७४ । मलझुवा शाखा ०४६-५२९८३३ । पाटन सुनधारा शाखा ०१-५५५४४३६/३८  
हेटौंडा शाखा ०५७-५९०६३६/६५४ । इटहरी शाखा ०२-५५९०९६६/९७७ । भरतपुर शाखा ०५६५७०८०८

# Branches and Counters



Corporate Office



Pulchowk Counter



Banepa Branch



New Road Branch



Pokhara Branch



Sabaila Branch



Hetauda Branch



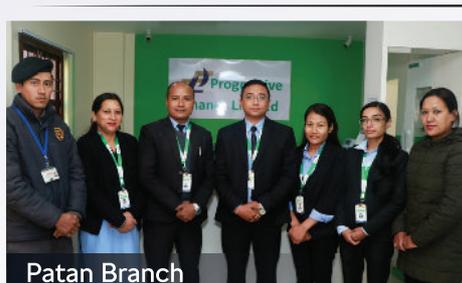
Itahari Branch



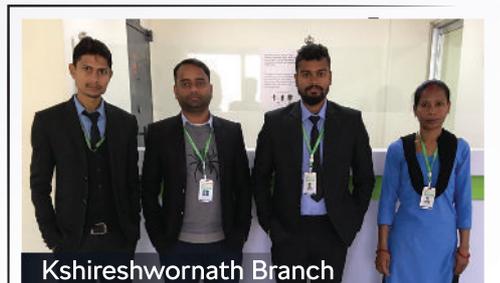
Bharatpur Branch



Malangawa Branch



Patan Branch



Kshreshwornath Branch



Thimi Counter



Tinkune Counter



Mahalaxmishthan Counter

# OUR SERVICES



## BUSINESS LOAN

## SAVINGS

1. Fixed Deposit
2. Senior Citizen
3. Farmer/Labour/Single Person
4. Other Savings
5. Call/Current Account



## HIRE PURCHASE LOAN

(Personal & Business Use)

Purchase of Vehicle,  
Home & Office Equipment



## HOME LOAN

Building Construction  
(Personal & Business Use)

Land Purchase  
(Personal & Business Use)

Building Repair/Renovation



## SOCIAL LOAN

(Personal & Business Use)

Social & Medical  
Utility



## INDUSTRIAL LOAN

(Fixed & Current Capital)



## MARGINALISED GROUP LOAN



## OTHER LOANS

(Share & Stock Security)

## OUR REMITTANCE SERVICES:



## Corporate Office

📍 Tinkune, Kathmandu-32

☎ 01-5199664, 5199665, 5199667

📠 P.O.Box-10390 📠 Fax No. - 5199668